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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2017

Commission File Number 001-33805

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

Delaware	26-0354783
(State of Incorporation)	(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

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 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,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☑		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐
			Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of October 30, 2017 , there were 185,436,163 Class A Shares and 339,339,478 Class B Shares outstanding.

OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC

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Defined Terms

2007 Offerings	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
active executive managing directors	Executive managing directors who remain active in our business
Annual Report	Our annual report on Form 10-K for the year ended December 31, 2016, dated March 1, 2017 and filed with the SEC
Class A Shares	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
Class B Shares	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
CLOs	Collateralized loan obligations
Exchange Act	Securities Exchange Act of 1934, as amended
executive managing directors	The current limited partners of the Oz Operating Group entities 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 the business of the Company
funds	The multi-strategy, opportunistic credit, real estate and equity funds, Institutional Credit Strategies products and other alternative investment vehicles for which we provide asset management services
GAAP	U.S. generally accepted accounting principles
Group A Units	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
Group B Units	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
Group D Units	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
Group P Units	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
Institutional Credit Strategies	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
intermediate holding companies	Refers collectively to Oz Corp and Oz Holding, both of which are wholly owned subsidiaries of Och-Ziff Capital Management Group LLC

IPO	Our initial public offering of 36.0 million Class A Shares that occurred in November 2007
NYSE	New York Stock Exchange
the Company, the firm, we, us, our	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
Oz Corp	Och-Ziff Holding Corporation, a Delaware corporation
Oz Holding	Och-Ziff Holding LLC, a Delaware limited liability company
Oz Operating Group	Refers collectively to the Oz Operating Partnerships and their consolidated subsidiaries
Oz Operating Partnerships	Refers collectively to OZ Management LP, OZ Advisors LP and OZ Advisors II LP
Partner Equity Units	Refers collectively to the Group A Units and Group P Units.
Preferred Units	One Class A cumulative preferred unit in each of the Oz Operating Group entities collectively represents one “Preferred Unit.” Certain of our executive managing directors collectively own 100% of the Preferred Units
Registrant	Och-Ziff Capital Management Group LLC, a Delaware limited liability company
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Special Investments	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
Ziffs	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*) 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. 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) 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 "Part I — Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," which we refer to as the "MD&A," "Part I — Item 3. Quantitative and Qualitative Disclosures About Market Risk," "Part II — Item 1A. Risk Factors" and elsewhere in this quarterly 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 involving us; the consequences of the Foreign Corrupt Practices Act 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 fund 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 our Annual Report.

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 – FINANCIAL INFORMATION

Item 1. Financial Statements

OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC

CONSOLIDATED BALANCE SHEETS — UNAUDITED

	September 30, 2017	December 31, 2016
	(dollars in thousands)	
Assets		
Cash and cash equivalents	$ 317,917	$ 329,813
Investments (includes assets measured at fair value of $289,525 and $21,341 as of September 30, 2017 and December 31, 2016, respectively)	304,648	37,980
Income and fees receivable	77,847	176,638
Due from related parties	22,802	20,494
Deferred income tax assets	683,152	695,441
Other assets, net	83,517	169,984
Assets of consolidated funds:		
Investments of consolidated funds, at fair value	41,074	37,661
Other assets of consolidated funds	12,416	17,544
Total Assets	**$ 1,543,373**	**$ 1,485,555**
Liabilities and Shareholders' (Deficit) Equity		
Liabilities		
Compensation payable	$ 53,143	$ 206,106
Due to related parties	521,948	522,101
Debt obligations	541,016	577,128
Other liabilities (includes liabilities measured at fair value of $0 and $8,204 as of September 30, 2017 and December 31, 2016, respectively)	180,443	174,994
Liabilities of consolidated funds:		
Other liabilities of consolidated funds	8,965	15,197
Total Liabilities	**1,305,515**	**1,495,526**
Commitments and Contingencies (Note 15)		
Redeemable Noncontrolling Interests (Note 3)	**445,142**	**284,121**
Shareholders' (Deficit) Equity		
Class A Shares, no par value, 1,000,000,000 shares authorized, 185,312,439 and 184,843,255 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	—	—
Class B Shares, no par value, 750,000,000 shares authorized, 339,339,478 and 297,317,019 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	—	—
Paid-in capital	3,087,247	3,097,431
Accumulated deficit	(3,558,633)	(3,563,452)
Shareholders' deficit attributable to Class A Shareholders	(471,386)	(466,021)
Shareholders' equity attributable to noncontrolling interests	264,102	171,929
Total Shareholders' (Deficit) Equity	**(207,284)**	**(294,092)**
Total Liabilities, Redeemable Noncontrolling Interests and Shareholders' (Deficit) Equity	**$ 1,543,373**	**$ 1,485,555**

See notes to consolidated financial statements.

OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) — UNAUDITED

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Revenues				
Management fees	$ 77,171	$ 128,513	$ 243,508	$ 428,822
Incentive income	51,249	18,754	168,990	57,477
Other revenues	1,524	380	4,081	1,544
Income of consolidated funds	2,055	458	3,518	1,262
Total Revenues	**131,999**	**148,105**	**420,097**	**489,105**
Expenses				
Compensation and benefits	74,490	57,758	214,112	169,762
Interest expense	5,611	6,129	17,043	17,452
General, administrative and other	33,136	56,125	114,229	596,321
Expenses of consolidated funds	8,824	17	9,368	316
Total Expenses	**122,061**	**120,029**	**354,752**	**783,851**
Other Income				
Changes in tax receivable agreement liability	—	11,819	—	11,990
Net gains on investments in funds and joint ventures	264	803	1,050	1,302
Net gains of consolidated funds	7,658	821	8,278	2,182
Total Other Income	**7,922**	**13,443**	**9,328**	**15,474**
Income (Loss) Before Income Taxes	**17,860**	**41,519**	**74,673**	**(279,272)**
Income taxes	1,942	9,986	17,242	39,436
Consolidated and Comprehensive Net Income (Loss)	**15,918**	**31,533**	**57,431**	**(318,708)**
Less: (Income) loss attributable to noncontrolling interests	(9,760)	(16,570)	(41,680)	186,867
Less: Income attributable to redeemable noncontrolling interests	(432)	(678)	(1,238)	(1,801)
Net Income (Loss) Attributable to Och-Ziff Capital Management Group LLC	**5,726**	**14,285**	**14,513**	**(133,642)**
Less: Change in redemption value of Preferred Units	—	—	(2,853)	—
Net Income (Loss) Attributable to Class A Shareholders	**$ 5,726**	**$ 14,285**	**$ 11,660**	**$ (133,642)**
Earnings (Loss) per Class A Share				
Income (Loss) per Class A Share - basic	$ 0.03	$ 0.08	$ 0.06	$ (0.73)
Income (Loss) per Class A Share - diluted	$ 0.03	$ 0.05	$ 0.06	$ (0.75)
Weighted-average Class A Shares outstanding - basic	186,235,651	182,521,225	186,201,389	182,508,296
Weighted-average Class A Shares outstanding - diluted	186,235,651	479,838,244	186,201,389	479,825,416
Dividends Paid per Class A Share	**$ 0.02**	**$ —**	**$ 0.05**	**$ —**

See notes to consolidated financial statements.

OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT) — UNAUDITED

	Och-Ziff Capital Management Group LLC						
	Number of Class A Shares	Number of Class B Shares	Paid-in Capital	Accumulated Deficit	Shareholders' Deficit Attributable to Class A Shareholders	Shareholders' Equity Attributable to Noncontrolling Interests	Total Shareholders' Equity (Deficit)
	(dollars in thousands)						
As of December 31, 2016	**184,843,255**	**297,317,019**	**$ 3,097,431**	**$ (3,563,452)**	**$ (466,021)**	**$ 171,929**	**$ (294,092)**
Capital contributions	—	—	—	—	—	783	783
Capital distributions	—	—	—	—	—	(16,317)	(16,317)
Cash dividends declared on Class A Shares	—	—	—	(9,256)	(9,256)	—	(9,256)
Equity-based compensation, net of taxes	469,184	172,459	25,716	—	25,716	37,135	62,851
Dividend equivalents on Class A restricted share units	—	—	438	(438)	—	—	—
Relinquishment of Group A Units (Note 3)	—	(30,000,000)	—	—	—	—	—
Class B Shares granted to holders of Group P Units (Note 3)	—	71,850,000	—	—	—	—	—
Impact of changes in Oz Operating Group ownership (Note 3)	—	—	(12,266)	—	(12,266)	12,266	—
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	—	—	—	14,513	14,513	41,680	56,193
As of September 30, 2017	**185,312,439**	**339,339,478**	**$ 3,087,247**	**$ (3,558,633)**	**$ (471,386)**	**$ 264,102**	**$ (207,284)**

See notes to consolidated financial statements.

OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED

	Nine Months Ended September 30,	
	2017	2016
	(dollars in thousands)	
Cash Flows from Operating Activities		
Consolidated net income (loss)	$ 57,431	$ (318,708)
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Amortization of equity-based compensation	63,696	56,311
Depreciation, amortization and net gains and losses on fixed assets	7,693	14,947
Deferred income taxes	12,395	31,038
Net gains on investments in funds and joint ventures	(1,050)	(1,302)
Operating cash flows due to changes in:		
Income and fees receivable	98,791	77,760
Due from related parties	(2,308)	(9,888)
Other assets, net	27,175	9,762
Due to related parties	(153)	(12,133)
Compensation payable	(152,838)	(153,875)
Other liabilities	5,286	398,686
Consolidated funds related items:		
Net gains of consolidated funds	(8,278)	(2,182)
Purchases of investments	(383,184)	(185,940)
Proceeds from sale of investments	146,907	175,131
Other assets of consolidated funds	(306,453)	9,078
Other liabilities of consolidated funds	78,044	558
Net Cash (Used in) Provided by Operating Activities	**(356,846)**	**89,243**
Cash Flows from Investing Activities		
Purchases of fixed assets	(3,857)	(7,559)
Proceeds from sale of fixed assets (Note 7)	57,599	—
Purchases of United States government obligations	(112,400)	(29,915)
Maturities of United States government obligations	—	18,500
Investments in funds	(132,102)	(12,734)
Return of investments in funds	4,310	1,493
Other, net	—	(17)
Net Cash Used in Investing Activities	**(186,450)**	**(30,232)**

OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS — (continued)

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
	(dollars in thousands)	
Cash Flows from Financing Activities		
Issuance and sale of Preferred Units, net of issuance costs	150,054	—
Contributions from noncontrolling and redeemable noncontrolling interests	3,066	2,551
Distributions to noncontrolling and redeemable noncontrolling interests	(16,317)	(225)
Dividends on Class A Shares	(9,256)	—
Proceeds from debt obligations	127,864	120,000
Repayment of debt obligations	(167,319)	(2,738)
Proceeds from debt obligations of consolidated CLO	666,712	—
Repayment of debt obligations of consolidated CLO	(222,434)	—
Withholding taxes paid on vested RSUs	(840)	(2,340)
Other, net	(130)	141
Net Cash Provided by Financing Activities	**531,400**	**117,389**
Net Change in Cash and Cash Equivalents	(11,896)	176,400
Cash and Cash Equivalents, Beginning of Period	329,813	254,070
Cash and Cash Equivalents, End of Period	**$ 317,917**	**$ 430,470**
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period:		
Interest	$ 11,199	$ 10,374
Income taxes	$ 3,196	$ 10,563
Non-cash transactions:		
Assets related to the initial consolidation of CLO	$ 100,156	$ —
Liabilities related to the initial consolidation of CLO	$ 99,878	$ —
Assets related to the deconsolidation of CLO	$ 653,629	$ —
Liabilities related to the deconsolidation of CLO	$ 629,282	$ —
Increase in paid in capital as a result of waiver of payments under tax receivable agreement (Note 15)	$ —	$ 54,112

See notes to consolidated financial statements.

