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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019

or

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

For the transition period from __________ to __________

Commission File Number 001-33805

OCH-ZIFF CAPITAL MANAGEMENT GROUP INC.
(Exact name of Registrant as specified in its charter)

Delaware	**26-0354783**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

9 West 57th Street, New York, New York 10019
(Address of principal executive offices)

(212) 790-0000

(Registrant's telephone number, including area code)

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

Title of each class	Trading symbols	Name of each exchange on which registered
Class A Shares	**OZM**	**New York Stock Exchange**

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth 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	☐	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 July 30, 2019, there were 20,719,594 Class A Shares and 29,208,952 Class B Shares outstanding.

OCH-ZIFF CAPITAL MANAGEMENT GROUP INC.

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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, 2018, dated March 15, 2019 and filed with the SEC
Class A Shares	Our Class A Shares, representing Class A common stock of Och-Ziff Capital Management Group Inc., which are publicly traded and listed on the NYSE
Class B Shares	Class B Shares of Och-Ziff Capital Management Group Inc., 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 Partnerships other than Oz Corp, and, except where the context requires otherwise, include certain limited partners who are no longer active in our business
funds	The multi-strategy funds, dedicated credit funds, including opportunistic credit funds and Institutional Credit Strategies products, real estate funds and other alternative investment vehicles for which we provide asset management services
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 limited partner interests held by our executive managing directors
Group A-1 Units	Refers collectively to one Class A-1 operating group unit in each of the Oz Operating Partnerships. Group A-1 Units are limited partner 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 limited partner interests held by Oz Corp
Group D Units	Refers collectively to one Class D operating group unit in each of the Oz Operating Partnerships. Group D Units are limited partner interests held by our executive managing directors
Group E Units	Refers collectively to one Class E operating group unit in each of the Oz Operating Partnerships. Group E Units are limited partner 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 limited partner 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
IPO	Our initial public offering of 3.6 million Class A Shares that occurred in November 2007
NYSE	New York Stock Exchange
the Company, Oz Management, the firm, we, us, our	Refers, unless the context requires otherwise, to the Registrant and its consolidated subsidiaries, including the Oz Operating Group
Oz Corp	Och-Ziff Holding Corporation, a Delaware corporation
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, Group E Units and Group P Units
Preferred Units	One Class A cumulative preferred unit in each of the Oz Operating Partnerships collectively represents one "Preferred Unit." Certain of our executive managing directors collectively own 100% of the Preferred Units. Preferred Units issued in 2016 and 2017 are, collectively, referred to as "2016 Preferred Units." Preferred Units issued in 2019 are referred to as "2019 Preferred Units."
PSUs	Class A performance-based RSUs
Recapitalization	Refers to the recapitalization of our business that occurred in February 2019. As part of the Recapitalization, a portion of the interests held by our active and former executive managing directors were reallocated to existing members of senior management. In addition, we restructured the previously outstanding senior debt and Preferred Units.
Registrant	Och-Ziff Capital Management Group Inc., a Delaware corporation
RSUs	Class A restricted share units
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

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. We also use our website to distribute company information, and such information may be deemed material. Accordingly, investors should monitor our website, in addition to our press releases, SEC filings and public conference calls and webcast. The contents of our website are not, however, a part of this report.

Also posted on our website in the "Public Investors—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 Inc., 9 West 57th 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*).

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

This report contains 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, our operations and our 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 INC.

CONSOLIDATED BALANCE SHEETS — UNAUDITED

	June 30, 2019	December 31, 2018
	(dollars in thousands)	
Assets		
Cash and cash equivalents	$ 174,743	$ 315,809
Restricted cash	5,407	8,075
Investments (includes assets measured at fair value of $349,245 and $361,378, including assets sold under agreements to repurchase of $79,466 and $62,186 as of June 30, 2019, and December 31, 2018, respectively)	405,083	389,897
Income and fees receivable	51,345	82,843
Due from related parties	18,741	20,754
Deferred income tax assets	324,979	355,025
Operating lease assets	120,951	—
Other assets, net	85,127	82,403
Assets of consolidated funds:		
Investments of consolidated funds, at fair value	98,865	171,495
Other assets of consolidated funds	78,708	21,090
Total Assets	**$ 1,363,949**	**$ 1,447,391**
Liabilities and Shareholders' Equity (Deficit)		
Liabilities		
Compensation payable	$ 43,477	$ 105,036
Unearned incentive income	66,308	61,397
Due to related parties	211,010	281,821
Operating lease liabilities	133,671	—
Debt obligations	302,108	289,987
Securities sold under agreements to repurchase	78,648	62,801
Other liabilities	37,792	63,603
Liabilities of consolidated funds:		
Other liabilities of consolidated funds	76,645	14,541
Total Liabilities	**949,659**	**879,186**
Commitments and Contingencies (Note 19)		
Redeemable Noncontrolling Interests (Note 4)	**247,229**	**577,660**
Shareholders' Equity (Deficit)		
Class A Shares, $0.01 and no par value, 100,000,000 and 100,000,000 shares authorized, 20,631,750 and 19,905,126 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively	206	—
Class B Shares, $0.01 and no par value, 75,000,000 and 75,000,000 shares authorized, 29,208,952 and 29,458,948 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively	292	—
Additional paid-in capital	70,875	3,135,841
Accumulated deficit	(358,204)	(3,564,727)
Shareholders' deficit attributable to Class A Shareholders	(286,831)	(428,886)
Shareholders' equity attributable to noncontrolling interests	453,892	419,431
Total Shareholders' Equity (Deficit)	**167,061**	**(9,455)**
Total Liabilities, Redeemable Noncontrolling Interests and Shareholders' Equity (Deficit)	**$ 1,363,949**	**$ 1,447,391**

See notes to consolidated financial statements.

OCH-ZIFF CAPITAL MANAGEMENT GROUP INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) — UNAUDITED

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Revenues				
Management fees	$ 61,400	$ 70,593	$ 125,023	$ 143,043
Incentive income	34,757	34,656	87,955	85,490
Other revenues	5,043	3,867	8,812	8,409
Income of consolidated funds	2,308	650	4,912	1,234
Total Revenues	**103,508**	**109,766**	**226,702**	**238,176**
Expenses				
Compensation and benefits	80,709	74,502	166,424	143,426
Interest expense	6,523	7,505	12,731	14,103
General, administrative and other	28,427	48,509	66,215	86,359
Expenses of consolidated funds	84	24	139	108
Total Expenses	**115,743**	**130,540**	**245,509**	**243,996**
Other Income (Loss)				
Changes in tax receivable agreement liability	5,362	—	5,362	—
Net losses on early retirement of debt	(595)	(14,303)	(6,053)	(14,303)
Net gains (losses) on investments	3,148	(785)	5,837	(473)
Net gains (losses) of consolidated funds	482	(26)	4,228	466
Total Other Income (Loss)	**8,397**	**(15,114)**	**9,374**	**(14,310)**
Loss Before Income Taxes	**(3,838)**	**(35,888)**	**(9,433)**	**(20,130)**
Income taxes	10,134	(2,524)	13,520	488
Consolidated and Comprehensive Net Loss	**(13,972)**	**(33,364)**	**(22,953)**	**(20,618)**
Less: Net loss attributable to noncontrolling interests	7,984	21,440	15,218	12,805
Less: Net income attributable to redeemable noncontrolling interests	(2,637)	(332)	(8,171)	(953)
Net Loss Attributable to Och-Ziff Capital Management Group Inc.	**(8,625)**	**(12,256)**	**(15,906)**	**(8,766)**
Less: Change in redemption value of Preferred Units	—	—	44,364	—
Net (Loss) Income Attributable to Class A Shareholders	**$ (8,625)**	**$ (12,256)**	**$ 28,458**	**$ (8,766)**
(Loss) Earnings per Class A Share				
(Loss) Earnings per Class A Share - basic	$ (0.42)	$ (0.64)	$ 1.38	$ (0.46)
(Loss) Earnings per Class A Share - diluted	$ (0.46)	$ (0.64)	$ 1.10	$ (0.46)
Weighted-average Class A Shares outstanding - basic	20,722,510	19,256,246	20,599,616	19,239,761
Weighted-average Class A Shares outstanding - diluted	36,714,012	19,256,246	25,942,105	19,239,761

See notes to consolidated financial statements.

OCH-ZIFF CAPITAL MANAGEMENT GROUP INC.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Number of Class A Shares				
Beginning balance	20,484,430	19,112,977	19,905,126	18,957,321
Equity-based compensation	147,320	13,981	726,624	169,637
Ending Balance	**20,631,750**	**19,126,958**	**20,631,750**	**19,126,958**
Number of Class B Shares				
Beginning balance	29,208,952	30,433,948	29,458,948	33,933,948
Equity-based compensation	—	(50,000)	(249,996)	(3,550,000)
Ending Balance	**29,208,952**	**30,383,948**	**29,208,952**	**30,383,948**
Class A Shares Par Value				
Beginning balance	$ —	$ —	$ —	$ —
Equity-based compensation	1	—	1	—
Reclassification upon corporate conversion	205	—	205	—
Ending Balance	**$ 206**	**$ —**	**$ 206**	**$ —**
Class B Shares Par Value				
Beginning balance	$ —	$ —	$ —	$ —
Reclassification upon corporate conversion	292	—	292	—
Ending Balance	**$ 292**	**$ —**	**$ 292**	**$ —**
Additional Paid-in Capital				
Beginning balance	$ 3,235,728	$ 3,111,139	$ 3,135,841	$ 3,102,074
Dividend equivalents on Class A restricted share units	(61)	(195)	478	877
Equity-based compensation, net of taxes	20,618	9,025	40,318	16,828
Reclassification upon corporate conversion	(3,235,728)	—	(3,235,728)	—
Impact of changes in Oz Operating Group ownership	—	(505)	(124)	(315)
Reallocation of equity and income tax effects of Recapitalization	—	—	35,408	—
Amendment to tax receivable agreement	50,318	—	50,318	—
Change in redemption value of Preferred Units	—	—	44,364	—
Ending Balance	**$ 70,875**	**$ 3,119,464**	**$ 70,875**	**$ 3,119,464**
Accumulated Deficit				
Beginning balance	$ (3,577,250)	$ (3,524,919)	$ (3,564,727)	$ (3,555,905)
Impact of adoption of ASU 2014-09	—	—	—	41,922
Cash dividends declared on Class A Shares	(7,621)	(3,823)	(12,324)	(17,177)
Dividend equivalents on Class A restricted share units	61	195	(478)	(877)
Reclassification upon corporate conversion	3,235,231	—	3,235,231	—
Comprehensive net loss, excluding amounts attributable to redeemable noncontrolling interests	(8,625)	(12,256)	(15,906)	(8,766)
Ending Balance	**$ (358,204)**	**$ (3,540,803)**	**$ (358,204)**	**$ (3,540,803)**
Shareholders' Deficit Attributable to Class A Shareholders	**(286,831)**	**(421,339)**	**(286,831)**	**(421,339)**

OCH-ZIFF CAPITAL MANAGEMENT GROUP INC.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Shareholders' Equity Attributable to Noncontrolling Interests				
Beginning balance	$ 444,837	$ 435,142	$ 419,431	$ 357,902
Impact of adoption of ASU 2014-09	—	—	—	75,062
Capital contributions	191	128	618	878
Capital distributions	(342)	(6,793)	(627)	(24,483)
Equity-based compensation, net of taxes	17,190	12,344	31,608	23,017
Impact of changes in Oz Operating Group ownership	—	505	124	315
Reallocation of equity and income tax effects of Recapitalization	—	—	(39,086)	—
Change in redemption value of Preferred Units	—	—	57,042	—
Comprehensive net loss, excluding amounts attributable to redeemable noncontrolling interests	(7,984)	(21,440)	(15,218)	(12,805)
Ending Balance	**453,892**	**419,886**	**453,892**	**419,886**
Total Shareholders' Equity (Deficit)	**$ 167,061**	**$ (1,453)**	**$ 167,061**	**$ (1,453)**
Cash dividends paid on Class A Shares	$ 0.37	$ 0.20	$ 0.60	$ 0.90

See notes to consolidated financial statements.