1. OVERVIEW

Och-Ziff Capital Management Group LLC (the “Registrant”), a Delaware limited liability company, together with its consolidated subsidiaries (collectively, the “Company”), 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 its 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 the 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. T he 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 under GAAP.

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 (collectively, the “Oz Operating Partnerships,” and collectively with their consolidated subsidiaries, the “Oz Operating Group”). References to the Company’s “executive managing directors” refer to the current limited partners of the Oz Operating Partnerships 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, both of which are wholly owned subsidiaries of the Registrant.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These unaudited, interim, consolidated financial statements are prepared in accordance with GAAP as set forth in the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”), and should be read in conjunction with the audited consolidated financial statements included in the Company’s annual report on Form 10-K for the year ended December 31, 2016 (the “Annual Report”). In the opinion of management, all adjustments considered necessary for a fair presentation of the Company’s unaudited, interim, consolidated financial statements have been included and are of a normal and recurring nature. The results of operations presented for the interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year, primarily because of the majority of incentive income and actual amounts of discretionary cash bonuses being recorded in the fourth quarter each year. All significant intercompany transactions and balances have been eliminated in consolidation.

Interim Accrual of Annual Discretionary Cash Bonus

In the first quarter of 2017, the Company decided to provide a minimum annual discretionary cash bonus. As a result of this decision, the Company accrues 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, as the total discretionary cash bonus is dependent upon a variety of factors, including fund performance for the year.

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. 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.

Recently Adopted Accounting Pronouncements

In March 2016, the FASB issued Accounting Standards Update ("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 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 nine months ended September 30, 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 throughout the ASC. 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 is in the process of implementing the new revenue guidance and is continuing to evaluate the effect the ASU will have on its consolidated financial statements, including, whether the Company: (a) will be required to recognize incentive income earlier than as prescribed under current guidance, (b) should present certain revenue streams on a gross or net basis depending on whether it is identified as principal or agent in a transaction where the standard's core principle is one of control and not risks and rewards, as is the case with the current guidance, and (c) whether certain costs associated with business development and deal origination, which are currently recognized as an expense as incurred, should be initially deferred and subsequently recognized as an expense over a specified period. The ASU also introduces new qualitative and quantitative disclosure requirements and requires disaggregation of revenue information beyond that which is currently required, that will significantly impact the information presented in the notes to the Company's consolidated financial statements. The Company expects to adopt ASU 2014-09 using a modified retrospective application approach in the first quarter of 2018 .

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 17 of the Company's Annual Report 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.

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Group A Units	$ 9,500	$ 16,313	$ 41,145	$ (187,338)
Consolidated funds	—	—	—	262
Other	260	257	535	209
	$ 9,760	**$ 16,570**	**$ 41,680**	**$ (186,867)**

The following table presents the components of the shareholders' equity attributable to noncontrolling interests:

	September 30, 2017	December 31, 2016
	(dollars in thousands)	
Group A Units	$ 260,011	$ 166,521
Other	4,091	5,408
	$ 264,102	**$ 171,929**

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:

	Nine Months Ended September 30, 2017		
	Consolidated Funds	Preferred Units	Total
	(dollars in thousands)		
Beginning balance	$ 21,621	$ 262,500	$ 284,121
Change in redemption value of Preferred Units	—	7,446	7,446
Preferred Units issuance, net of issuance costs	—	150,054	150,054
Capital contributions	2,283	—	2,283
Comprehensive income	1,238	—	1,238
Ending Balance	**$ 25,142**	**$ 420,000**	**$ 445,142**

Oz Operating Group Ownership

The Company's equity interest in the Oz Operating Group increased to 40.9% as of September 30, 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 interest in the Oz Operating Group will decline when Group P Units begin to participate as described below.

Group P Units, 2017 Incentive Program and Limited Partnership Agreements Amendments

On February 13, 2017, the Company's board of directors approved the Och-Ziff Capital Management Group LLC 2017 Incentive Program (the "2017 Incentive Program"). Under the terms of the 2017 Incentive Program, the Company granted Group P Units (an "Incentive Award") to certain executive managing directors. One Class P common unit in each Oz Operating Partnership, collectively, is referred to as a "Group P Unit."

The Company granted 71.9 million Group P Units in March 2017, 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 requisite service period for these Incentive Awards was estimated to be 3.9 years at the time of the grant. As of September 30, 2017 , there were 71.9 million Group P Units outstanding and total unrecognized stock-based compensation expense related to unvested awards was $75.3 million .

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.

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.

On May 9, 2017, upon approval by the Company's shareholders of the amendment to the 2013 Incentive Plan, each holder of Group P Units received a number of Class B Shares equal to the number of Group P Units held. One Class B Share will be canceled for each Class A Share issued upon the exchange of a Group P Unit.

Relinquishment of Group A Units

Oz Corp and Oz Holding, as the general partners of the Oz Operating Partnerships, 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 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. 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.

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).

4. INVESTMENTS AND FAIR VALUE DISCLOSURES

The following table presents the components of the Company's investments as reported in the consolidated balance sheets:

	September 30, 2017	December 31, 2016
	(dollars in thousands)	
United States government obligations, at fair value (1)	$ 112,722	$ —
CLOs, at fair value	176,803	21,341
Other funds and joint ventures, equity method	15,123	16,639
Total Investments	**$ 304,648**	**$ 37,980**

(1) Held by the Oz Operating Group and of which $99.8 million mature on December 21, 2017 and $12.9 million mature 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.

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 including assets and liabilities measured at fair value on a recurring basis within the fair value hierarchy as of September 30, 2017 :

	As of September 30, 2017			
	Level I	Level II	Level III	Total
	(dollars in thousands)			
Assets, at Fair Value				
Included within investments:				
United States government obligations	$ 112,722	$ —	$ —	$ 112,722
CLOs (1)	$ —	$ —	$ 176,803	$ 176,803
Investments of consolidated funds:				
Bank debt	$ —	$ 17,737	$ 23,337	$ 41,074

(1) As of September 30, 2017 , investments in CLOs had contractual principal amounts of $176.6 million outstanding.

The following table summarizes assets and liabilities 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)			
Assets, at Fair Value				
Included within cash and cash equivalents:				
United States government obligations	$ 139,974	$ —	$ —	$ 139,974
Included within investments:				
CLOs (1)	$ —	$ —	$ 21,341	$ 21,341
Investments of consolidated funds:				
Bank debt	$ —	$ 19,534	$ 18,127	$ 37,661
Liabilities, at Fair Value				
Included within other liabilities:				
Obligation to deliver loans subject to forward sale agreement included within other liabilities	$ —	$ 8,204	$ —	$ 8,204

(1) As of December 31, 2016 , investment in CLO had contractual principal amounts of $21.3 million outstanding.

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 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 tables summarize the changes in the Company's Level III assets and liabilities for the three months ended September 30, 2017 :

	June 30, 2017	Transfers In	Transfers Out	Investment Purchases	Investment Sales / Settlements	Gains / Losses	September 30, 2017
				(dollars in thousands)			
Assets, at Fair Value							
Included within investments:							
CLOs	$ 43,723	$ —	$ —	$ 132,685	$ —	$ 395	$ 176,803
Investments of consolidated funds:							
Bank debt	$ 39,338	$ 8,840	$ (21,900)	$ 30,470	$ (33,975)	$ 564	$ 23,337

The following tables summarize the changes in the Company's Level III assets for the three months ended September 30, 2016 :

	June 30, 2016	Transfers In	Transfers Out	Investment Purchases	Investment Sales / Settlements	Gains / Losses	September 30, 2016
				(dollars in thousands)			
Assets, at Fair Value							
Investments of consolidated funds:							
Bank debt	$ 8,868	$ —	$ (925)	$ 19,317	$ (11,325)	$ 315	$ 16,250

The following tables summarize the changes in the Company's Level III assets and liabilities for the nine months ended September 30, 2017 :

	December 31, 2016	Transfers In	Transfers Out	Investment Purchases	Investment Sales / Settlements	Gains / Losses	September 30, 2017
				(dollars in thousands)			
Assets, at Fair Value							
Included within investments:							
CLOs	$ 21,341	$ —	$ —	$ 152,885	$ —	$ 2,577	$ 176,803
Investments of consolidated funds:							
Bank debt	$ 18,127	$ 767	$ (17,311)	$ 87,611	$ (67,082)	$ 1,225	$ 23,337

The following table summarizes the changes in the Company's Level III assets for the nine months ended September 30, 2016 :

	December 31, 2015	Transfers In	Transfers Out	Investment Purchases	Investment Sales / Settlements	Gains / Losses	September 30, 2016
				(dollars in thousands)			
Assets, at Fair Value							
Investments of consolidated funds:							
Bank debt	$ 1,998,423	$ —	$ (466)	$ 66,545	$ (2,049,067)	$ 815	$ 16,250
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)	—	—
	$ 3,254,089	**$ —**	**$ (466)**	**$ 66,545**	**$ (3,304,733)**	**$ 815**	**$ 16,250**

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 assets and liabilities 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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Assets, at Fair Value				
Included within investments:				
CLOs	$ 178	$ —	$ 2,360	$ —
Investments of consolidated funds:				
Bank debt	$ 61	$ 242	$ 142	$ 322

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. For valuation methodologies of investments that were deconsolidated on January 1, 2016, please refer to the Company's Annual Report.

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 6 , 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 September 30, 2017 . The Senior Notes are categorized as Level II and the CLO Investments Loans (as defined in Note 9) 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

As of December 31, 2016 , the Company measured its aircraft held for sale at fair value, less cost to sell, and loans held for sale at fair value. See Note 7 for the carrying values of these assets. These non-recurring fair value measurements are categorized as Level III for the aircraft and Level II for the loans held for sale. 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 were supportive of transactions seen in recent sales for similar aircraft. The fair value for the loans held for sale was determined using independent pricing services. During the nine months ended September 30, 2017 , the Company sold its aircraft and loans held for sale.

5. TRANSFERS OF FINANCIAL ASSETS

Investments in CLOs and Related Transactions

During the nine months ended September 30, 2017 , the Company sold $45.6 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 September 30, 2017 and December 31, 2016 , the outstanding principal amount on the loans that have been sold to the CLOs was $61.0 million and $19.7 million , respectively. As of September 30, 2017 , there were no delinquencies or credit losses related to the loans sold.

The Company invests in senior secured and subordinated notes issued by 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 issues by each CLO) in order to comply with recently enacted risk retention rules in the U.S. and Europe. The retained interests are reported within investments on the Company's consolidated balance sheet (see Note 4). In the nine months ended September 30, 2017 and in the year ended December 31, 2016 , the Company made investments of $45.4 million and $21.5 million , respectively, related to these retained interests. As of September 30, 2017 and December 31, 2016 , the Company's investments in these retained interests had a fair value of $69.6 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 three and nine months ended September 30, 2017 , the Company received $474 thousand of interest payments 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.

6. VARIABLE INTEREST ENTITIES

In the ordinary course of business, the Company sponsors the formation of funds that are considered VIEs. See Note 2 of the Company's Annual Report 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 issued notes to investors and as a result the Company's interest in the CLO was limited to a 5% risk retention investment. 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.

The table below presents the assets and liabilities of VIEs consolidated by the Company:

	September 30, 2017	December 31, 2016
	(dollars in thousands)	
Assets		
Assets of consolidated funds:		
Investments of consolidated funds, at fair value	$ 41,074	$ 37,661
Other assets of consolidated funds	12,416	17,544
Total Assets	**$ 53,490**	**$ 55,205**
Liabilities		
Liabilities of consolidated funds:		
Other liabilities of consolidated funds	8,965	15,197
Total Liabilities	**$ 8,965**	**$ 15,197**

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, 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:

	September 30, 2017	December 31, 2016
	(dollars in thousands)	
Net assets of unconsolidated VIEs in which the Company has a variable interest	$ 7,177,884	$ 4,069,617
Maximum risk of loss as a result of the Company's involvement with VIEs:		
Unearned revenues	123,194	96,409
Income and fees receivable	6,811	13,074
Investments in funds	187,819	35,868
Maximum Exposure to Loss	**$ 317,824**	**$ 145,351**

7. OTHER ASSETS, NET

The following table presents the components of other assets, net as reported in the consolidated balance sheets:

	September 30, 2017	December 31, 2016
	(dollars in thousands)	
Fixed Assets:		
Leasehold improvements	$ 53,419	$ 54,414
Computer hardware and software	42,437	40,093
Furniture, fixtures and equipment	8,571	8,919
Corporate aircraft held for sale	—	56,251
Accumulated depreciation and amortization	(56,056)	(49,890)
Fixed assets, net	48,371	109,787
Goodwill	22,691	22,691
Prepaid expenses	9,415	12,753
Trades receivable for loans subject to forward sale agreement	—	10,391
Loans held for sale	—	8,204
Other	3,040	6,158
Total Other Assets, Net	**$ 83,517**	**$ 169,984**

During the first half of 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).

8. OTHER LIABILITIES

The following table presents the components of other liabilities as reported in the consolidated balance sheets:

	September 30, 2017	December 31, 2016
	(dollars in thousands)	
Unearned incentive income	$ 122,833	$ 96,079
Accrued expenses	28,232	30,728
Deferred rent credit	8,874	15,046
Interest payable	7,083	2,654
Loan trades payable	—	10,391
Obligation to deliver loans subject to forward sale agreement, at fair value	—	8,204
Other	13,421	11,892
Total Other Liabilities	**$ 180,443**	**$ 174,994**

9. DEBT OBLIGATIONS

As of September 30, 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”).

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 ("Och-Ziff 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 Och-Ziff 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 -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 . 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 Och-Ziff 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.

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 September 30, 2017 , the current rates for borrowings would be LIBOR plus 2.00% , and the undrawn commitment fee was 0.25% .

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 September 30, 2017 .

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 September 30, 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 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 includes terms that require the Company’s continued involvement with the CLOs.

The table below presents information related to CLO Investments Loans as of September 30, 2017 . 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 at such a time when the Company no longer holds a risk retention investment in the respective CLO.

Borrowing Date	Contractual Rate	Final Maturity Date	Carrying Value	
			September 2017	December 2016
			(dollars in thousands)	
December 15, 2016	EURIBOR plus 2.23%	December 15, 2023	$ 17,744	$ 15,801
June 7, 2017	LIBOR plus 1.48%	November 16, 2029	17,037	—
July 21, 2017	LIBOR plus 1.43%	January 22, 2029	21,671	—
August 2, 2017	LIBOR plus 1.41%	January 21, 2030	21,633	—
August 17, 2017	LIBOR plus 1.43%	April 30, 2030	22,890	—
September 14, 2017	LIBOR plus 1.41%	April 22, 2030	25,410	—
September 14, 2017	EURIBOR plus 2.21%	September 14, 2024	19,206	—
			$ 145,591	**$ 15,801**

10. 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 September 30, 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.

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.

11. INCOME TAXES

The computation of the effective tax rate and provision at each interim period requires the use of certain estimates and significant judgment including, but not limited to, the expected operating income for the year, projections of the proportion of income earned and taxed in foreign jurisdictions, permanent differences, and the likelihood of recovering deferred tax assets existing as of the balance sheet date. The estimates used to compute the provision for income taxes may change as new events occur, additional information is obtained or as tax laws and regulations change. Additionally, the amount of incentive income and discretionary cash bonuses recorded in any given quarter can have a significant impact on the Company's effective tax rate. Accordingly, the effective tax rate for interim periods is not indicative of the tax rate expected for a full year.

The Registrant and each of the Oz Operating Partnerships 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 tax rates in the United States and in foreign jurisdictions.

The provision for income taxes includes federal, state and local taxes in the United States and foreign taxes at an approximate effective tax rate of 10.9% and 24.1% for the three months ended September 30, 2017 and 2016 , respectively, and 23.1% and -14.1% for the nine months ended September 30, 2017 and 2016 , respectively. The reconciling items from the Company's statutory rate to the effective tax rate were driven primarily by the following: (i) a portion of the Company's consolidated net income is not subject to federal, state and local corporate income taxes in the United States, as these amounts are allocated to the executive managing directors on their Group A Units or to fund investors in the Company's consolidated funds (each of which is included within noncontrolling interests); (ii) a portion of the income earned by the Company is subject to the New York City unincorporated business tax; (iii) certain foreign subsidiaries are subject to foreign corporate income taxes; in addition, in the year-to-date period, the valuation allowance on the Company's foreign tax credits increased.

In accordance with GAAP, 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.

As of September 30, 2017 and December 31, 2016 , the Company had a liability for unrecognized tax benefits of $7.0 million . As of and for the three and nine months ended September 30, 2017 , the Company did not accrue interest or penalties related to uncertain tax positions. As of September 30, 2017 , the Company does not believe that there will be a significant change to the uncertain tax positions during the next 12 months. The Company's total unrecognized tax benefits that, if recognized, would affect its effective tax rate was $4.6 million as of September 30, 2017 .

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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Professional services	$ 9,414	$ 18,179	$ 31,170	$ 61,374
Occupancy and equipment	7,391	9,412	25,868	27,903
Information processing and communications	6,611	7,997	20,822	26,671
Recurring placement and related service fees	4,829	8,808	15,490	31,362
Insurance	1,843	3,999	5,727	12,030
Business development	644	2,458	5,614	10,916
Other expenses	2,404	7,456	9,538	13,964
	33,136	58,309	114,229	184,220
Settlements expense	—	(2,184)	—	412,101
Total General, Administrative and Other	**$ 33,136**	**$ 56,125**	**$ 114,229**	**$ 596,321**

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 three months ended September 30, 2017 and 2016 the Company included 1,011,588 and 1,060,924 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. For the nine months ended September 30, 2017 and 2016 the Company included 1,103,969 and 1,162,390 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 September 30, 2017 (see Note 3).

The following tables present the computation of basic and diluted earnings (loss) per Class A Share:

Three Months Ended September 30, 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	$ 5,726	186,235,651	$ 0.03	
Effect of dilutive securities:				
Group A Units	—	—		267,489,478
RSUs	—	—		22,538,548
Diluted	$ 5,726	186,235,651	$ 0.03	

Three Months Ended September 30, 2016	Net Income Attributable to Class A Shareholders	Weighted-Average Class A Shares Outstanding	Ea rnings Per Class A Share	Number of Antidilutive Units Excluded from Diluted Calculation
	(dollars in thousands, except per share amounts)			
Basic	$ 14,285	182,521,225	$ 0.08	
Effect of dilutive securities:				
Group A Units	9,782	297,317,019		—
RSUs	—	—		14,470,201
Diluted	$ 24,067	479,838,244	$ 0.05	

Nine Months Ended September 30, 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	$ 11,660	186,201,389	$ 0.06	
Effect of dilutive securities:				
Group A Units	—	—		273,923,088
RSUs	—	—		21,733,730
Diluted	$ 11,660	186,201,389	$ 0.06	

Nine Months Ended September 30, 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	$ (133,642)	182,508,296	$ (0.73)	
Effect of dilutive securities:				
Group A Units	(226,476)	297,317,120		—
RSUs	—	—		14,092,299
Diluted	$ (360,118)	479,825,416	$ (0.75)	

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 and the Ziffs under the tax receivable agreement, as discussed further in Note 15 .

Management Fees and Incentive Income Earned from the Funds

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 September 30, 2017 and 2016 , respectively, approximately $2.8 billion and $2.6 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 September 30, 2017 and 2016 , approximately 69% and 51% , respectively, of these affiliated assets under management were not charged management fees and were not subject to an incentive income calculation.

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Fees charged on investments held by related parties:				
Management fees	$ 2,703	$ 4,472	$ 8,037	$ 13,731
Incentive income	$ 141	$ 825	$ 2,476	$ 2,825

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. From time to time, certain executive managing directors used the aircraft for personal use. For the three months ended September 30, 2017 and 2016 , the Company charged no fees and $74 thousand , respectively, for personal use of the aircraft by certain executive managing directors. For the nine months ended September 30, 2017 and 2016 the Company charged $360 thousand and $669 thousand , 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 September 30, 2017 , the estimated future payment under the tax receivable agreement was $520.8 million , which is recorded in due to related parties on the consolidated balance sheets.

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 and Houston expiring on various dates through 2024 . The Company also has operating leases for other locations, as well as operating leases on computer hardware. 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 related lease commitments have not changed materially since December 31, 2016.

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.