OCH-ZIFF CAPITAL MANAGEMENT GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED

	Six Months Ended June 30,	
	2019	2018
	(dollars in thousands)	
Cash Flows from Operating Activities		
Consolidated net loss	$ (22,953)	$ (20,618)
Adjustments to reconcile consolidated net loss to net cash provided by operating activities:		
Amortization of equity-based compensation	74,318	45,537
Depreciation, amortization and net gains and losses on fixed assets	4,775	5,166
Net losses on early retirement of debt	6,053	14,303
Deferred income taxes	10,373	(1,653)
Operating and finance lease assets amortization	5,331	—
Operating and finance lease liabilities accretion	5,287	—
Net (gains) losses on investments, net of dividends	(4,843)	1,941
Operating cash flows due to changes in:		
Income and fees receivable	31,498	324,119
Due from related parties	2,013	(4,049)
Other assets, net	779	33,070
Compensation payable	(63,288)	(164,122)
Unearned incentive income	4,911	12,967
Due to related parties	(4,491)	167
Operating lease liabilities	(7,513)	—
Other liabilities	(19,886)	(9,799)
Consolidated funds related items:		
Net gains of consolidated funds	(4,228)	(466)
Purchases of investments	(99,407)	(170,149)
Proceeds from sale of investments	176,284	133,992
Other assets of consolidated funds	(57,639)	(31,706)
Other liabilities of consolidated funds	5,695	39,752
Net Cash Provided by Operating Activities	**43,069**	**208,452**
Cash Flows from Investing Activities		
Purchases of fixed assets	(720)	(2,360)
Purchases of United States government obligations	(161,066)	(250,555)
Maturities of United States government obligations	175,029	13,000
Investments in funds	(59,210)	(127,279)
Return of investments in funds	35,756	166,383
Net Cash Used in Investing Activities	**(10,211)**	**(200,811)**

OCH-ZIFF CAPITAL MANAGEMENT GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED — (continued)

	Six Months Ended June 30,	
	2019	2018
	(dollars in thousands)	
Cash Flows from Financing Activities		
Contributions from noncontrolling and redeemable noncontrolling interests	4,263	38,163
Distributions to noncontrolling and redeemable noncontrolling interests	(16,462)	(34,832)
Dividends on Class A Shares	(12,324)	(17,177)
Proceeds from debt obligations, net of issuance costs	—	301,678
Repayment of debt obligations, including prepayment costs	(166,068)	(577,759)
Proceeds from securities sold under agreements to repurchase, net of issuance costs	16,328	—
Other, net	(2,329)	(3,259)
Net Cash Used in Financing Activities	**(176,592)**	**(293,186)**
Net Change in Cash and Cash Equivalents and Restricted Cash	(143,734)	(285,545)
Cash and Cash Equivalents and Restricted Cash, Beginning of Period	323,884	469,513
Cash and Cash Equivalents and Restricted Cash, End of Period	**$ 180,150**	**$ 183,968**
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period:		
Interest	$ 7,696	$ 18,199
Income taxes	$ 3,373	$ 1,636
Non-cash transactions:		
Increase in paid-in capital as a result of tax receivable agreement amendment (Note 19)	$ 50,318	$ —
Reconciliation of cash and cash equivalents and restricted cash:		
Cash and cash equivalents	$ 174,743	$ 183,968
Restricted cash	$ 5,407	$ —
Total Cash and Cash Equivalents and Restricted Cash	**$ 180,150**	**$ 183,968**

See notes to consolidated financial statements.

1. OVERVIEW

Och-Ziff Capital Management Group Inc. (the "Registrant"), a Delaware corporation, together with its consolidated subsidiaries (collectively, the "Company" or "Oz Management"), is a global alternative asset management firm with offices in New York, London, Hong Kong, Mumbai and Shanghai. The Company provides asset management services to its investment funds (the "funds"), which pursue a broad range of global investment opportunities. The Company currently manages multi-strategy funds, dedicated credit funds, including opportunistic credit funds and Institutional Credit Strategies products, real estate funds and other alternative investment vehicles. Through Institutional Credit Strategies, the Company's asset management platform that invests in performing credits, the Company manages collateralized loan obligations ("CLOs") and other customized solutions for clients.

The Company's primary sources of revenues are management fees, which are based on the amount of the Company's assets under management, and incentive income, which is based on the investment performance of its funds. Accordingly, for any given period, the Company's revenues will be driven by the combination of assets under management and the investment performance of the funds.

The Company currently has two operating segments: Oz Funds and Real Estate. The Oz Funds segment provides asset management services to the Company's multi-strategy funds, dedicated credit funds and other alternative investment vehicles. The Real Estate segment provides asset management services to the Company's real estate funds. In the fourth quarter of 2018, the Real Estate segment met the threshold for a reportable segment. As a result, the Company began reporting operating segment results for both segments and has adjusted prior-period disclosures to present comparable information. The Company generates substantially all of its revenues in the United States.

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 OZ Management LP, OZ Advisors LP and OZ Advisors II LP other than Och-Ziff Holding Corporation ("Oz Corp"), a wholly owned subsidiary of the Registrant, 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.

The Registrant, certain of its subsidiaries and the Company's founder, Daniel S. Och, entered into a letter agreement dated December 5, 2018, providing for the implementation of certain transactions (the letter agreement together with the term sheet attached thereto, as amended, collectively, the "Letter Agreement"). The Letter Agreement provided for, among other things, the preparation and execution of further agreements (the "Implementing Agreements") and other actions to implement the transactions contemplated by the Letter Agreement (collectively, the "Recapitalization"). In February 2019, the Company completed the Recapitalization. See Note 3 for additional details.

Company Structure

As of June 30, 2019, the Registrant is a holding company that, through Oz Corp, holds equity ownership interests in the Oz Operating Group. The Registrant had issued and outstanding the following share classes:

- **Class A Shares**—Class A Shares are publicly traded and entitle the holders thereof to one vote per share on matters submitted to a vote of shareholders. The holders of Class A Shares are entitled to any distributions declared by the Registrant's Board of Directors (the "Board").
- **Class B Shares**—Class B Shares are held by the Company's executive managing directors. These shares are not publicly traded but rather entitle the executive managing directors to one vote per share on matters submitted to a vote of shareholders. These shares do not participate in the earnings of the Registrant, as the executive managing

directors participate in the related economics of the Oz Operating Group through their direct ownership in the Oz Operating Group, subject to the Distribution Holiday discussed below.

The Company conducts its operations through the Oz Operating Group. The following is a list of the outstanding units of the Oz Operating Partnerships as of June 30, 2019:

- **Group A Units**—Group A Units are limited partner interests issued to certain executive managing directors. Beginning on the final day of the Distribution Holiday (as defined in Note 3), each executive managing director may exchange his or her vested and booked-up (as defined below) Group A Units for an equal number of Class A Shares (or the cash equivalent thereof) over a period of two years in three equal installments commencing upon the final day of the Distribution Holiday and on each of the first and second anniversary thereof (or, for units that become vested and booked-up Group A Units after the final day of the Distribution Holiday, from the later of the date on which they would have been exchangeable in accordance with the foregoing and the date on which they become vested and booked-up Group A Units) (and thereafter such units will remain exchangeable), in each case, subject to certain restrictions. A "book-up" is when sufficient appreciation has occurred to meet a prescribed capital account book-up target under the terms of the Oz Operating Partnership limited partnership agreements.

  In connection with the Recapitalization, each Group A Unit outstanding on the Recapitalization date was recapitalized into 0.65 Group A Units and 0.35 Group A-1 Units. Holders of Group A Units do not receive distributions during the Distribution Holiday. Group A Unit grants are accounted for as equity-based compensation. See Note 14 for additional information.

- **Group A-1 Units**—Group A-1 Units are limited partner interests into which 0.35 of each Group A Unit was recapitalized in connection with the reallocation that was effectuated by the Recapitalization. The Group A-1 Units will be canceled at such time and to the extent that the Group E Units granted in connection with the Recapitalization vest and achieve a book-up. Group A-1 Units are not eligible to receive distributions at any time and do not participate in the net income (loss) of the Oz Operating Group. However, the holders of Group A-1 Units shall participate in any sale, change of control or other liquidity event. In the Recapitalization, the holders of the 2016 Preferred Units (as defined below) forfeited an additional 749,813 Group A Units, which were recapitalized into Group A-1 Units.

- **Group B Units**—Oz Corp holds a general partner interest and Group B Units in each Oz Operating Group entity. Oz Corp owns all of the Group B Units, which represent equity interest in the Oz Operating Group. Except during the Distribution Holiday as described above, the Group B Units are economically identical to the Group A Units held by executive managing directors but are not exchangeable for Class A Shares and are not subject to vesting, forfeiture or minimum retained ownership requirements.

- **Group E Units**—Group E Units are limited partner interests issued to certain executive managing directors that are only entitled to future profits and gains. Each Group E Unit converts into a Group A Unit and becomes exchangeable for one Class A Share (or the cash equivalent thereof) to the extent there has been a sufficient amount of appreciation for a Group E Unit to achieve a book-up target and, subject to other conditions contained in the limited partnership agreements of the Oz Operating Partnerships, the Distribution Holiday has ended (or an earlier exchange date is established by the Exchange Committee). The Group E Units are entitled to share in residual assets upon liquidation, dissolution or winding up and become eligible to participate in any tag along right, in a change of control transaction or other liquidity event only to the extent of their relative positive capital accounts (if any). In connection with the Recapitalization, all outstanding Group D Units, which were non-equity profits interests, converted into Group E Units on a one-for-one basis. Holders of Group E Units do not receive distributions during the Distribution Holiday. See Note 3 for additional information. Group E Unit grants are accounted for as equity-based compensation. See Note 14 for additional information.