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:

	Unearned Incentive Income
	(dollars in thousands)
Balance as of December 31, 2016	$ 96,079
Incentive income collected but subject to clawback	30,024
Incentive income recognized	(3,270)
Balance as of September 30, 2017	**$ 122,833**

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 $24.5 million to certain funds it manages. It expects to fund these commitments over the next five years. In addition, certain of the Company's executive managing directors, collectively, have capital commitments to funds managed by the Company of up to $39.9 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

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 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, and gains and losses on fixed assets, 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.
- Changes in the tax receivable agreement liability and gains and losses on investments in funds, as management does not consider these to be reflective of operating performance.
- 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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Oz Funds Segment:				
Economic Income Revenues	$ 119,390	$ 131,101	$ 380,999	$ 433,542
Economic Income	$ 49,768	$ 52,725	$ 157,891	$ (229,800)

Reconciliation of Oz Funds Segment Revenues to Consolidated Revenues

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Total consolidated revenues	$ 131,999	$ 148,105	$ 420,097	$ 489,105
Adjustment to management fees (1)	(4,827)	(8,808)	(15,488)	(31,362)
Adjustment to other revenues (2)	141	—	(1,117)	—
Other Operations revenues	(5,868)	(7,738)	(18,975)	(22,939)
Income of consolidated funds	(2,055)	(458)	(3,518)	(1,262)
Economic Income Revenues - Oz Funds Segment	**$ 119,390**	**$ 131,101**	**$ 380,999**	**$ 433,542**

(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 realized gains on sale of fixed assets.

Reconciliation of Oz Funds Segment Economic Income to Net Income (Loss) Attributable to Class A Shareholders

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Net Income (Loss) Attributable to Class A Shareholders—GAAP	**$ 5,726**	**$ 14,285**	**$ 11,660**	**$ (133,642)**
Change in redemption value of Preferred Units	—	—	2,853	—
Net Income (Loss) Attributable to Och-Ziff Capital Management Group LLC—GAAP	**$ 5,726**	**$ 14,285**	**$ 14,513**	**$ (133,642)**
Net income (loss) attributable to Group A Units	9,500	16,313	41,145	(187,338)
Equity-based compensation, net of RSUs settled in cash	22,128	18,298	63,566	56,311
Income taxes	1,942	9,986	17,242	39,436
Allocations to Group D Units	1,554	950	4,914	2,850
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	7,470	2,741	13,242	5,430
Changes in tax receivable agreement liability	—	(11,819)	—	(11,990)
Depreciation, amortization and net gains and losses on fixed assets	2,237	7,965	7,693	14,947
Other adjustments	(568)	(1,299)	(2,177)	(2,672)
Other Operations	(221)	(4,695)	(2,247)	(13,132)
Economic Income - Oz Funds Segment	**$ 49,768**	**$ 52,725**	**$ 157,891**	**$ (229,800)**

17. SUBSEQUENT EVENTS

Dividend

On November 2, 2017 , the Company announced a cash dividend of $0.02 per Class A Share. The dividend is payable on November 20, 2017 , to holders of record as of the close of business on November 13, 2017 .

Item 2 . 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 II—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 quarterly 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 $5.7 million for the third quarter of 2017 , compared to net income of $14.3 million for the third quarter of 2016 , and GAAP net income of $11.7 million for the first nine months of 2017 , compared to a net loss of $133.6 million for the first nine months of 2016 .

The quarter-to-date decrease in GAAP earnings was primarily due to lower management fees, partially offset by higher incentive income, lower taxes and lower general, administrative and other expenses. Higher bonus expenses also contributed to the decrease in our GAAP earnings, due to our decision to provide a minimum annual discretionary cash bonus. As a result of this decision, we 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, as the total discretionary cash bonus is dependent upon a variety of factors, including fund performance for the year.

The year-to-date improvement in GAAP earnings was primarily due to investigation-related settlements expense of $412.1 million taken in 2016, as well as higher incentive income and lower income taxes year-over-year, partially offset by lower management fees. These improvements were also partially offset by higher bonus expense, which was driven by our decision to provide a minimum annual discretionary cash bonus, as discussed above.

We reported Economic Income of $50.0 million for the third quarter of 2017 , compared to $57.4 million for the third quarter of 2016 . The quarter-to-date decrease was driven primarily by lower management fees and higher bonus expense due to our decision to provide a minimum annual discretionary cash bonus as discussed above. These decreases were partially offset by higher incentive income and lower non-compensation expenses.

We reported Economic Income of $160.1 million for the first nine months of 2017 , compared to a net loss of $216.7 million for the first nine months of 2016 . The year-to-date period improvement was driven primarily by the settlements expense taken in 2016, as well as higher incentive income. These increases 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 $32.7 billion as of September 30, 2017 . Longer-dated assets under management, which are those subject to initial commitment periods of three years or longer, were $16.8 billion , comprising 51% of our total assets under management as of September 30, 2017 .

Assets under management in our multi-strategy funds totaled $14.6 billion as of September 30, 2017 , decreasing 37% , or $8.8 billion , year-over-year. This change was driven by net capital outflows of $10.9 billion , primarily in the OZ Master Fund, our largest multi-strategy fund, partially offset by performance-related appreciation of $2.2 billion . Our multi-strategy funds experienced elevated redemptions and reduced inflows during 2016 and into the first nine months of 2017 which were driven in-part by the investigation matter and the related inability to rely on Regulation D.

OZ Master Fund generated a gross return of 13.6% and a net return of 9.7% year-to-date through September 30, 2017 . Each of the five core investment strategies in the multi-strategy funds - long/short equity special situations, merger arbitrage, corporate credit, structured credit and convertible and derivative arbitrage - generated positive returns this period. 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 $14.9 billion as of September 30, 2017 , increasing $2.3 billion , or 19% , year-over-year. This change was driven by capital net inflows of $1.9 billion and performance-related appreciation of $656.3 million , partially offset by $226.2 million of distributions and other reductions in our closed-end opportunistic credit funds.

Assets under management in our opportunistic credit funds were $5.4 billion as of September 30, 2017 . OZ Credit Opportunities Master Fund, our global opportunistic credit fund, generated a gross return of 11.8% and a net return of 8.0% year-to-date through September 30, 2017 . Performance was broad based across corporate and structured credit. Assets under management for the fund were $1.7 billion as of September 30, 2017 .

Assets under management in Institutional Credit Strategies were $9.5 billion as of September 30, 2017 , increasing $2.2 billion , or 30% , year-over-year. The increase was primarily driven by five new CLOs , including our first European CLOs . We also priced eight refinancing transactions in existing CLOs, totaling $4.2 billion during the first nine months of 2017.

Assets under management in our real estate funds totaled $2.6 billion as of September 30, 2017 , increasing $452.7 million year-over-year. Since inception through September 30, 2017 , the gross internal rate of return ("IRR") was 32.7% and 21.2% 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 we believe this trend will likely continue to some extent for some period of time in light of the recently settled investigation matter and the related inability to rely on Regulation D.

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 September 30, 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 69% 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.

	Three Months Ended September 30, 2017				
	June 30, 2017	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	September 30, 2017
	(dollars in thousands)				
Multi-strategy funds	$ 16,091,042	$ (1,810,922)	$ —	$ 345,756	$ 14,625,876
Credit					
Opportunistic credit funds	5,341,522	(9,969)	(16,510)	119,655	5,434,698
Institutional Credit Strategies	8,514,811	924,089	—	14,473	9,453,373
Real estate funds	2,617,832	8,079	(28,344)	(43)	2,597,524
Other	632,452	(31,573)	(1,078)	3,903	603,704
Total	**$ 33,197,659**	**$ (920,296)**	**$ (45,932)**	**$ 483,744**	**$ 32,715,175**

	Three Months Ended September 30, 2016				
	June 30, 2016	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	September 30, 2016
	(dollars in thousands)				
Multi-strategy funds	$ 26,094,394	$ (3,452,066)	$ —	$ 735,076	$ 23,377,404
Credit					
Opportunistic credit funds	5,192,756	(11,375)	(206,973)	301,937	5,276,345
Institutional Credit Strategies	7,245,508	15,432	—	4,871	7,265,811
Real estate funds	2,213,821	8,494	(76,620)	(838)	2,144,857
Other	1,233,959	20,895	(50,284)	34,794	1,239,364
Total	**$ 41,980,438**	**$ (3,418,620)**	**$ (333,877)**	**$ 1,075,840**	**$ 39,303,781**

	Nine Months Ended September 30, 2017				
	December 31, 2016	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	September 30, 2017
	(dollars in thousands)				
Multi-strategy funds	$ 21,084,548	$ (8,175,198)	$ —	$ 1,716,526	$ 14,625,876
Credit					
Opportunistic credit funds	5,376,080	(249,550)	(36,279)	344,447	5,434,698
Institutional Credit Strategies	8,019,510	1,437,740	—	(3,877)	9,453,373
Real estate funds	2,213,364	459,476	(75,943)	627	2,597,524
Other	1,186,801	(597,581)	(31,094)	45,578	603,704
Total	**$ 37,880,303**	**$ (7,125,113)**	**$ (143,316)**	**$ 2,103,301**	**$ 32,715,175**

	Nine Months Ended September 30, 2016				
	December 31, 2015	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	September 30, 2016
	(dollars in thousands)				
Multi-strategy funds	$ 29,510,248	$ (6,213,273)	$ —	$ 80,429	$ 23,377,404
Credit					
Opportunistic credit funds	5,383,629	(54,727)	(495,373)	442,816	5,276,345
Institutional Credit Strategies	7,241,680	29,608	—	(5,477)	7,265,811
Real estate funds	2,048,559	239,489	(137,985)	(5,206)	2,144,857
Other	1,310,745	(553)	(50,284)	(20,544)	1,239,364
Total	**$ 45,494,861**	**$ (5,999,456)**	**$ (683,642)**	**$ 492,018**	**$ 39,303,781**

In the nine months ended September 30, 2017 , our funds experienced performance-related appreciation of $2.1 billion and net outflows of $7.1 billion , which was comprised of $2.2 billion of gross inflows and $9.3 billion of gross outflows due to redemptions. We also had $143.3 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 2016 and 2017 as a result of the investigation matter and the related inability to rely on Regulation D. In the first nine months of 2017 , excluding CLOs, our largest source of gross inflows was from corporate, institutional and other, while pensions and private banks were our largest sources of gross outflows. Our assets under management were $31.8 billion as of October 1, 2017 , as capital net outflows continued to decrease.

In the nine months ended September 30, 2016, our funds experienced performance-related appreciation of $492.0 million and net outflows of $6.0 billion, which was comprised of $732.6 million of gross inflows and $6.7 billion of gross outflows due to redemptions. We also had $683.6 million in distributions and other reductions, which were primarily related to investors in our closed-end opportunistic credit and real estate funds. 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 the first nine months of 2016.