- **Group P Units**—Group P Units are limited partner interests issued to certain executive managing directors that are only entitled to future profits and gains. Each Group P Unit becomes exchangeable for one Class A Share (or the cash equivalent thereof), in each case upon satisfaction of certain service and performance conditions at such time and, with respect to exchanges, to the extent there has been sufficient appreciation for a Group P Unit to achieve a book-up target and, subject to other conditions contained in the limited partnership agreements of the Oz Operating Partnerships, the Distribution Holiday has ended (or an earlier exchange date is established by the Exchange Committee). The Group P Units are entitled to share in residual assets upon liquidation, dissolution or winding up and become eligible to participate in any tag along right, in a change of control transaction or other liquidity event only to the extent that certain performance conditions are met and to the extent of their relative positive capital accounts (if any). The terms of the Group P Units may be varied for certain executive managing directors. Group P Unit grants are accounted for as equity-based compensation. See Note 14 for additional information.

- **Preferred Units—** The Preferred Units are non-voting preferred equity interests in the Oz Operating Group entities. Preferred Units issued in 2016 and 2017 are collectively referred to as the "2016 Preferred Units." The Preferred Units issued in 2019 are referred to as the "2019 Preferred Units." See Note 10 for additional information.

The Company's current and former executive managing directors hold a number of Class B Shares equal to the number of Group A Units, Group A-1 Units and Group P Units held. Upon the exchange of a Group A Unit or a Group P Unit for a Class A Share, the corresponding Class B Share is canceled and a Group B Unit is issued to Oz Corp. One Class B Share will be issued to each holder of Group E Units upon the vesting of each such holder's Group E Unit, at which time a corresponding number of Class B Shares held by holders of Group A-1 Units will be canceled.

The following table presents the number of shares and units (excluding Preferred Units) of the Registrant and the Oz Operating Group, respectively, that were outstanding as of June 30, 2019:

	As of June 30, 2019
Och-Ziff Capital Management Group Inc.	
Class A Shares	20,631,750
Class B Shares	29,208,952
Oz Operating Partnerships	
Group A Units	16,019,506
Group A-1 Units	9,779,446
Group B Units	20,631,750
Group E Units	13,485,820
Group P Units	3,410,000

In addition, the Company issues Class A restricted share units ("RSUs") and performance-based RSUs ("PSUs") to its employees and executive managing directors as a form of compensation. RSU and PSU grants are accounted for as equity-based compensation. See Note 14 for additional information.

Reverse Share Split

At the close of trading on January 3, 2019, the Company effectuated a 1-for-10 reverse share split (the "Reverse Share Split") of the Class A Shares. As a result of the Reverse Share Split, every ten issued and outstanding Class A Shares were combined into one Class A Share. In addition, corresponding adjustments were made to the Class B Shares, Oz Operating Group Units, RSUs and PSUs. All prior period share, unit, per share and per unit amounts have been restated to give retroactive effect to the Reverse Share Split.

Corporate Conversion

The Company changed its tax classification from a partnership to a corporation effective April 1, 2019 (the "Corporate Classification Change"), and subsequently converted from a Delaware limited liability company into a Delaware corporation effective May 9, 2019. Upon the Corporate Classification Change, the Company reclassified the negative equity balance as of such date to accumulated deficit.

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, 2018 (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. All significant intercompany transactions and balances have been eliminated in consolidation.

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. For example, incentive income for the majority of the Company's multi-strategy assets under management is recognized in the fourth quarter each year, based on full year investment performance.

Leases

The Company adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, as amended, as of January 1, 2019 ("ASC 842"). The Company applied ASC 842 to lease arrangements outstanding as of the date of adoption. The Company did not restate prior periods and there were no adjustments to retained earnings upon adoption of ASC 842. The Company applied the package of practical expedients permitted under the transition guidance within the new standard, including carrying forward the historical lease classification and not reassessing whether certain costs capitalized under the prior guidance are eligible for capitalization under ASC 842. Adoption of ASC 842 resulted in the recognition of $126.0 million and $135.9 million of operating lease assets and liabilities, respectively, with the net of these amounts offsetting the deferred rent credit liability in existence immediately prior to adoption.

The Company determines if an arrangement is a lease at inception. Right-of-use lease assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Right-of-use lease assets represent the Company's right to use a leased asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The Company does not recognize right-of-use lease assets and lease liabilities for leases with an initial term of one year or less.

As the Company's leases do not provide an implicit rate, the Company uses its estimated incremental borrowing rate based on information available at the lease commencement date in determining the present value of lease payments. The Company gave consideration to its recently issued term loan, as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates.

The operating lease assets include any lease payments made and excludes lease incentives. Lease terms include options to extend or terminate when it is reasonably certain that the Company will exercise that option. In addition, the Company separates lease and non-lease components embedded within lease agreements, except for data center leases.

Right-of-use assets and liabilities related to operating leases are included within operating lease assets and operating lease liabilities, respectively, in the Company's consolidated balance sheets. Right-of-use assets and liabilities related to finance leases are included within other assets and other liabilities, respectively, in the Company's consolidated balance sheets.

Lease expense for operating lease payments, which is comprised of amortization of right-of-use assets and interest accretion on lease liabilities, is generally recognized on a straight-line basis over the lease term and included within general, administrative and other expenses in the consolidated statements of comprehensive income. Amortization of right-of-use lease assets related to finance leases is included within general, administrative and other expenses and interest accretion on lease liabilities related to finance leases is included within interest expense.

Subrental income is recognized on a straight-line basis over the lease term and is included within other revenues in the consolidated statements of comprehensive income. Where the Company has entered into a sublease arrangement, the Company will evaluate the lease arrangement for impairment. To the extent an impairment of the right-of-use lease asset is recognized, the Company will amortize the remaining lease asset on a straight-line basis over the remaining lease term.

Recently Adopted Accounting Pronouncements

Other than the adoption of ASC 842 discussed above, none of the other changes to GAAP that went into effect in the six months ended June 30, 2019 had a material effect on the Company's consolidated financial statements.

Future Adoption of Accounting Pronouncements

No changes to GAAP that are not yet effective are expected to have a material effect on the Company's consolidated financial statements.

3. RECAPITALIZATION

On February 7, 2019, the Company completed the Recapitalization, which included a series of transactions that involved the reallocation of certain ownership interests in the Oz Operating Group to existing members of senior management, a "Distribution Holiday" on interests held by active and former executive managing directors, an amendment to the tax receivable agreement, a "Cash Sweep" to pay down the 2018 Term Loan (as defined in Note 8) and 2019 Preferred Units, and various other related transactions. In addition, (i) $200.0 million of the 2016 Preferred Units was restructured into the Debt Securities (as defined in Note 8) and (ii) $200.0 million of the 2016 Preferred Units was restructured into the 2019 Preferred Units.

Reallocation of Equity

The Company's founder, Mr. Daniel S. Och and the other holders of Group A Units have collectively reallocated 35% of their Group A Units to existing members of senior management and for potential grants to new hires. The reallocation has been effected by (i) recapitalizing such Group A Units into Group A-1 Units and (ii) creating and making grants to existing members of senior management (and reserving for future grants to active managing directors and new hires) of Group E Units. The Group A-1 Units will be canceled at such time and to the extent as such Group E Units vest and achieve a book-up. Upon vesting, holders of Group E Units will be entitled to vote a corresponding number of Class B Shares. Following the Liquidity Redemption (as defined below) and Mr. Och's receipt of the Credit Fund Balance Redemption (as defined below), and until such time as the relevant Group E Units become vested, the Class B Shares corresponding to the Group A-1 Units will be voted pro rata in accordance with the vote of the Class A Shares held by non-affiliates. In connection with the Recapitalization, the holders of the 2016 Preferred Units forfeited an additional 749,813 Group A Units (which were recapitalized into Group A-1 Units).

Distribution Holiday

The Oz Operating Partnerships initiated a distribution holiday (the "Distribution Holiday") on the Group A Units, Group D Units, Group E Units and Group P Units and on certain RSUs that will terminate on the earlier of (x) 45 days after the last day of the first calendar quarter as of which the achievement of $600.0 million of Distribution Holiday Economic Income (as defined in the Oz Operating Partnerships' limited partnership agreements) is realized and (y) April 1, 2026.

During the Distribution Holiday, (i) the Oz Operating Partnerships shall only make distributions with respect to Group B Units, (ii) the performance thresholds of Group P Units and PSUs shall be adjusted to take into account performance and distributions during such period, and (iii) RSUs will continue to receive dividend equivalents in respect of dividends or distributions paid on the Class A Shares. For executive managing directors that have received Group E Units, distributions on Group P Units, RSUs and PSUs is limited to an aggregate amount not to exceed $4.00 per Group P Unit, PSU or RSU, as applicable, cumulatively during the Distribution Holiday. Following the termination of the Distribution Holiday, Group A Units and Group E Units (whether vested or unvested) shall receive distributions even if such units have not been booked-up.

The Distribution Holiday was effective retroactively to October 1, 2018. As a result, the Company recorded an adjustment to additional paid-in capital and noncontrolling interests to reallocate a portion of pre-Recapitalization earnings and related income tax effects from noncontrolling interests to the Company's additional paid-in capital. Such adjustment is recorded within Recapitalization adjustment in the consolidated statement of shareholders' equity (deficit).

In connection with his transition from the Company, Mr. Och submitted redemption notices for all liquid balances of Mr. Och and his related parties (other than their liquid balances in the Oz Credit Opportunities Master Fund) - half of which was redeemed effective as of December 31, 2018 and the remainder effective March 31, 2019. The receipt by Mr. Och and his related parties of redemption proceeds associated with these redemptions is referred to as the "Liquidity Redemption." Redemptions are generally paid in the month following the effective date of the redemption. The Liquidity Redemptions was completed as of April 29, 2019. Mr. Och and his related parties are redeeming their liquid balances in the OZ Credit Opportunities Master Fund effective September 30, 2019, for which redemption notices have been delivered (the "Credit Fund Balance Redemption").

Cash Sweep

As part of the Recapitalization, the Company instituted a "Cash Sweep" with regards to the paydowns of the 2018 Term Loan and the 2019 Preferred Units. During the Distribution Holiday, on a quarterly basis, for each of the first three quarters of the year 100% of all Economic Income (subject to certain adjustments described in the 2019 Preferred Unit Designations as defined in Note 10) will be applied to repay the 2018 Term Loan and then to redeem the 2019 Preferred Units, in each case, together with accrued interest. The Cash Sweep will not apply to the extent that it would result in the Oz Operating Group having a minimum "Free Cash Balance" (as defined in the 2019 Preferred Unit Designations) of less than $200.0 million except in certain specified circumstances. In the fourth quarter of each year, an amount equal to the excess of the Free Cash Balance over the minimum Free Cash Balance of $200.0 million, will be used to repay the 2018 Term Loan and redeem the 2019 Preferred Units. In addition, without duplication of the Cash Sweep, (i) certain of the proceeds resulting from the realization of incentive income from certain longer term assets under management described in the 2019 Preferred Units Designations ("Designated Accrued Unrecognized Incentive") and (ii) 85% of the net cash proceeds from any Asset Sales (as defined in the 2019 Preferred Units Designations), will be used to repay the 2018 Term Loan and redeem the 2019 Preferred Units.

As long as the Cash Sweep is in effect, the Oz Operating Group may only use funds from a cumulative discretionary one-time basket of up to $50.0 million in the aggregate, or reserve up to $17.0 million in the aggregate annually (the "Discretionary Basket"), to engage in certain "Restricted Activities" (as defined below) or any other activities related to the strategic expansion of the Oz Operating Group, and may not use any other funds of the Oz Operating Group to fund such activities, subject to certain exceptions. The Discretionary Basket will not be subject to the Distribution Holiday or the Cash Sweep and, subject to certain exceptions, may only be used to fund new firm investments or new firm products or to fund share buybacks (including RSU cash settlements in excess of permitted amounts) in an aggregate amount not to exceed $25.0 million (the "Restricted Activities"). The Discretionary Basket may not be used to fund employee compensation payments.

4. NONCONTROLLING INTERESTS

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.

Prior to the Recapitalization, the attribution of net income (loss) of each Oz Operating Partnership was based on the relative ownership percentages of the Group A Units (noncontrolling interests) and the Group B Units (indirectly held by the Registrant). In applying the substantive profit-sharing arrangements in the Oz Operating Partnership limited partnership agreements to the Company's consolidated financial statements, for periods subsequent to the Recapitalization and for the duration of the Distribution Holiday, the Company will allocate net income of each Oz Operating Partnership in any fiscal year solely to the Group B Units and any net loss on a pro rata basis based on the relative ownership percentages of the Group A Units and Group B Units. To the extent an Oz Operating Partnership incurs a net loss in an interim period, any net income recognized in a subsequent interim period in the same fiscal year is allocated on a pro rata basis to the extent of previously allocated net loss. Conversely, to the extent an Oz Operating Partnership recognizes net income in an interim period, any net loss incurred in a subsequent interim period in the same fiscal year is allocated solely to the Group B Units to the extent of previously allocated net income.

The table below sets forth the calculation of noncontrolling interests related to the Group A Units for each Oz Operating Partnership (rounding differences may occur). The blended participation percentages presented below take into account ownership changes throughout the periods presented. In addition, the blended participation percentages in 2019 take into account the difference in methodology described above for the period prior to the Recapitalization Date compared to the period following the Recapitalization Date. For example, Oz Advisors LP had net income in the period prior to the Recapitalization Date, and as a result, allocates a portion of its net income for the six months ended June 30, 2019 to the Group A Units.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Oz Management LP				
Net loss	$ (18,769)	$ (30,901)	$ (50,818)	$ (28,496)
Blended participation percentage	43%	58%	44%	58%
Net Loss Attributable to Group A Units	**$ (8,148)**	**$ (17,847)**	**$ (22,212)**	**$ (16,458)**
Oz Advisors LP				
Net (loss) income	$ (9,523)	$ (20,164)	$ 7,974	$ (2,429)
Blended participation percentage	0%	58%	84%	58%
Net (Loss) Income Attributable to Group A Units	**$ —**	**$ (11,647)**	**$ 6,695**	**$ (1,400)**
Oz Advisors II LP				
Net income	$ 14,550	$ 13,125	$ 16,603	$ 7,470
Blended participation percentage	0%	58%	0%	58%
Net Income Attributable to Group A Units	**$ —**	**$ 7,579**	**$ —**	**$ 4,313**
Total Oz Operating Group				
Net loss	$ (13,742)	$ (37,940)	$ (26,241)	$ (23,455)
Blended participation percentage	59%	58%	59%	58%
Net Loss Attributable to Group A Units	**$ (8,148)**	**$ (21,915)**	**$ (15,517)**	**$ (13,545)**

The following table presents the components of the net loss attributable to noncontrolling interests:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Group A Units	$ (8,148)	$ (21,915)	$ (15,517)	$ (13,545)
Other	164	475	299	740
	$ (7,984)	**$ (21,440)**	**$ (15,218)**	**$ (12,805)**

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

	June 30, 2019	December 31, 2018
	(dollars in thousands)	
Group A Units	$ 450,099	$ 415,928
Other	3,793	3,503
	$ 453,892	**$ 419,431**

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 tables present the activity in redeemable noncontrolling interests:

	Three Months Ended June 30,					
	2019			2018		
	Funds	Preferred Units	Total	Funds	Preferred Units	Total
	(dollars in thousands)					
Beginning balance	$ 149,290	$ 150,000	$ 299,290	$ 48,012	$ 420,000	$ 468,012
Capital contributions	1,938	—	1,938	15,178	—	15,178
Capital distributions	(56,636)	—	(56,636)	(10,015)	—	(10,015)
Comprehensive income	2,637	—	2,637	332	—	332
Ending Balance	**$ 97,229**	**$ 150,000**	**$ 247,229**	**$ 53,507**	**$ 420,000**	**$ 473,507**

	Six Months Ended June 30,					
	2019			2018		
	Funds	Preferred Units	Total	Funds	Preferred Units	Total
	(dollars in thousands)					
Beginning balance	$ 157,660	$ 420,000	$ 577,660	$ 25,617	$ 420,000	$ 445,617
Fair value of Debt Securities exchanged for 2016 Preferred Units	—	(167,799)	(167,799)	—	—	—
Fair value of 2019 Preferred Units exchanged for 2016 Preferred Units	—	(137,759)	(137,759)	—	—	—
Issuance of 2019 Preferred Units, net of issuance costs	—	136,964	136,964	—	—	—
Change in redemption value of Preferred Units	—	(101,406)	(101,406)	—	—	—
Capital contributions	3,645	—	3,645	37,285	—	37,285
Capital distributions	(72,247)	—	(72,247)	(10,348)	—	(10,348)
Comprehensive income	8,171	—	8,171	953	—	953
Ending Balance	**$ 97,229**	**$ 150,000**	**$ 247,229**	**$ 53,507**	**$ 420,000**	**$ 473,507**

5. INVESTMENTS AND FAIR VALUE DISCLOSURES

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

	June 30, 2019	December 31, 2018
	(dollars in thousands)	
United States government obligations, at fair value	$ 167,698	$ 179,510
CLOs, at fair value	181,547	181,868
Other investments, equity method	55,838	28,519
Total Investments	**$ 405,083**	**$ 389,897**

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 CLOs, 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 an input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Fair Value Measurements Categorized within the Fair Value Hierarchy

The following table summarizes the Company's investments measured at fair value on a recurring basis within the fair value hierarchy as of June 30, 2019:

	As of June 30, 2019			
	Level I	Level II	Level III	Total
	(dollars in thousands)			
Assets, at Fair Value				
Included within cash and cash equivalents:				
United States government obligations	$ 63,740	$ —	$ —	$ 63,740
Included within investments:				
United States government obligations	$ 167,698	$ —	$ —	$ 167,698
CLOs(1)	$ —	$ —	$ 181,547	$ 181,547
Investments of consolidated funds:				
Bank debt	$ —	$ 60,935	$ 36,130	$ 97,065
Corporate bonds	$ —	$ 1,800	$ —	$ 1,800
Total Investments of Consolidated Funds	**$ —**	**$ 62,735**	**$ 36,130**	**$ 98,865**

(1) As of June 30, 2019, investments in CLOs had contractual principal amounts of $168.3 million outstanding, which excludes the Company's investments in subordinated tranches of the notes, as these do not have contractual principal payments.

The following table summarizes the Company's investments measured at fair value on a recurring basis within the fair value hierarchy as of December 31, 2018:

	As of December 31, 2018			
	Level I	Level II	Level III	Total
	(dollars in thousands)			
Assets, at Fair Value				
Included within cash and cash equivalents:				
United States government obligations	$ 58,054	$ —	$ —	$ 58,054
Included within investments:				
United States government obligations	$ 179,510	$ —	$ —	$ 179,510
CLOs(1)	$ —	$ —	$ 181,868	$ 181,868
Investments of consolidated funds:				
Bank debt	$ —	$ 91,345	$ 75,613	$ 166,958
Corporate bonds	$ —	$ 4,537	$ —	$ 4,537
Total Investments of Consolidated Funds	**$ —**	**$ 95,882**	**$ 75,613**	**$ 171,495**

(1) As of December 31, 2018, investments in CLOs had contractual principal amounts of $171.5 million outstanding, which excludes the Company's investments in subordinated tranches of the notes, as these do not have contractual principal payments.

Reconciliation of Fair Value Measurements Categorized within Level III

Gains and losses, excluding those of the consolidated funds are recorded within net gains (losses) on investments 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. Amortization of premium, accretion of discount and foreign exchange gains and losses on non-U.S. Dollar investments are also included within gains and losses in the tables below.

The following table summarizes the changes in the Company's Level III assets and liabilities for the three months ended June 30, 2019:

	March 31, 2019	Transfers In	Transfers Out	Investment Purchases / Issuances	Investment Sales / Settlements	Gains / Losses	June 30, 2019
	(dollars in thousands)						
Assets, at Fair Value							
Included within investments:							
CLOs	$ 158,468	$ —	$ —	$ 25,903	$ (4,615)	$ 1,791	$ 181,547
Investments of consolidated funds:							
Bank debt	$ 59,169	$ 10,777	$ (13,974)	$ 16,873	$ (36,635)	$ (80)	$ 36,130

The following table summarizes the changes in the Company's Level III assets and liabilities for the three months ended June 30, 2018:

	March 31, 2018	Transfers In	Transfers Out	Investment Purchases	Investment Sales / Settlements	Gains / Losses	June 30, 2018
	(dollars in thousands)						
Assets, at Fair Value							
Included within investments:							
CLOs	$ 286,970	$ —	$ —	$ 29,827	$ (162,145)	$ (6,525)	$ 148,127
Investments of consolidated funds:							
Bank debt	$ 19,134	$ 9,410	$ (2,705)	$ 42,537	$ (35,986)	$ 125	$ 32,515

The following tables summarize the changes in the Company's Level III assets and liabilities for the six months ended June 30, 2019:

	December 31, 2018	Transfers In	Transfers Out	Investment Purchases / Issuances	Investment Sales / Settlements	Gains / Losses	June 30, 2019
	(dollars in thousands)						
Assets, at Fair Value							
Included within investments:							
CLOs	$ 181,868	$ —	$ —	$ 26,711	$ (27,750)	$ 718	$ 181,547
Investments of consolidated funds:							
Bank debt	$ 75,613	$ 8,702	$ (27,313)	$ 27,128	$ (48,592)	$ 592	$ 36,130
Corporate bonds	$ —	$ —	$ —	$ 987	$ (981)	$ (6)	$ —

The following table summarizes the changes in the Company's Level III assets and liabilities for the six months ended June 30, 2018:

	December 31, 2017	Transfers In	Transfers Out	Investment Purchases / Issuances	Investment Sales	Gains/ Losses	June 30, 2018
	(dollars in thousands)						
Assets, at Fair Value							
Included within investments:							
CLOs	$ 211,749	$ —	$ —	$ 106,449	$ (164,920)	$ (5,151)	$ 148,127
Investments of consolidated funds:							
Bank debt	$ 18,807	$ 3,642	$ (415)	$ 71,816	$ (61,669)	$ 334	$ 32,515

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 independent pricing services.