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 third 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Weighted-average assets under management	$ 32,032,309	$ 38,794,212	$ 32,532,857	$ 41,640,771
Average management fee rates	0.90%	1.23%	0.94%	1.27%

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 third quarter of 2017 , our multi-strategy funds had an average management fee rate of 1.25% .

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.

	Assets Under Management as of September 30,		Returns for the Nine Months Ended September 30,				Annualized Returns Since Inception Through September 30, 2017	
			2017		2016			
	2017	2016	Gross	Net	Gross	Net	Gross	Net
Fund	(dollars in thousands)							
OZ Master Fund (1)	$ 12,133,186	$ 19,777,558	13.6%	9.7%	2.7 %	1.1 %	16.9% (1)	11.9% (1)
OZ Asia Master Fund	702,375	1,018,175	23.1%	18.1%	-2.1 %	-3.4 %	10.2%	6.1%
OZ Europe Master Fund	260,525	467,741	7.5%	4.8%	2.5 %	1.2 %	11.6%	7.6%
OZ Enhanced Master Fund	654,062	824,597	22.9%	16.8%	4.0 %	2.3 %	15.0%	10.2%
Other funds	875,728	1,289,333	n/m	n/m	n/m	n/m	n/m	n/m
	$ 14,625,876	**$ 23,377,404**						

n/m not meaningful

(1) The annualized returns since inception are those of the Och-Ziff 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 September 30, 2017 , the gross and net annualized returns since the OZ Master Fund’s inception on January 1, 1998 were 13.2% and 8.9% , respectively.

The $8.8 billion , or 37% , year-over-year decrease in assets under management in our multi-strategy funds was primarily due to capital net outflows of $10.9 billion , primarily from the OZ Master Fund, our largest multi-strategy fund, partially offset by performance-related appreciation of $2.2 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 redemption rate has continued to decrease since the previous several quarters. In the first nine months of 2017 , the largest sources of gross outflows from our multi-strategy funds were attributable to pensions and private banks.

For the first nine months of 2017 , the OZ Master Fund generated a gross return of 13.6% and a net return of 9.7% . Each of the five core investment strategies in the multi-strategy funds - long/short equity special situations, merger arbitrage, corporate credit, structured credit and convertible and derivative arbitrage - generated positive returns this period. Long/short equity special situations and merger arbitrage had a solid first nine months, achieving gains across all three geographies, and combined have contributed 9.2% gross year-to-date. The fund’s global credit business also had a strong first nine months, achieving gains in both structured and corporate credit across geographies, contributing 3.1% gross year-to-date.

For the first nine months of 2016, the OZ Master Fund generated a gross return of 2.7% and a net return of 1.1% . On a gross basis, performance-related depreciation in long/short equity special situations was more than offset by strong positive performance in merger arbitrage, convertible and derivative arbitrage and credit-related strategies.

Credit

	Assets Under Management as of September 30,	
	2017	2016
	(dollars in thousands)	
Opportunistic credit funds	$ 5,434,698	$ 5,276,345
Institutional Credit Strategies	9,453,373	7,265,811
	$ 14,888,071	**$ 12,542,156**

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 0.50% to 1.75% of the net asset value of these funds. For the third quarter of 2017 , our opportunistic credit funds had an average management fee rate of 0.84% .

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.

	Assets Under Management as of September 30,		Returns for the Nine Months Ended September 30,				Annualized Returns Since Inception Through September 30, 2017	
	2017	2016	2017		2016			
			Gross	Net	Gross	Net	Gross	Net
Fund	(dollars in thousands)							
OZ Credit Opportunities Master Fund	$ 1,739,676	$ 1,728,712	11.8%	8.0%	13.1%	11.4%	17.3%	12.8%
Customized Credit Focused Platform	2,918,757	2,630,186	9.4%	7.0%	15.6%	11.8%	19.4%	14.7%
Closed-end opportunistic credit funds	308,278	458,102	See below for return information on our closed-end opportunistic credit funds.					
Other funds	467,987	459,345	n/m	n/m	n/m	n/m	n/m	n/m
	$ 5,434,698	**$ 5,276,345**						

n/m not meaningful

Assets under management in our opportunistic credit funds increase d by $158.4 million , or 3% , year-over-year. This change was driven by $661.0 million of performance-related appreciation , partially offset by $226.2 million of distributions and $276.4 million of net outflows.

For the first nine months of 2017 , the OZ Credit Opportunities Master Fund, our global opportunistic credit fund, generated a gross return of 11.8% and a net return of 8.0% . Performance was broad based across corporate and structured credit. For the first nine months of 2016, OZ Credit Opportunities Master Fund, our global opportunistic credit fund, generated a gross return of 13.1% and a net return of 11.4% . On a gross basis, performance was driven by the fund's U.S. portfolio.

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 5% to 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 credit funds, such amounts are generally not subject to clawback, and are therefore recognized as revenue by us when collected. The investment periods for these funds may generally be extended for an additional one to two years.

	Assets Under Management as of September 30,		Inception to Date as of September 30, 2017				
					IRR		
Fund (Investment Period)	**2017**	**2016**	**Total Commitments**	**Total Invested Capital (1)**	**Gross (2)**	**Net (3)**	**Gross MOIC (4)**
	(dollars in thousands)						
OZ European Credit Opportunities Fund (2012-2015) (5)	$ 64,538	$ 110,418	$ 459,600	$ 305,487	16.5%	12.5%	1.5x
OZ Structured Products Domestic Fund II (2011-2014) (5)	111,596	156,860	326,850	326,850	19.5%	15.2%	2.0x
OZ Structured Products Offshore Fund II (2011-2014) (5)	118,512	158,404	304,531	304,531	16.9%	13.0%	1.8x
OZ Structured Products Offshore Fund I (2010-2013) (5)	5,627	11,573	155,098	155,098	24.0%	19.2%	2.1x
OZ Structured Products Domestic Fund I (2010-2013) (5)	5,055	7,901	99,986	99,986	22.9%	18.2%	2.0x
Other funds	2,950	12,946	298,250	298,250	n/m	n/m	n/m
	$ 308,278	**$ 458,102**	**$ 1,644,315**	**$ 1,490,202**			

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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 September 30, 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 0.50% of assets under management. For the third quarter of 2017 , our Institutional Credit Strategies products had an average management fee rate of 0.40% .

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.

			Assets Under Management as of September 30,	
	Initial Closing Date	Initial Deal Size	2017	2016
			(dollars in thousands)	
CLOs				
OZLM I	July 19, 2012	$ 510,700	$ 496,684	$ 497,908
OZLM II	November 1, 2012	560,100	509,048	513,343
OZLM III	February 20, 2013	653,250	608,852	612,283
OZLM IV	June 27, 2013	600,000	535,978	541,515
OZLM V	December 17, 2013	501,250	467,159	469,042
OZLM VI	April 16, 2014	621,250	595,547	597,638
OZLM VII	June 26, 2014	824,750	793,458	796,600
OZLM VIII	September 9, 2014	622,250	595,657	596,991
OZLM IX	December 22, 2014	510,208	499,437	495,255
OZLM XI	March 12, 2015	510,500	490,284	491,540
OZLM XII	May 28, 2015	565,650	549,377	547,914
OZLM XIII	August 6, 2015	511,600	495,529	496,370
OZLM XIV	December 21, 2015	507,420	502,433	497,179
OZLM XV	December 20, 2016	409,250	395,804	—
OZLME I	December 15, 2016	430,490	470,404	—
OZLM XVI	June 8, 2017	410,250	401,172	—
OZLM XVII	August 3, 2017	512,000	499,692	—
OZLME II	September 14, 2017	494,708	468,738	—
		9,755,626	9,375,253	7,153,578
Other funds	n/a	n/a	78,120	112,233
		$ 9,755,626	**$ 9,453,373**	**$ 7,265,811**

The year-over-year increase in assets under management was driven primarily by the closing of five new CLOs , including our first European CLOs . Institutional Credit Strategies also priced eight refinancing transactions in existing CLOs, totaling $4.2 billion during the first nine months of 2017. Refinancing CLOs produces further returns for the CLO subordinated note holders.

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 third quarter of 2017 , our real estate funds had an average management fee rate of 0.79% .

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 generally 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.

	Assets Under Management as of September 30,	
	2017	2016
Fund	(dollars in thousands)	
Och-Ziff Real Estate Fund I	$ 13,102	$ 16,554
Och-Ziff Real Estate Fund II	286,003	307,108
Och-Ziff Real Estate Fund III	1,453,133	1,455,032
Och-Ziff Real Estate Credit Fund I	695,464	285,522
Other funds	149,822	80,641
	$ 2,597,524	**$ 2,144,857**

	Inception to Date as of September 30, 2017									
		Total Investments					Realized/Partially Realized Investments (1)			
	Total Commitments	Invested Capital (2)	Total Value (3)	Gross IRR (4)	Net IRR (5)	Gross MOIC (6)	Invested Capital	Total Value	Gross IRR (4)	Gross MOIC (6)
Fund (Investment Period)	(dollars in thousands)									
Och-Ziff Real Estate Fund I (7) (2005-2010)	$ 408,081	$ 385,457	$ 811,342	25.1%	15.7%	2.1x	$ 372,355	$ 807,672	26.6%	2.2x
Och-Ziff Real Estate Fund II (7) (2011-2014)	839,508	762,588	1,422,955	32.7%	21.2%	1.9x	573,690	1,197,277	38.4%	2.1x
Och-Ziff Real Estate Fund III (8) (2014-2019)	1,500,000	606,679	843,218	n/m	n/m	n/m	182,134	291,895	n/m	n/m
Och-Ziff Real Estate Credit Fund I (8) (2015-2019)	736,225	97,396	116,247	n/m	n/m	n/m	48,771	58,468	n/m	n/m
Other funds	292,671	121,619	230,735	n/m	n/m	n/m	—	—	n/m	n/m
	$ 3,776,485	**$ 1,973,739**	**$ 3,424,497**				**$ 1,176,950**	**$ 2,355,312**		

	Unrealized Investments as of September 30, 2017		
	Invested Capital	Total Value	Gross MOIC (6)
Fund (Investment Period)	(dollars in thousands)		
Och-Ziff Real Estate Fund I (2005-2010) (7)	$ 13,102	$ 3,670	0.3x
Och-Ziff Real Estate Fund II (2011-2014) (7)	188,898	225,678	1.2x
Och-Ziff Real Estate Fund III (2014-2019) (8)	424,545	551,323	n/m
Och-Ziff Real Estate Credit Fund I (2015-2019) (8)	48,625	57,779	n/m
Other funds	121,619	230,735	n/m
	$ 796,789	**$ 1,069,185**	

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 September 30, 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 September 30, 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 September 30, 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 $452.7 million year-over-year increase 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.