The table below summarizes the net change in unrealized gains and losses on the Company's Level III investments held as of the reporting date:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Assets, at Fair Value				
Included within investments:				
CLOs	$ 85	$ (4,729)	$ 877	$ (3,368)
Investments of consolidated funds:				
Bank debt	$ 114	$ 4	$ 694	$ 76

Valuation Methodologies for Fair Value Measurements Categorized within Levels II and III

Investments in CLOs, bank debt and corporate bonds are valued using independent pricing services, and therefore the Company does not have transparency into the significant inputs used by such services.

The Company elected to measure its investments in CLOs at fair value through consolidated net (loss) income in order to simplify its accounting for these instruments. Changes in fair value of these investments are included within net gains on investments in the consolidated statements of comprehensive income (loss). The Company accrues interest income on its investments in CLOs using the effective interest method.

Fair Value of Other Financial Instruments

Management estimates that the carrying value of the Company's other financial instruments, including its debt obligations and repurchase agreements, approximated their fair values as of June 30, 2019. The fair value measurements for the Company's debt obligations and repurchase agreements are categorized as Level III within the fair value hierarchy and were determined using independent pricing services.

Loans Sold to CLOs Managed by the Company

In the six months ended June 30, 2018, the Company sold $29.8 million of loans to CLOs managed by the Company. No loans were sold in the six months ended June 30, 2019. 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.

The Company invests in senior secured and subordinated notes issued by certain CLOs to which it sold the loans discussed above. These investments represent retained interests to the Company and are in the form of a 5% vertical strip (i.e., 5% of each of the senior and subordinated tranches of notes issues by each CLO). The retained interests are reported within investments on the Company's consolidated balance sheet. In the six months ended June 30, 2018, the Company made $24.9 million of investments related to these retained interests. No investments related to these retained interests were made in the six months ended June 30, 2019. As of June 30, 2019 and December 31, 2018, the Company's investments in these retained interests had a fair value of $89.8 million and $89.4 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 interest and principal, as applicable, on these retained interests. In the six months ended June 30, 2019 and

2018, the Company received $2.0 million and $4.3 million, respectively, of interest and principal payments related to the retained interests.

The Company uses independent pricing services to value its investments in the CLOs, including the retained interests, 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. The table below presents the assets and liabilities of VIEs consolidated by the Company.

	June 30, 2019	December 31, 2018
	(dollars in thousands)	
Assets		
Assets of consolidated funds:		
Investments of consolidated funds, at fair value	$ 98,865	$ 171,495
Other assets of consolidated funds	78,708	21,090
Total Assets	**$ 177,573**	**$ 192,585**
Liabilities		
Liabilities of consolidated funds:		
Other liabilities of consolidated funds	76,645	14,541
Total Liabilities	**$ 76,645**	**$ 14,541**

The assets presented in the table above belong to the investors in those funds, are available for use only by the fund to which they belong, and are not available for use by the Company. The consolidated funds have no recourse to the general credit of the Company with respect to any liability.

The Company's direct involvement with funds that are VIEs and not consolidated by the Company is generally limited to providing asset management services and, in certain cases, insignificant 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 19. The Company does not provide, nor is it required to provide, any type of non-contractual financial or other support to its VIEs that are not consolidated.

The table below presents the net assets of VIEs in which the Company has variable interests along with the maximum risk of loss as a result of the Company's involvement with VIEs:

	June 30, 2019	December 31, 2018
	(dollars in thousands)	
Net assets of unconsolidated VIEs in which the Company has a variable interest	$ 8,331,080	$ 10,236,438
Maximum risk of loss as a result of the Company's involvement with VIEs:		
Unearned revenues	69,710	62,038
Income and fees receivable	8,417	31,658
Investments in funds	194,975	190,674
Maximum Exposure to Loss	**$ 273,102**	**$ 284,370**

7. LEASES

The Company has non-cancelable operating leases for its headquarters in New York and its offices in London, Hong Kong, Mumbai, Shanghai, and various other locations and data centers. The Company does not have renewal options, other than a three-year renewal option for its lease in Hong Kong, which was not included in the determination of the related lease asset and liability. The Company also subleases a portion of its office space in London through the end of the lease term. Finally, the Company has finance leases for computer hardware.

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
	(dollars in thousands)	
Lease Cost		
Operating lease cost	$ 5,146	$ 10,295
Short-term lease cost	14	32
Finance lease cost - amortization of leased assets	137	274
Finance lease cost - imputed interest on lease liabilities	25	49
Less: Sublease income	(381)	(765)
Net Lease Cost	**$ 4,941**	**$ 9,885**

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
	(dollars in thousands)	
Supplemental Lease Cash Flow Information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	$ 7,380	$ 11,378
Operating cash flows for finance leases	$ 25	$ 49
Finance cash flows for finance leases	$ —	$ 457
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	$ 7	$ 126,007
Finance leases	$ —	$ 1,702

	June 30, 2019
Lease Term and Discount Rate	
Weighted average remaining lease term	
Operating leases	9.7 years
Finance leases	2.7 years
Weighted average discount rate	
Operating leases	7.9%
Finance leases	7.9%

	Operating Leases	Finance Leases
	(dollars in thousands)	
Maturity of Lease Liabilities		
July 1, 2019 to December 31, 2019	$ 11,230	$ 156
2020	22,468	618
2021	20,970	618
2022	19,780	—
2023	19,085	—
Thereafter	97,587	—
Total Lease Payments	**191,120**	**1,392**
Imputed interest	(57,449)	(103)
Total Lease Liabilities	**$ 133,671**	**$ 1,289**

As of June 30, 2019, the Company has pledged collateral related to its lease obligations of $6.2 million, which is included within investments in the consolidated balance sheets.

	Operating Leases
	(dollars in thousands)
Sublease Rent Payments Receivable	
July 1, 2019 to December 31, 2019	$ 1,135
2020	1,514
2021	1,514
2022	1,514
2023	1,185
Thereafter	—
Total Sublease Rent Payments Receivable	**$ 6,862**

8. DEBT OBLIGATIONS

	Debt Securities	2018 Term Loan	CLO Investments Loans	Total
		(dollars in thousands)		
Maturity of Debt Obligations				
July 1, 2019 to December 31, 2019	$ —	$ —	$ —	$ —
2020	—	—	—	—
2021	—	—	—	—
2022	40,000	—	—	40,000
2023	40,000	55,000	17,238	112,238
Thereafter	120,000	—	57,758	177,758
Total Payments	**200,000**	**55,000**	**74,996**	**329,996**
Unamortized discounts & deferred financing costs	(26,155)	(1,261)	(472)	(27,888)
Total Debt Obligations	**$ 173,845**	**$ 53,739**	**$ 74,524**	**$ 302,108**

Debt Securities

In connection with the Recapitalization, the Oz Operating Partnerships, each as a borrower, entered into a Senior Subordinated Credit Agreement under which $200.0 million of Debt Securities were issued in exchange for an equal amount of 2016 Preferred Units. The Debt Securities mature on the earlier of (i) the fifth anniversary of the date on which all obligations under the 2019 Preferred Unit Designations have been in paid in full and (ii) April 1, 2026.

Commencing February 1, 2020, the Debt Securities will bear interest at a per annum rate equal to, at the borrower's option, one, three or six-month (or twelve-month with the consent of each lender) LIBOR plus 4.75%, or a base rate plus 3.75%. Commencing on the earlier to occur of (i) the first anniversary of the date on which all 2019 Preferred Units are paid in full and (ii) March 31, 2022, the Debt Securities amortize in quarterly installments each in a principal amount equal to 5% of the aggregate principal amount of the Debt Securities of the applicable borrower on the effective date of the Subordinated Credit Agreement or, in the case of incremental Debt Securities of such borrower, the date 2019 Preferred Units are exchanged for incremental Debt Securities; provided that in no event shall amortization payments in any fiscal year be required to exceed $40.0 million.

For a period of nine months after the repayment of the 2019 Preferred Units, the borrowers will have the option to voluntarily repay the initial Debt Securities at a 5% discount.

The Subordinated Credit Agreement contains customary representations and warranties and covenants for a transaction of this type and financial covenants consistent with those described below for the 2018 Term Loan. The Subordinated Credit Agreement also requires prepayment of loans under the 2018 Term Loan and the 2019 Preferred Units in accordance with the Cash Sweep, and restricts the incurrence of indebtedness for borrowed money and certain liens, in each case subject to exceptions set forth in the Implementing Agreements.

The Subordinated Credit Agreement contains customary events of default for a transaction of this type and is based on substantially the same terms as the 2018 Term Loan. If an event of default under the Subordinated Credit Agreement occurs and is continuing, then, at the request (or with the consent) of the lenders holding a majority of the Debt Securities, upon notice by the Subordinated Credit Agreement Administrative Agent to the borrowers, the obligations under the Subordinated Credit Agreement shall become immediately due and payable. In addition, if the Oz Operating Partnerships or any of their material subsidiaries become the subject of voluntary or involuntary proceedings under any bankruptcy, insolvency or similar law, then any outstanding obligations under the Subordinated Credit Agreement will automatically become immediately due and payable.

2018 Term Loan

On April 10, 2018 (the "Closing Date"), OZ Management LP, as borrower, (the "Senior Credit Agreement Borrower"), and certain other subsidiaries of the Company, as guarantors, entered into a senior secured credit and guaranty agreement (the "Senior Credit Agreement") consisting of (i) a $250.0 million term loan facility (the "2018 Term Loan") and (ii) a $100.0 million revolving credit facility (the "2018 Revolving Credit Facility"). Effective as of February 7, 2019, the Company terminated in full the commitments under the 2018 Revolving Credit Facility. At the time of such termination, no borrowings were outstanding under the 2018 Revolving Credit Facility.

In connection with the Recapitalization, the Company entered into Amendment No. 1 (the "Senior Credit Agreement Amendment") to the Senior Credit Agreement (the Senior Credit Agreement, as amended by the Senior Credit Agreement Amendment, the "Amended Senior Credit Agreement"). In accordance with the Amended Senior Credit Agreement, indebtedness outstanding under the 2018 Term Loan will be payable in accordance with the provisions of the Cash Sweep described in Note 3. The 2018 Term Loan matures April 10, 2023. The maturity date of the 2018 Term Loan may be extended pursuant to the terms of the Amended Senior Credit Agreement.

In connection with the Recapitalization and the Senior Credit Agreement Amendment, the Company repaid $100.0 million of amounts outstanding under the 2018 Term Loan. In accordance with the Cash Sweep, the Company repaid an additional $45.0 million during the first half of 2019 and another $5.0 million on August 1, 2019.

The 2018 Term Loan bears interest at a per annum rate equal to, at the Company's option, one, three or six months (or twelve months with the consent of each lender) LIBOR plus 4.75%, or a base rate plus 3.75%. Prior to the termination of the 2018 Revolving Credit Facility in February 2019, the Company was required to pay an undrawn commitment fee at a rate per annum equal to 0.20% to 0.75% of the undrawn portion of the commitments under the 2018 Revolving Credit Facility, computed on a daily basis.

The obligations under the Amended Senior Credit Agreement are guaranteed by the Oz Operating Partnerships and are secured by a lien on substantially all of the Oz Operating Partnerships' assets, subject to certain exclusions.

The Amended Senior Credit Agreement contains two financial maintenance covenants. The first financial maintenance covenant states that the Company's total fee-paying assets under management as of the last day of any fiscal quarter must be greater than $20.0 billion, and the second states that the total net leverage ratio (as defined in the Amended Senior Credit Agreement, which excludes the Debt Securities) as of the last day of any fiscal quarter must be less than (i) 3.00 to 1.00, or (ii) following the third anniversary of the Closing Date, 2.50 to 1.00. As of June 30, 2019, the Company was in compliance with the financial maintenance covenants.

The Amended Senior Credit Agreement requires compliance with the provisions of the Implementing Agreements that impose restrictions on distributions, including certain tax distributions, during the Distribution Holiday, requiring prepayment of loans under the Amended Senior Credit Agreement with excess cash above a certain threshold, and restricting the incurrence of indebtedness for borrowed money and certain liens, in each case subject to exceptions set forth in the Implementing Agreements.

In the event the Amended Senior Credit Agreement remains outstanding at that time, the Amended Senior Credit Facility allows for the issuance of an additional $200.0 million of incremental Debt Securities in exchange for the remaining Preferred Units on or after March 31, 2022. The Amended Senior Credit Agreement also allows restricted payments for preferred dividends of up to $12.0 million per year.

The Amended Senior Credit Agreement contains customary events of default. If an event of default under the Amended Senior Credit Agreement occurs and is continuing, then, at the request (or with the consent) of the lenders holding a majority of the commitments and loans, upon notice by the administrative agent to the Senior Credit Agreement Borrower, the obligations under the Amended Senior Credit Agreement shall become immediately due and payable. In addition, if the Senior Credit Agreement Borrower or any of its material subsidiaries becomes the subject of voluntary or involuntary proceedings under any bankruptcy, insolvency or similar law, then any outstanding obligations under the Amended Senior Credit Agreement will automatically become immediately due and payable.

CLO Investments Loans

The Company entered into loans to finance portions of investments in certain CLOs (collectively, the "CLO Investments Loans"). 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 also include terms that require the Company's continued involvement with the CLOs. The CLO Investments Loans do not have any financial maintenance covenants and are secured by the related investments in CLOs, which investments had fair values of $89.8 million and $112.8 million as of June 30, 2019 and December 31, 2018, respectively.

Carrying amounts presented in the table below are net of discounts, if any, and unamortized deferred financing costs. The maturity date for each CLO Investments Loan is the earlier of the final maturity date presented in the table below or the date at which the Company no longer holds a risk retention investment in the respective CLO.

Borrowing Date	Contractual Rate	Final Maturity Date	Carrying Value June 2019	Carrying Value December 2018
			(dollars in thousands)	
November 28, 2016	EURIBOR plus 2.23%	December 15, 2023	$ 17,125	$ 17,235
June 7, 2017	LIBOR plus 1.48%	November 16, 2029	17,235	17,224
August 2, 2017	LIBOR plus 1.41%	January 21, 2030	21,676	21,674
September 14, 2017	EURIBOR plus 2.21%	September 14, 2024	18,488	18,614
February 21, 2018	LIBOR plus 1.27%	February 21, 2019	—	21,060
			$ 74,524	**$ 95,807**

9. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

On May 29, 2018, the Company entered into a €100.0 million master credit facility agreement (the "CLO Financing Facility") to finance a portion of the risk retention investments in certain European CLOs managed by the Company. Subject to the terms and conditions of the CLO Financing Facility, the Company and the counterparty may enter into repurchase agreements on such terms agreed upon by the parties. Each transaction entered into under the CLO Financing Facility will bear interest at a rate based on the weighted average effective interest rate of each class of securities that have been sold plus a spread to be agreed upon by the parties. As of June 30, 2019, €30.2 million of the CLO Financing Facility remained available.

Each transaction entered into under the CLO Financing Facility provides for payment netting and, in the case of a default or similar event with respect to the counterparty to the CLO Financing Facility, provides for netting across transactions. Generally, upon a counterparty default, the Company can terminate all transactions under the CLO Financing Facility and offset amounts it owes in respect of any one transaction against collateral it has received in respect of any other transactions under the CLO Financing Facility; provided, however, that in the case of certain defaults, the Company may only be able to terminate and offset solely with respect to the transaction affected by the default. During the term of a transaction entered into under the CLO Financing Facility, the Company will deliver cash or additional securities acceptable to the counterparty if the securities sold are in default. Upon termination of a transaction, the Company will repurchase the previously sold securities from the counterparty at a previously determined repurchase price. The CLO Financing Facility may be terminated at any time upon certain defaults or circumstances agreed upon by the parties.

The repurchase agreements may result in credit exposure in the event the counterparty to the transaction is unable to fulfill its contractual obligations. The Company minimizes the credit risk associated with these activities by monitoring counterparty credit exposure and collateral values. Other than margin requirements, the Company is not subject to additional terms or contingencies which would expose the Company to additional obligations based upon the performance of the securities pledged as collateral.

The table below presents securities sold under agreements to repurchase that are offset, if any, as well as securities transferred to counterparties related to such transactions (capped so that the net amount presented will not be reduced below zero). No other material financial instruments were subject to master netting agreements or other similar agreements:

Securities Sold under Agreements to Repurchase	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities in the Consolidated Balance Sheet	Securities Transferred	Net Amount
			(dollars in thousands)		
As of June 30, 2019	$ 78,648	$ —	$ 78,648	$ 78,648	$ —
As of December 31, 2018	$ 62,801	$ —	$ 62,801	$ 62,186	$ 615

The securities sold under agreements to repurchase have a set scheduled maturity date that corresponds to the maturities of the securities sold under such transaction. The table below presents the remaining final contractual maturity of the securities sold under agreement to repurchase by class of collateral pledged:

	Investments in CLOs				
Securities Sold under Agreements to Repurchase	**Overnight and Continuous**	**Up to 30 Days**	**30-90 Days**	**Greater Than 90 Days**	**Total**
			(dollars in thousands)		
As of June 30, 2019	$ —	$ —	$ —	$ 78,648	$ 78,648
As of December 31, 2018	$ —	$ —	$ —	$ 62,801	$ 62,801

10. PREFERRED UNITS

2016 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 $400.0 million of 2016 Preferred Units, all of which remained issued and outstanding as of December 31, 2018. As of February 7, 2019, all of the 2016 Preferred Units were restructured into the 2019 Preferred Units and Debt Securities, as described in Note 3.

2019 Preferred Units

Pursuant to the 2019 Preferred Unit Designations, the Oz Operating Partnerships issued 2019 Preferred Units with an aggregate liquidation preference of $200.0 million, in exchange for $200.0 million of the 2016 Preferred Units. Other than following the occurrence of a Discount Termination Event (as defined in the 2019 Preferred Unit Designations), the Oz Operating Partnerships have the option to redeem the 2019 Preferred Units at a 25% discount until March 31, 2021, and then at a 10% discount at any time between April 1, 2021 and March 30, 2022. Any mandatory payments as a result of the Cash Sweep will be entitled to the same discount. To the extent that the 2019 Preferred Units are not repaid in full prior to March 31, 2022, at the option of the holder thereof, all or any portion of the 2019 Preferred Units will be converted into Debt Securities in an aggregate principal amount equal to the Liquidation Value (as defined below) of such 2019 Preferred Units, with such Debt Securities having the same terms as the existing $200.0 million of Debt Securities.

Pursuant to the New Preferred Unit Designations, distributions on the 2019 Preferred Units will be payable on the liquidation preference amount 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. In addition, following the occurrence of a change of control event, the Oz Operating Partnerships will redeem the 2019 Preferred Units at a redemption price equal to the liquidation preference plus all accumulated but unpaid distributions (collectively, the "Liquidation Value"). If the Oz Operating Partnerships fail to redeem all of the outstanding 2019 Preferred Units after such change of control event, the distribution rate will increase by 7% per annum, beginning on the 31st day following such event. Pursuant to the 2019 Preferred Unit Designations, the Oz Operating Partnerships will not be required to effect such redemption until the earlier of (i) the date that is 20 days following such change of control event and (ii) the payment in full of all loans and other obligations and the termination of all commitments under the 2018 Term Loan.

From and after March 31, 2022, 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 used 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 $100.0 million in the aggregate, then an amount equal to 20% of such excess shall be used to redeem the 2019 Preferred Units on a pro rata basis at a redemption price equal to the

Liquidation Value. Furthermore, if the average closing price of the Company's Class A Shares exceeds $150.00 per share for the previous 20 trading days from and after the Recapitalization Closing, the Oz Operating Partnerships have agreed to use their reasonable best efforts to redeem all of the outstanding 2019 Preferred Units as promptly as practicable. If such event occurs prior to the maturity date of the 2018 Term Loan and all obligations under the 2018 Term Loan have not been prepaid in accordance with the terms thereof, the Company has agreed to use its reasonable best efforts to obtain consents from its lenders in order to redeem the 2019 Preferred Units as promptly as practicable.