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 2.25% of assets under management, generally based on the amount of capital committed to these platforms by our fund investors. For the third quarter of 2017 , our other funds had an average management fee rate of 0.67% .

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 generally not recognized as revenue until near the end of the life of the fund when it is no longer subject to clawback.

Longer-Term Assets Under Management

As of September 30, 2017 , approximately 51% 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.

	September 30, 2017			
	Longer-Term Assets Under Management		Accrued Unrecognized Incentive Income	
	(dollars in thousands)			
Multi-strategy funds	$	631,526	$	24,362
Credit				
Opportunistic credit funds		3,873,188		210,774
Institutional Credit Strategies		9,408,698		—
Real estate funds		2,597,524		165,720
Other		287,055		1,628
	$	**16,797,991**	**$**	**402,484**

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.

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 net profits 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 assets subject to three-year commitment periods, 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 net realized and unrealized profits 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 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.

For funds that we consolidate, incentive income is recognized by allocating a portion of the net income of the consolidated funds to us rather than to the fund investors (noncontrolling interests). Incentive income allocated to us is not reflected as incentive income in our consolidated revenues, as these amounts are eliminated in consolidation. The allocation of incentive income to us is based on the contractual terms of the relevant fund agreements. As a result, we may recognize earnings related to our incentive income allocation from the consolidated funds prior to the end of their respective commitment periods, and therefore we may recognize earnings that are subject to clawback to the extent a consolidated fund generates subsequent losses. For Economic Income purposes, we defer recognition of these earnings until they are no longer subject to clawback.

For funds that we do not consolidate, incentive income is 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 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 net profits 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.

Approximately $16.8 billion , or 51% , of our assets under management as of September 30, 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 certain other multi-strategy funds, as well as assets in our 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, to the extent a fund is not consolidated, 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 net profits attributable to investors in these assets.

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. 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. These cash bonuses are based on total annual revenues, which are significantly influenced by the amount of incentive income we earn in the year. Through 2016, annual discretionary cash bonuses were generally determined and expensed in the fourth quarter of each year. In the first quarter of 2017, we decided to provide a minimum annual discretionary cash bonus. As a result of this decision, we accrue the minimum annual discretionary cash bonus on a straight-line basis during the year. The total amount of discretionary cash bonus 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.

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. See Note 3 to our consolidated financial statements included in this report for a description of these units.

We also issue Group D Units to executive managing directors. 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, 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 Group entities 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. This adjustment had no impact on the combined total number of Group A Units, D Units and P Units outstanding, which was 417,072,691 as of September 30, 2017 .

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.

In August 2012, we adopted the Och-Ziff Capital Management Group LLC 2012 Partner Incentive Plan (the "PIP"), under which certain of our executive managing directors at the time of the IPO may be eligible to receive discretionary cash awards and discretionary grants of Group D Units over a five-year period that commenced in 2013. Each year, an aggregate of up to 2,246,246 Group D Units may be granted under the PIP to the participating executive managing directors. Aggregate discretionary cash awards for each year under the PIP will be capped at 10% of our incentive income earned during such year, up to a maximum of $31.7 million per year. In addition to awards under the PIP, we may also issue additional performance-related Group D Units or make discretionary performance cash payments to our executive managing directors.

Interest Expense. Amounts included within interest expense relate primarily to indebtedness outstanding under our Senior Notes, Aircraft Loan, Revolving Credit Facility and CLO Investments Loans (as defined below). 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

Changes in Tax Receivable Agreement Liability. Changes in tax receivable agreement liability primarily consists of changes in our estimate of the future payments related to the tax receivable agreement, described in detail in Note 15 .

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.

Our 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 the conversion of Group D Units, which are not considered equity for GAAP purposes, into Group A Units. Additionally, the Company's interest in the Oz Operating Group will decline when Group P Units begin to participate in the economics of the Oz Operating Group, as described in Note 3 to our consolidated financial statements included in this report.

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

Revenues

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Management fees	$ 77,171	$ 128,513	$ 243,508	$ 428,822
Incentive income	51,249	18,754	168,990	57,477
Other revenues	1,524	380	4,081	1,544
Income of consolidated funds	2,055	458	3,518	1,262
Total Revenues	**$ 131,999**	**$ 148,105**	**$ 420,097**	**$ 489,105**

Total revenues for the quarter-to-date period decreased by $16.1 million , primarily due to the following:

- A $51.3 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 $32.5 million increase in incentive income, primarily due to the following:
    - *Multi-strategy funds.* A $38.5 million increase in incentive income from our multi-strategy funds, primarily due to: (i) a $24.5 million increase due to crystallization of incentive related to fund investor redemptions; (ii) a $13.0 million increase related to fund investors with annual commitment periods that matured during the quarter; and (iii) a $1.0 million increase related to longer-term assets under management.
    - *Opportunistic credit funds.* A $2.7 million increase in incentive income from our opportunistic credit funds, primarily due to increases in incentive income related to fund investors with annual commitment periods that matured during the quarter and incentive income related to longer-term assets under management.
    - *Real estate funds.* A $9.2 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.

Total revenues for the year-to-date period decreased by $69.0 million , primarily due to the following:

- A $185.3 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 $111.5 million increase in incentive income, primarily due to the following:
    - *Multi-strategy funds.* A $109.6 million increase in incentive income from our multi-strategy funds, primarily due to: (i) a $46.6 million increase due to crystallization of incentive related to fund investor redemptions; (ii) a $37.3 million increase related to longer-term assets under management; (iii) a $23.2 million increase related to fund investors with annual commitment periods that matured during the period; and (iv) a $2.5 million increase related to 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.
    - *Opportunistic credit funds.* A $10.9 million increase in incentive income from our opportunistic credit funds, primarily due to: (i) a $4.6 million increase from tax distributions; (ii) a $2.7 million increase related to fund investors with annual commitment periods that matured during the period; (iii) a $2.5 million increase related to longer-term assets under management; and (iv) a $1.1 million increase due to crystallization of incentive related to fund investor redemptions.

- *Real estate funds.* A $12.5 million decrease in incentive income from our real estate funds, primarily due to lower realizations in one of our real estate co-investment vehicles and Och-Ziff Real Estate Fund I, as compared to the prior year period.

Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Compensation and benefits	$ 74,490	$ 57,758	$ 214,112	$ 169,762
Interest expense	5,611	6,129	17,043	17,452
General, administrative and other	33,136	56,125	114,229	596,321
Expenses of consolidated funds	8,824	17	9,368	316
Total Expenses	**$ 122,061**	**$ 120,029**	**$ 354,752**	**$ 783,851**

Total expenses for the quarter-to-date period increased by $2.0 million , primarily due to the following:

- A $16.7 million increase in compensation and benefits expenses, primarily driven by the following: (i) a $15.0 million increase in bonus expense primarily due to the decision to provide and accrue for minimum discretionary bonuses; and (ii) a $4.0 million increase in equity-based compensation. The increase in equity-based compensation expenses was primarily driven by $6.1 million of Group P Units amortization, which units were granted in 2017, partially offset by a $3.1 million decrease in Group A Units amortization due to a lower number of unvested units outstanding. These increases in compensation and benefits expenses were partially offset by a $2.8 million decrease in salaries and benefits, primarily due to lower headcount as our global headcount decreased to 491 as of September 30, 2017 from 548 as of September 30, 2016 .
- An $8.8 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.
- An offsetting $23.0 million decrease in general, administrative and other expenses driven primarily by the following: (i) an $8.8 million decrease in professional services, which was driven primarily by lower legal fees; (ii) a $4.4 million decrease in the prior year period related to one of our corporate aircraft that was reclassified as held for sale during the third quarter of 2016; (iii) a $4.0 million decrease in recurring placement and related service fees; and (iv) a $2.2 million decrease in insurance expense. The remainder of the decrease was due to reductions across various other expenses.
- An offsetting $518 thousand decrease in interest expense, primarily due to the repayments of the Revolving Credit Facility and the Aircraft Loan in the first quarter of 2017. These decreases were partially offset by increases due to interest expense on the CLO Investments Loans that were entered into in November 2016 and throughout 2017.

Total expenses for the year-to-date period decreased $429.1 million , primarily due to the following:

- A $482.1 million decrease in general, administrative and other expenses driven primarily by $412.1 million of settlements expense accrued in 2016, as well as a $30.2 million decrease in professional services, which was driven primarily by lower legal fees, as well as reductions across various other expenses.
- An offsetting $44.4 million increase in compensation and benefits expenses primarily driven by the following: (i) a $46.9 million increase in bonus expense primarily due to the decision to provide and accrue for minimum discretionary bonuses; and (ii) a $7.4 million increase in equity-based compensation expense. The increase in equity-based compensation expense was primarily driven by $14.2 million of Group P Units amortization, which units were granted in 2017, and a $2.6 million increase in RSU amortization, offset by a $9.4 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 $2.1 million increase in distributions accrued on the Group D Units. These increases were partially offset by a $12.0 million decrease in salaries and benefits, which was primarily due to lower headcount, as discussed above.

- A $9.1 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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Changes in tax receivable agreement liability	$ —	$ 11,819	$ —	$ 11,990
Net gains on investments in funds and joint ventures	264	803	1,050	1,302
Net gains of consolidated funds	7,658	821	8,278	2,182
Total Other Income	**$ 7,922**	**$ 13,443**	**$ 9,328**	**$ 15,474**

Total other income decreased for the quarter-to-date and year-to-date periods due to decrease in changes in tax receivable agreement liability, partially offset by higher gains in our consolidated funds.

Income Taxes

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Income taxes	$ 1,942	$ 9,986	$ 17,242	$ 39,436

Income tax expense for the quarter-to-date period and year-to-date period decreased by $8.0 million and $22.2 million , respectively. For the quarter-to-date period, the decrease was due to lower income before taxes, as well as a higher percentage of incentive income earned in the current period not subject to corporate level income taxes.

For the year-to-date period, although our GAAP income was higher period-over-period, our taxable income was lower primarily due to the non-deductible settlements expense accrued in the first nine months of 2016, as well as a higher percentage of incentive income earned in the current period not subject to corporate level income taxes.

Net Income (Loss) Allocated to Noncontrolling Interests

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Group A Units	$ 9,500	$ 16,313	$ 41,145	$ (187,338)
Consolidated funds	—	—	—	262
Other	260	257	535	209
Total	**$ 9,760**	**$ 16,570**	**$ 41,680**	**$ (186,867)**
Redeemable noncontrolling interests	$ 432	$ 678	$ 1,238	$ 1,801

Net income allocated to noncontrolling interests decreased by $6.8 million for the quarter-to-date period. The decrease was primarily due to decreased earnings of Oz Operating Group, a portion of which was allocable to the Group A Units. The quarter-to-date decrease was primarily due to lower management fees, partially offset by higher incentive income, lower taxes and lower general, administrative and other expenses.