11. OTHER ASSETS, NET

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

	June 30, 2019	December 31, 2018
	(dollars in thousands)	
Fixed Assets:		
Leasehold improvements	$ 54,257	$ 54,257
Computer hardware and software	46,269	48,178
Furniture, fixtures and equipment	8,373	8,373
Accumulated depreciation and amortization	(71,285)	(67,558)
Fixed assets, net	37,614	43,250
Goodwill	22,691	22,691
Prepaid expenses	16,928	11,629
Other	7,894	4,833
Total Other Assets, Net	**$ 85,127**	**$ 82,403**

12. OTHER LIABILITIES

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

	June 30, 2019	December 31, 2018
	(dollars in thousands)	
Accrued expenses	$ 18,100	$ 27,683
Unused trade commissions	5,822	8,615
Uncertain tax positions	7,000	7,000
Deferred rent credit	—	6,231
Trades payable	—	4,978
Other	6,870	9,096
Total Other Liabilities	**$ 37,792**	**$ 63,603**

13. REVENUES

The following table presents management fees and incentive income recognized as revenues for the three months ended June 30, 2019 and 2018:

	Three Months Ended June 30, 2019		Three Months Ended June 30, 2018	
	Management Fees	Incentive Income	Management Fees	Incentive Income
	(dollars in thousands)			
Multi-strategy funds	$ 34,219	$ 30,800	$ 44,394	$ 31,094
Credit				
Opportunistic credit funds[1]	10,704	2,069	7,997	(3,704)
Institutional Credit Strategies	13,848	—	12,555	—
Real estate funds	2,417	1,888	5,077	6,324
Other	212	—	570	942
Total	**$ 61,400**	**$ 34,757**	**$ 70,593**	**$ 34,656**

(1) Revenues for opportunistic credit funds in 2018 are reflective of a contract modification that resulted in an offset to previously recognized revenues.

The following table presents management fees and incentive income recognized as revenues for the six months ended June 30, 2019 and 2018:

	Six Months Ended June 30, 2019		Six Months Ended June 30, 2018	
	Management Fees	Incentive Income	Management Fees	Incentive Income
	(dollars in thousands)			
Multi-strategy funds	$ 68,600	$ 45,784	$ 88,800	$ 42,926
Credit				
Opportunistic credit funds	21,139	32,989	19,104	30,531
Institutional Credit Strategies	27,571	—	23,748	—
Real estate funds	7,249	9,182	9,841	11,091
Other	464	—	1,550	942
Total	**$ 125,023**	**$ 87,955**	**$ 143,043**	**$ 85,490**

A liability for unearned incentive income is generally recognized when the Company receives incentive income distributions from its funds, primarily its real estate funds, for which incentive income has not yet met the recognition threshold of being probable that a significant reversal of cumulative revenue will not occur. The following table presents the activity in the Company's unearned incentive income for the six months ended June 30, 2019 and 2018:

	Six Months Ended June 30,	
	2019	2018
	(dollars in thousands)	
Beginning of Period	**$ 61,397**	**$ 143,710**
Effects of adoption of ASU 2014-09	—	(99,422)
Amounts collected during the period	11,338	23,336
Amounts recognized during the period	(6,427)	(10,369)
End of Period	**$ 66,308**	**$ 57,255**

The Company recognizes management fees over the period in which the performance obligation is satisfied. The Company records incentive income when it is probable that a significant reversal of income will not occur. The majority of management fees and incentive income receivable at each balance sheet date is generally collected during the following quarter.

The following table presents the composition of the Company's income and fees receivable as of June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
	(dollars in thousands)	
Management fees	$ 22,137	$ 20,368
Incentive income	29,208	62,475
Income and Fees Receivable	**$ 51,345**	**$ 82,843**

14. EQUITY-BASED COMPENSATION EXPENSES

The Company grants equity-based compensation in the form of RSUs, PSUs, Group A Units, Group E Units and Group P Units to its executive managing directors, employees and the independent members of the Board under the terms of the 2007 Equity Incentive Plan and the 2013 Incentive Plan.

The following table presents information regarding the impact of equity-based compensation grants on the Company's consolidated statements of comprehensive income (loss):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Expense recorded within compensation and benefits	$ 37,095	$ 23,366	$ 74,318	$ 45,537
Corresponding tax benefit	$ 4,616	$ 2,094	$ 6,552	$ 3,820

The following tables present activity related to the Company's unvested equity awards for the six months ended June 30, 2019:

	Equity-Classified RSUs		Liability-Classified RSUs		PSUs	
	Unvested RSUs	Weighted-Average Grant-Date Fair Value	Unvested RSUs	Weighted-Average Grant-Date Fair Value	Unvested PSUs	Weighted-Average Grant-Date Fair Value
December 31, 2018	**3,784,536**	**$ 30.00**	**433,133**	**$ 66.75**	**1,000,000**	**$ 11.82**
Granted	1,561,250	$ 13.91	57,295	$ 14.37	—	$ —
Vested	(766,839)	$ 23.24	—	$ —	—	$ —
Canceled or forfeited	(143,324)	$ 27.55	—	$ —	—	$ —
June 30, 2019	**4,435,623**	**$ 25.63**	**490,428**	**$ 60.36**	**1,000,000**	**$ 11.82**

	Group A Units			Group E Units			Group P Units		
	Unvested Group A Units		Weighted-Average Grant-Date Fair Value	Unvested Group E Units		Weighted-Average Grant-Date Fair Value	Unvested Group P Units		Weighted-Average Grant-Date Fair Value
December 31, 2018	**74,962**	**$**	**105.26**	**—**	**$**	**—**	**3,460,000**	**$**	**12.46**
Granted	—	$	—	13,542,440	$	8.22	—	$	—
Vested	(24,271)	$	105.26	(1,173,671)	$	8.12	—	$	—
Canceled or forfeited	(26,421)	$	105.26	(56,620)	$	8.12	(250,000)	$	12.46
June 30, 2019	**24,270**	**$**	**105.26**	**12,312,149**	**$**	**8.23**	**3,210,000**	**$**	**12.46**

Restricted Share Units (RSUs)

An RSU entitles the holder to receive a Class A Share, or cash equal to the fair value of a Class A Share at the election of the Board, upon completion of the requisite service period. All of the RSUs granted to date accrue dividend equivalents equal to the dividend amounts paid on the Company's Class A Shares. To date, these dividend equivalents have been awarded in the form of additional RSUs that also accrue additional dividend equivalents. As a result, dividend equivalents declared on equity-classified RSUs are recorded similar to a stock dividend, resulting in (i) increases in the Company's accumulated deficit and the accumulated deficit component of noncontrolling interests on the same pro rata basis as earnings of the Oz Operating Group are allocated and (ii) increases in the Company's additional paid-in capital and the paid-in capital component of noncontrolling interests on the same pro rata basis. No compensation expense is recognized related to these dividend equivalents. Delivery of dividend equivalents on outstanding RSUs is contingent upon the vesting of the underlying RSUs.

As a result of the Recapitalization, the Company modified certain RSUs provided to certain executive managing directors to cap the cumulative distributions that the RSUs would be entitled to receive during the Distribution Holiday. As the resulting fair value of the RSUs was lower than the original grant fair value, the Company continues to recognize the compensation expense that would have been previously recognized prior to the modification.

As of June 30, 2019, total unrecognized compensation expense related to equity-classified RSUs totaled $79.6 million with a weighted-average amortization period of 2.6 years. As of June 30, 2019, total unrecognized compensation expense related to liability-classified RSUs totaled $26.2 million with a weighted-average amortization period of 3.5 years.

The following table presents information related to the settlement of RSUs:

	Six Months Ended June 30,			
	2019		2018	
	(dollars in thousands)			
Fair value of RSUs settled in Class A Shares	$	9,934	$	4,133
Fair value of RSUs settled in cash	$	—	$	276
Fair value of RSUs withheld to satisfy tax withholding obligations	$	661	$	2,364
Number of RSUs withheld to satisfy tax withholding obligations		35,502		107,593

PSUs

As of June 30, 2019, total unrecognized compensation expense related to these units totaled $6.4 million with a weighted-average amortization period of 1.7 years. See the Company's Annual Report for additional information regarding the PSUs.

Group A Units

As of June 30, 2019, total unrecognized compensation expense related to the Group A Units totaled $2.0 million with a weighted-average amortization period of 0.8 years. See the Company's Annual Report for additional information regarding the Group A Units.

Group E Units

As a part of the Recapitalization described in Note 3, the Company granted Group E Units. The Group E Units are not entitled to participate in distributions during the Distribution Holiday. The right of the Group E Units to participate in distributions is considered a performance condition that does not affect vesting. The Company is required to recognize compensation cost based on the grant date fair value of Group E Units where the performance condition is probable of being met. The fair value of the Group E Units was calculated using the price of the Company's Class A Shares at the date of grant, adjusted to reflect that Group E Units are not entitled to participate in distributions during the Distribution Holiday and for post-vesting transfer restrictions. As of June 30, 2019, total unrecognized compensation expense related to these units totaled $79.4 million with a weighted-average amortization period of 2.2 years. Expense for the Group E Units is recognized on an accelerated basis (i.e., each tranche will be recognized over its respective service period), as the value of the award is dependent at least in part on a performance condition.

Group P Units

As of June 30, 2019, total unrecognized compensation expense related to the Group P Units totaled $14.1 million with a weighted-average amortization period of 1.4 years. See the Company's Annual Report for additional information regarding the Group P Units.

15. 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.

Changes in Tax Status and Legal Structure

The Oz Operating Partnerships are partnerships for U.S. federal income tax purposes. The Registrant was a partnership for U.S. federal income tax purposes until the Corporate Classification Change on April 1, 2019. Prior to the Corporate Classification Change, only a portion of the income the Company earned has been subject to corporate-level income taxes in the United States and foreign jurisdictions.

The amount of incentive income the Company earns in a given year, the resultant flow of revenues and expenses through the Company's legal entity structure, the effect that changes in the Class A Share price may have on the ultimate deduction the Company is able to take related to the settlement of RSUs, and any change in future enacted income tax rates may have a significant impact on the Company's income tax provision and effective income tax rate.

As a result of the Corporate Classification Change, the Company recognized $5.6 million of additional tax expense during the second quarter of 2019. Had the Company been treated as a corporation in prior periods presented herein, there would not have been a material change in income tax expense. Following the Corporate Classification Change, generally all of the income the Registrant earns will be subject to corporate-level income taxes in the United States allowing us to realize a portion of our deferred tax assets on an accelerated basis as compared to under our prior structure.

The Company's income tax provision and related income tax assets and liabilities are based on, among other things, an estimate of the impact of the Corporate Classification Change, inclusive of an analysis of tax basis and state tax implications of certain partnerships and their underlying assets and liabilities as of April 1, 2019. The Company's estimate is based on the most recent information available; however, the impact of the conversion cannot be finally determined until the Company's 2019 tax returns have been finalized. The Company does not currently expect such information to become available until 2020. The tax basis and state impact of the partnerships and their underlying assets and liabilities are based on estimates subject to finalization of the Company's tax returns, and the impact of the Corporate Classification Change may differ, possibly materially, from the current estimates described herein.