Net income (loss) allocated to noncontrolling interests increased by $228.5 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 increase was driven by the settlements expense taken in 2016, as well as higher incentive income and lower income taxes year-over-year, partially offset by lower management fees. These improvements were also partially offset by higher bonus expense, which was driven by our decision to provide a minimum annual discretionary cash bonus, as discussed above.

Net Income (Loss) Attributable to Class A Shareholders

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Net income (loss) attributable to Class A Shareholders	$ 5,726	$ 14,285	$ 11,660	$ (133,642)

Net income attributable to Class A Shareholders decreased by $8.6 million for the quarter-to-date period. The quarter-to-date decrease was primarily due to lower management fees, partially offset by higher incentive income, lower taxes and lower general, administrative and other expenses.

Net income (loss) attributable to Class A Shareholders increased by $145.3 million for the year-to-date period. The year-to-date improvement was driven primarily by the settlements expense taken in 2016, as well as higher incentive income and lower income taxes year-over-year, partially offset by lower management fees. These improvements were also partially offset by higher bonus expense, which was driven by our decision to provide a minimum annual discretionary cash bonus, as discussed above.

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, and gains and losses on fixed assets, 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.
- Changes in the tax receivable agreement liability and gains and losses on investments in funds, as management does not consider these items to be reflective of operating performance.
- 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 compensation and profit-sharing arrangements based on fund investment performance are generally recognized at the same time 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. 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) allocated 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.

Economic Income Revenues (Non-GAAP)

	Three Months Ended September 30, 2017			Three Months Ended September 30, 2016		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Economic Income Basis						
Management fees	$ 67,287	$ 5,057	$ 72,344	$ 114,521	$ 5,184	$ 119,705
Incentive income	50,476	773	51,249	16,202	2,552	18,754
Other revenues	1,627	38	1,665	378	2	380
Total Economic Income Revenues	**$ 119,390**	**$ 5,868**	**$ 125,258**	**$ 131,101**	**$ 7,738**	**$ 138,839**

Economic Income revenues for the quarter-to-date period decreased by $13.6 million , primarily due to the following:

- A $47.4 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 $32.5 million increase in incentive income, primarily due to the following:
    - *Multi-strategy funds.* A $38.5 million increase in incentive income from our multi-strategy funds, primarily due to: (i) a $24.5 million increase due to crystallization of incentive related to fund investor redemptions; (ii) a $13.0 million increase related to fund investors with annual commitment periods that matured during the quarter; and (iii) a $1.0 million increase related to longer-term assets under management.
    - *Opportunistic credit funds.* A $2.7 million increase in incentive income from our opportunistic credit funds, primarily due to increases in incentive income related to fund investors with annual commitment periods that matured during the quarter and incentive income related to longer-term assets under management.
    - *Real estate funds.* A $9.2 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.

	Nine Months Ended September 30, 2017			Nine Months Ended September 30, 2016		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Economic Income Basis						
Management fees	$ 212,420	$ 15,600	$ 228,020	$ 381,904	$ 15,556	$ 397,460
Incentive income	165,719	3,271	168,990	50,105	7,372	57,477
Other revenues	2,860	104	2,964	1,533	11	1,544
Total Economic Income Revenues	**$ 380,999**	**$ 18,975**	**$ 399,974**	**$ 433,542**	**$ 22,939**	**$ 456,481**

Total revenues for the year-to-date period decreased by $56.5 million , primarily due to the following:

- A $169.4 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 $111.5 million increase in incentive income, primarily due to the following:
    - *Multi-strategy funds.* A $109.6 million increase in incentive income from our multi-strategy funds, primarily due to: (i) a $46.6 million increase due to crystallization of incentive related to fund investor redemptions; (ii) a $37.3 million increase related to longer-term assets under management; (iii) a $23.2 million increase related to fund investors with annual commitment periods that matured during the period; and (iv) a $2.5 million increase related to 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.
    - *Opportunistic credit funds.* A $10.9 million increase in incentive income from our opportunistic credit funds, primarily due to: (i) a $4.6 million increase from tax distributions; (ii) a $2.7 million increase related to fund investors with annual commitment periods that matured during the period; (iii) a $2.5 million increase related to longer-term assets under management; and (iv) a $1.1 million increase due to crystallization of incentive related to fund investor redemptions.
    - *Real estate funds.* A $12.5 million decrease in incentive income from our real estate funds, primarily due to lower realizations in one of our real estate co-investment vehicles and Och-Ziff Real Estate Fund I, as compared to the prior year period.

Economic Income Expenses (Non-GAAP)

	Three Months Ended September 30, 2017			Three Months Ended September 30, 2016		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Economic Income Basis						
Compensation and benefits	$ 38,500	$ 5,090	$ 43,590	$ 33,506	$ 2,438	$ 35,944
Non-compensation expenses	31,124	557	31,681	44,877	605	45,482
Total Economic Income Expenses	**$ 69,624**	**$ 5,647**	**$ 75,271**	**$ 78,383**	**$ 3,043**	**$ 81,426**

Economic Income expenses for the quarter-to-date period decreased by $6.2 million , primarily due to the following:

- A $13.8 million decrease in non-compensation expenses was primarily due to an $8.8 million decrease in professional services, which was driven by lower legal fees, as well as a $2.2 million decrease in insurance expense. The remainder of the decrease was due to reductions across various other expenses.
- A $7.6 million increase in compensation and benefit expenses primarily due to a $10.5 million increase in bonus expense, which was driven by the decision to provide and accrue for minimum discretionary bonuses, partially offset by a $2.8 million decrease in salaries and benefits expense, which was driven by lower headcount.

	Nine Months Ended September 30, 2017			Nine Months Ended September 30, 2016		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Economic Income Basis						
Compensation and benefits	$ 118,168	$ 14,887	$ 133,055	$ 98,604	$ 7,092	$ 105,696
Non-compensation expenses	104,942	1,841	106,783	564,750	2,715	567,465
Total Economic Income Expenses	**$ 223,110**	**$ 16,728**	**$ 239,838**	**$ 663,354**	**$ 9,807**	**$ 673,161**

Economic Income expenses for the year-to-date period decreased by $433.3 million , primarily due to the following:

- A $460.7 million decrease in non-compensation expenses, driven primarily by $412.1 million of settlements expense accrued in 2016, as well as a $30.2 million decrease in professional services, which was driven primarily by lower legal fees, as well as reductions across various other expenses.
- A $27.4 million increase in compensation expenses primarily due to a $39.3 million increase in bonus expense, which was driven by the decision to provide and accrue for minimum discretionary bonuses, partially offset by a $12.0 million decrease in salaries and benefits expense, which was driven by lower headcount.

Economic Income (Non-GAAP)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(dollars in thousands)			
Economic Income:				
Oz Funds Segment	$ 49,768	$ 52,725	$ 157,891	$ (229,800)
Other Operations	221	4,695	2,247	13,132
Total Company	**$ 49,989**	**$ 57,420**	**$ 160,138**	**$ (216,668)**

Economic Income decreased by $7.4 million for the quarter-to-date period. The quarter-to-date decrease was driven primarily by lower management fees and higher bonus expense, partially offset by higher incentive income and lower non-compensation expenses.

Economic Income increased by $376.8 million for the year-to-date period. The year-to-date period improvement was driven primarily by the settlements expense taken in 2016, as well as higher incentive income. These increases were partially offset by lower management fees and higher 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 10 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. We recently 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 9 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 September 30, 2017 . Please see Note 9 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 September 30, 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 9 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 September 30, 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 $520.8 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.

	Class A Shares		
Payment Date	Record Date	Dividend per Share	Related Distributions to Executive Managing Directors (dollars in thousands)
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 10 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 nine months ended September 30, 2017 and 2016 was $(356.8) million and $89.2 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 increase in net cash outflows from operating activities for the nine months ended September 30, 2017 as compared to nine months ended September 30, 2016 was primarily due to lower management fees, partially offset by lower operating expenses. 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.

Investing Activities. Net cash from investing activities for the nine months ended September 30, 2017 and 2016 was $(186.5) million and $(30.2) million , respectively. Investing cash outflows in the first nine months of 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.

Financing Activities. Net cash from financing activities for the nine months ended September 30, 2017 and 2016 was $531.4 million and $117.4 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 $9.3 million to our Class A Shareholders and $ 13.7 million of distributions to our executive managing directors on their Group A Units in the first nine months of 2017 . We did not make dividend or distribution payments in 2016.

Contractual Obligations

During the first nine months of 2017 , we entered into six 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. There were no other significant changes in contractual obligations from what was reported in our Annual Report.

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 5 and 6 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 September 30, 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 45% within Level I; approximately 32% within Level II; and approximately 23% 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 I—Item 3. 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 in any year a net operating loss is generated as a result. 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 $33.8 million for the nine months ended September 30, 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 $1.7 billion over the remaining six -year weighted-average amortization period, as well as an additional 20-year loss carryforward period available to us if a net operating loss is generated, 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 $1.7 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 $31.8 billion as of October 1, 2017 , we would need to generate a minimum compound annual growth rate in assets under management of less than 1% , 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 September 30, 2017 , we had $280.6 million of net operating losses available to offset future taxable income for federal income tax purposes that will expire between 2030 and 2037 , and $130.8 million of net operating losses available to offset future taxable income for state income tax purposes and $124.3 million for local income tax purposes that will expire between 2035 and 2036 . Based on the analysis set forth above, as of September 30, 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 certain foreign net operating losses. Accordingly, a valuation allowance of $12.8 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 nine months ended September 30, 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. The requirements of ASU 2014-09 are effective for us beginning in the first quarter of 2018. We are still in the process of evaluating the effect that ASU 2014-09 may have on our revenue trends. We expect to adopt ASU 2014-09 using a modified retrospective application approach.

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 September 30, 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

	Three Months Ended September 30, 2017		
	Oz Funds Segment	Other Operations	Total Company
		(dollars in thousands)	
Net Income (Loss) Attributable to Class A Shareholders—GAAP	**$ 13,530**	**$ (7,804)**	**$ 5,726**
Change in redemption value of Preferred Units	—	—	—
Net Income (Loss) Allocated to Och-Ziff Capital Management Group LLC—GAAP	**13,530**	**(7,804)**	**5,726**
Net income allocated to Group A Units	9,500	—	9,500
Equity-based compensation, net of RSUs settled in cash	21,448	680	22,128
Income taxes	1,766	176	1,942
Allocations to Group D Units	1,529	25	1,554
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	310	7,160	7,470
Changes in tax receivable agreement liability	—	—	—
Depreciation, amortization and net gains and losses on fixed assets	2,237	—	2,237
Other adjustments	(552)	(16)	(568)
Economic Income—Non-GAAP	**$ 49,768**	**$ 221**	**$ 49,989**

	Three Months Ended September 30, 2016		
	Oz Funds Segment	Other Operations	Total Company
		(dollars in thousands)	
Net Income Attributable to Class A Shareholders—GAAP	**$ 13,160**	**$ 1,125**	**$ 14,285**
Change in redemption value of Preferred Units	—	—	—
Net Income Allocated to Och-Ziff Capital Management Group LLC—GAAP	**$ 13,160**	**$ 1,125**	**$ 14,285**
Net income allocated to Group A Units	16,313	—	16,313
Equity-based compensation, net of RSUs settled in cash	17,709	589	18,298
Income taxes	9,887	99	9,986
Allocations to Group D Units	950	—	950
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	—	2,741	2,741
Changes in tax receivable agreement liability	(11,819)	—	(11,819)
Depreciation and amortization	7,776	189	7,965
Other adjustments	(1,251)	(48)	(1,299)
Economic Income—Non-GAAP	**$ 52,725**	**$ 4,695**	**$ 57,420**

	Nine Months Ended September 30, 2017		
	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)		
Net Income (Loss) Attributable to Class A Shareholders—GAAP	**$ 24,504**	**$ (12,844)**	**$ 11,660**
Change in redemption value of Preferred Units	2,853	—	2,853
Net Income (Loss) Allocated to Och-Ziff Capital Management Group LLC—GAAP	**27,357**	**(12,844)**	**14,513**
Net income allocated to Group A Units	41,145	—	41,145
Equity-based compensation, net of RSUs settled in cash	61,433	2,133	63,566
Income taxes	17,062	180	17,242
Allocations to Group D Units	4,839	75	4,914
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	310	12,932	13,242
Changes in tax receivable agreement liability	—	—	—
Depreciation, amortization and net gains and losses on fixed assets	7,693	—	7,693
Other adjustments	(1,948)	(229)	(2,177)
Economic Income—Non-GAAP	**$ 157,891**	**$ 2,247**	**$ 160,138**

	Nine Months Ended September 30, 2016		
	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)		
Net (Loss) Income Attributable to Class A Shareholders—GAAP	**$ (138,649)**	**$ 5,007**	**$ (133,642)**
Change in redemption value of Preferred Units	—	—	—
Net (Loss) Income Allocated to Och-Ziff Capital Management Group LLC—GAAP	**(138,649)**	**5,007**	**(133,642)**
Net loss allocated to Group A Units	(187,338)	—	(187,338)
Equity-based compensation, net of RSUs settled in cash	54,364	1,947	56,311
Income taxes	39,337	99	39,436
Allocations to Group D Units	2,850	—	2,850
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	—	5,430	5,430
Changes in tax receivable agreement liability	(11,990)	—	(11,990)
Depreciation and amortization	14,385	562	14,947
Other adjustments	(2,759)	87	(2,672)
Economic Income—Non-GAAP	**$ (229,800)**	**$ 13,132**	**$ (216,668)**

Economic Income Revenues

	Three Months Ended September 30, 2017			Three Months Ended September 30, 2016		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Management fees—GAAP	$ 72,114	$ 5,057	$ 77,171	$ 123,329	$ 5,184	$ 128,513
Adjustment to management fees (1)	(4,827)	—	(4,827)	(8,808)	—	(8,808)
Management Fees—Economic Income Basis—Non-GAAP	**67,287**	**5,057**	**72,344**	**114,521**	**5,184**	**119,705**
Incentive income—GAAP	50,476	773	51,249	16,202	2,552	18,754
Adjustment to incentive income (2)	—	—	—	—	—	—
Incentive Income—Economic Income Basis—Non-GAAP	**50,476**	**773**	**51,249**	**16,202**	**2,552**	**18,754**
Other revenues—GAAP	1,486	38	1,524	378	2	380
Adjustment to other revenues (3)	141	—	141	—	—	—
Other Revenues—Economic Income Basis—Non-GAAP	**1,627**	**38**	**1,665**	**378**	**2**	**380**
Total Revenues—Economic Income Basis—Non-GAAP	**$ 119,390**	**$ 5,868**	**$ 125,258**	**$ 131,101**	**$ 7,738**	**$ 138,839**

	Nine Months Ended September 30, 2017			Nine Months Ended September 30, 2016		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Management fees—GAAP	$ 227,908	$ 15,600	$ 243,508	$ 413,266	$ 15,556	$ 428,822
Adjustment to management fees (1)	(15,488)	—	(15,488)	(31,362)	—	(31,362)
Management Fees—Economic Income Basis—Non-GAAP	**212,420**	**15,600**	**228,020**	**381,904**	**15,556**	**397,460**
Incentive income—GAAP	165,719	3,271	168,990	50,105	7,372	57,477
Adjustment to incentive income (2)	—	—	—	—	—	—
Incentive Income—Economic Income Basis—Non-GAAP	**165,719**	**3,271**	**168,990**	**50,105**	**7,372**	**57,477**
Other revenues—GAAP	3,977	104	4,081	1,533	11	1,544
Adjustment to other revenues (3)	(1,117)	—	(1,117)	—	—	—
Other Revenues—Economic Income Basis—Non-GAAP	**2,860**	**104**	**2,964**	**1,533**	**11**	**1,544**
Total Revenues—Economic Income Basis—Non-GAAP	**$ 380,999**	**$ 18,975**	**$ 399,974**	**$ 433,542**	**$ 22,939**	**$ 456,481**

(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

	Three Months Ended September 30, 2017			Three Months Ended September 30, 2016		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Compensation and benefits—GAAP	$ 61,534	$ 12,956	$ 74,490	$ 51,990	$ 5,768	$ 57,758
Adjustment to compensation and benefits (1)	(23,034)	(7,866)	(30,900)	(18,484)	(3,330)	(21,814)
Compensation and Benefits—Economic Income Basis—Non-GAAP	**$ 38,500**	**$ 5,090**	**$ 43,590**	**$ 33,506**	**$ 2,438**	**$ 35,944**
Interest expense and general, administrative and other expenses—GAAP	$ 38,190	$ 557	$ 38,747	$ 61,460	$ 794	$ 62,254
Adjustment to interest expense and general, administrative and other expenses (2)	(7,066)	—	(7,066)	(16,583)	(189)	(16,772)
Non-Compensation Expenses—Economic Income Basis—Non-GAAP	**$ 31,124**	**$ 557**	**$ 31,681**	**$ 44,877**	**$ 605**	**$ 45,482**

	Nine Months Ended September 30, 2017			Nine Months Ended September 30, 2016		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Compensation and benefits—GAAP	$ 184,084	$ 30,028	$ 214,112	$ 155,293	$ 14,469	$ 169,762
Adjustment to compensation and benefits (1)	(65,916)	(15,141)	(81,057)	(56,689)	(7,377)	(64,066)
Compensation and Benefits—Economic Income Basis—Non-GAAP	**$ 118,168**	**$ 14,887**	**$ 133,055**	**$ 98,604**	**$ 7,092**	**$ 105,696**
Interest expense and general, administrative and other expenses—GAAP	$ 129,431	$ 1,841	$ 131,272	$ 610,496	$ 3,277	$ 613,773
Adjustment to interest expense and general, administrative and other expenses (2)	(24,489)	—	(24,489)	(45,746)	(562)	(46,308)
Non-Compensation Expenses—Economic Income Basis—Non-GAAP	**$ 104,942**	**$ 1,841**	**$ 106,783**	**$ 564,750**	**$ 2,715**	**$ 567,465**

(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

	Three Months Ended September 30, 2017			Three Months Ended September 30, 2016		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Net income attributable to noncontrolling interests—GAAP	$ 9,442	$ 318	$ 9,760	$ 16,454	$ 116	$ 16,570
Adjustment to net income attributable to noncontrolling interests (1)	(9,444)	(318)	(9,762)	(16,461)	(116)	(16,577)
Net Loss Attributable to Noncontrolling Interests—Economic Income Basis—Non-GAAP	**$ (2)**	**$ —**	**$ (2)**	**$ (7)**	**$ —**	**$ (7)**

	Nine Months Ended September 30, 2017			Nine Months Ended September 30, 2016		
	Oz Funds Segment	Other Operations	Total Company	Oz Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Net income (loss) attributable to noncontrolling interests—GAAP	$ 41,021	$ 659	$ 41,680	$ (187,213)	$ 346	$ (186,867)
Adjustment to net income (loss) attributable to noncontrolling interests (1)	(41,023)	(659)	(41,682)	187,201	(346)	186,855
Net Loss Attributable to Noncontrolling Interests—Economic Income Basis—Non-GAAP	**$ (2)**	**$ —**	**$ (2)**	**$ (12)**	**$ —**	**$ (12)**

(1) 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 3 . 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 September 30, 2017 and December 31, 2016 , would have resulted in a change of approximately $2.0 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 October 1, 2017 (the date management fees are calculated for the fourth quarter of 2017) would impact management fees charged on that day by approximately $4.2 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 September 30, 2017 and December 31, 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 Revolving Credit Facility and CLO Investments Loans, 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 September 30, 2017 and December 31, 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 4. 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 September 30, 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 as of September 30, 2017 .

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, that occurred in the third quarter of 2017 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently subject to any pending judicial, administrative or arbitration proceedings that we expect to have a material impact on our consolidated financial statements. We are from time to time involved in litigation and 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” below and “Item 1A. Risk Factors—Risks Related to Our Business—Recent regulatory changes in jurisdictions outside the United States could adversely affect our business” in our Annual Report. See Note 15 to our consolidated financial statements included in this report for additional information.

Item 1A. Risk Factors

Please see “Item 1A. Risk Factors” in our Annual Report for a discussion of the risks material to our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.
31.2	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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

SIGNATURES

Pursuant to the requirements 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: November 2, 2017

OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC

By: /s/ Alesia J. Haas

Alesia J. Haas

Chief Financial Officer and Executive Managing Director

Exhibit 31.1

Certificate of Chief Executive Officer pursuant to
Rule 13a-14(a)/Rule 15d-14(a) under the
Securities Exchange Act of 1934.

I, Daniel S. Och, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 2, 2017

/s/ Daniel S. Och

Name: Daniel S. Och

Title: Chief Executive Officer and Executive Managing Director

Exhibit 31.2

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 Quarterly Report on Form 10-Q 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: November 2, 2017

/s/ Alesia J. Haas

Name: Alesia J. Haas

Title: Chief Financial Officer and Executive Managing Director

Exhibit 32.1

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 Quarterly Report on Form 10-Q (the " Form 10-Q ") for the quarter ended September 30, 2017 , of Och-Ziff Capital Management Group LLC (the "Company").

We, Daniel S. Och 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-Q 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2017

/s/ Daniel S. Och
Name: Daniel S. Och
Title: Chief Executive Officer and Executive Managing Director

Date: November 2, 2017

/s/ Alesia J. Haas
Name: Alesia J. Haas
Title: Chief Financial Officer and Executive Managing Director