The following is a reconciliation of the statutory U.S. federal income tax rate to the Company's effective income tax rate:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Statutory U.S. federal income tax rate	21.00%	21.00%	21.00%	21.00%
Income passed through to noncontrolling interests	-78.62%	-15.17%	-54.78%	-16.77%
Nondeductible transaction costs	-2.85%	—%	-23.15%	—%
Tax effects of income recorded to equity in connection with the Recapitalization	—%	—%	17.18%	—%
Foreign income taxes	-34.29%	-2.29%	-25.05%	-6.42%
RSU excess deferred income tax write-off	-15.57%	-0.44%	-17.32%	-2.21%
State and local income taxes	-160.11%	0.87%	-73.23%	-1.06%
Income not subject to entity level tax	—%	2.99%	4.64%	3.03%
Other, net	6.40%	0.07%	7.38%	0.01%
Effective Income Tax Rate	**-264.04%**	**7.03%**	**-143.33%**	**-2.42%**

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 June 30, 2019 and December 31, 2018, the Company had a liability for unrecognized tax benefits of $7.0 million. As of and for the six months ended June 30, 2019, the Company did not accrue interest or penalties related to uncertain tax positions. As of June 30, 2019, 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 $3.1 million as of June 30, 2019.

16. 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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Occupancy and equipment	$ 7,524	$ 7,830	$ 15,108	$ 14,295
Professional services	6,730	9,035	21,690	22,506
Information processing and communications	5,488	6,607	10,850	13,401
Recurring placement and related service fees	3,503	4,161	6,845	8,510
Insurance	2,172	1,835	4,324	3,687
Business development	859	1,163	1,957	2,253
Foreign exchange (gains) and losses	(402)	1,504	(354)	2,587
Other expenses	2,553	3,374	5,795	6,120
	28,427	35,509	66,215	73,359
Settlements expense	—	13,000	—	13,000
Total General, Administrative and Other	**$ 28,427**	**$ 48,509**	**$ 66,215**	**$ 86,359**

17. (LOSS) EARNINGS PER CLASS A SHARE

Basic (loss) earnings per Class A Share is computed by dividing the net (loss) income attributable to Class A Shareholders by the weighted-average number of Class A Shares outstanding for the period.

For the three months ended June 30, 2019 and 2018, the Company included 164,777 and 137,966 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 (loss) earnings per Class A Share. For the six months ended June 30, 2019 and 2018, the Company included 174,461 and 160,922 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 (loss) earnings per Class A Share.

When calculating dilutive (loss) earnings per Class A Share, the Company applies the treasury stock method to unvested RSUs and the if-converted method to vested Group A Units and Group E Units. The Company applies the treasury stock method to unvested Group A Units and Group E Units and the if-converted method on the resulting number of units that would be issued. The Company did not include the Group P Units or PSUs in the calculations of dilutive (loss) earnings per Class A Share, as the applicable market performance conditions have not yet been met as of June 30, 2019.

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

Three Months Ended June 30, 2019	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	$ (8,625)	20,722,510	$ (0.42)	
Effect of dilutive securities:				
Group A Units	(8,146)	15,991,502		—
Group E Units	—	—		13,541,818
RSUs	—	—		4,882,433
Diluted	$ (16,771)	36,714,012	$ (0.46)	

Three Months Ended June 30, 2018	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	$ (12,256)	19,256,246	$ (0.64)	
Effect of dilutive securities:				
Group A Units	—	—		26,148,948
RSUs	—	—		4,886,465
Diluted	$ (12,256)	19,256,246	$ (0.64)	

Six Months Ended June 30, 2019	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	$ 28,458	20,599,616	$ 1.38	
Effect of dilutive securities:				
Group A Units	—	—		18,018,619
Group E Units	—	5,291,581		—
RSUs	—	50,908		—
Diluted	$ 28,458	25,942,105	$ 1.10	

Six Months Ended June 30, 2018	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	$ (8,766)	19,239,761	$ (0.46)	
Effect of dilutive securities:				
Group A Units	—	—		26,301,434
RSUs	—	—		4,184,987
Diluted	$ (8,766)	19,239,761	$ (0.46)	

18. RELATED PARTY TRANSACTIONS

Due from Related Parties

Amounts due from related parties relate primarily to amounts due from the funds for expenses paid on their behalf. These amounts are reimbursed to the Company on an ongoing basis.

Due to Related Parties

Amounts due to related parties relate primarily to future payments owed to the Company's executive managing directors under the tax receivable agreement, as discussed further in Note 19. The Company made no payments under the tax receivable agreement in the six months ended June 30, 2019 and 2018.

Management Fees and Incentive Income Earned from Related Parties and Waived Fees

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.

As of June 30, 2019 and 2018, respectively, approximately $1.1 billion and $2.4 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 June 30, 2019 and 2018, approximately 30% and 28%, of these 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 its executive managing directors, employees and certain other related parties before the impact of eliminations related to the consolidated funds:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Fees charged on investments held by related parties:				
Management fees	$ 1,671	$ 4,391	$ 4,396	$ 6,473
Incentive income	$ 3,207	$ 1,190	$ 4,768	$ 2,454

Other

In connection with the Recapitalization described in Note 3, the Company paid for Mr. Och's expenses incurred in connection with these transactions in the amount of $5.0 million, of which $4.5 million had been incurred in the fourth quarter of 2018, and the remainder was incurred in the first quarter of 2019. In addition, the Company will pay for reasonable expenses, if any, incurred by holders of the 2019 Preferred Units in connection with protecting the interests or enforcing the rights of such securities. See Note 10 for additional details.

19. COMMITMENTS AND CONTINGENCIES

Tax Receivable Agreement

The purchase of Group A Units from the executive managing directors and Ziff Investors Partnership, L.P. II and certain of its affiliates and control persons (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 assets of the Oz Operating Group that would not otherwise have been available. The Company anticipates that any such tax basis adjustment resulting from an exchange will be allocated principally to certain intangible assets of the Oz Operating Group, and the Company will derive its tax benefits principally through amortization of these intangibles over a 15-year period. Consequently, these tax basis adjustments will increase, for tax purposes, the Company's depreciation and amortization expenses and will therefore reduce the amount of tax that Oz Corp and any other future corporate taxpaying entities that acquire 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 Inc. once it became treated as a corporate taxpayer following the Corporate Classification Change) have agreed to pay the executive managing directors and the Ziffs a percentage 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. For tax years prior to 2019, such percentage was 85% of such annual cash savings under the tax receivable agreement.

The Company recorded its initial estimate of future payments under the tax receivable agreement as a decrease to additional 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 Recapitalization, the Company amended the tax receivable agreement to provide that, conditioned on Och-Ziff Capital Management Group Inc. electing to be classified as, or converting into, a corporation for U.S. tax purposes, (i) no amounts are due or payable with respect to the 2017 tax year, (ii) only partial payments equal to 85% of the excess of such cash savings that would otherwise be due over 85% of such cash savings determined assuming that taxable income equals Economic Income (the "2018 Excess Amount") are due and payable in respect of the 2018 tax year and (iii) the percentage of cash savings required to be paid with respect to the 2019 tax year and thereafter, as well as with respect to cash savings from subsequent exchanges, is reduced to 75%. The amendment to the tax receivable agreement was effective on April 1, 2019, the date on which the Registrant changed its tax classification from a partnership to a corporation. As a result of the amendment to the tax receivable agreement, in the second quarter of 2019, the Company released $66.3 million of previously accrued tax receivable agreement liability, which reduced its deferred income tax assets by $16.0 million. The net impact of $50.3 million was recognized as an increase to additional paid-in capital.

In connection with the departure of certain former executive managing directors since the 2007 Offerings, 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 other executive managing directors and the Ziffs approximately 69% of the amount of cash savings, if any, in federal, state and local income taxes in the United States that the Company realizes as a result of such increases in tax basis with respect to future tax years. To the extent that the Company does not realize any cash savings, it would not be required to make corresponding payments under the tax receivable agreement.

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 June 30, 2019, the estimated future payment under the tax receivable agreement was $206.1 million, which is recorded in due to related parties on the consolidated balance sheets.

The table below presents management's estimate as of June 30, 2019, of the maximum amounts that would be payable under the tax receivable agreement assuming that the Company will have sufficient taxable income each year to fully realize the expected tax savings. In light of the numerous factors affecting the Company's obligation to make such payments, the timing and amounts of any such actual payments may differ materially from those presented in the table. The impact of any net operating losses is included in the "Thereafter" amount in the table below.

	Potential Payments Under Tax Receivable Agreement
	(dollars in thousands)
July 1, 2019 to December 31, 2019	$ —
2020	27,363
2021	28,045
2022	33,633
2023	34,540
Thereafter	82,510
Total Payments	**$ 206,091**

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.

In *U.S. v. Oz Africa Management GP, LLC*, Cr. No. 16-515 (NGG) (EDNY), certain former shareholders of a Canadian mining company filed a letter with the court stating they plan to seek restitution at the sentencing hearing for Oz Africa Management GP, LLC. The Company believes the threatened claim is without merit and intends to defend it vigorously. The issue has been fully briefed for the court. The Company is unable to reasonably estimate an amount, if any, of loss or range of loss possible for this matter.

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 $29.2 million to certain funds it manages. It expects to fund these commitments over the next three years. In addition, certain related parties of the Company, collectively, have unfunded capital commitments to funds managed by the Company of up to $70.0 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.

20. SEGMENT INFORMATION

The Company currently has two operating segments: Oz Funds and Real Estate. The Oz Funds segment provides asset management services to the Company's multi-strategy funds, dedicated credit funds and other alternative investment vehicles. The Real Estate segment provides asset management services to the Company's real estate funds. In the fourth quarter of 2018, the Real Estate segment met the threshold for a reportable segment. As a result, the Company began reporting operating segment results for both segments and has adjusted prior-period disclosures to present comparable information.

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 segment 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 substantially all of the Company's operations are performed, prior to making any income allocations.
- Equity-based compensation expenses, depreciation and amortization expenses, changes in the tax receivable agreement liability, net losses on early retirement of debt, gains and losses on fixed assets, and gains and losses on investments in funds, 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.
- Non-cash interest expense accretion on Debt Securities issued in exchange for 2016 Preferred Units in connection with the Recapitalization. Upon exchange, Debt Securities were recognized at fair value and are being accreted to par value over time through interest expense for GAAP; however, management does not consider this interest accretion to be reflective of the operating performance of the Company.
- 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 indebtedness outstanding is allocated to the Oz Funds segment.

Segment Operating Results

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Oz Funds:				
Economic Income Revenues	$ 93,319	$ 93,738	$ 198,383	$ 207,385
Economic Income	$ 34,043	$ 5,618	$ 67,333	$ 56,893
Real Estate:				
Economic Income Revenues	$ 4,116	$ 10,901	$ 16,034	$ 20,300
Economic Income	$ (1,631)	$ 2,576	$ 2,856	$ 4,043
Total Company:				
Economic Income Revenues	$ 97,435	$ 104,639	$ 214,417	$ 227,685
Economic Income	$ 32,412	$ 8,194	$ 70,189	$ 60,936

Reconciliation of Segment Revenues to Consolidated Revenues

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Total consolidated revenues	$ 103,508	$ 109,766	$ 226,702	$ 238,176
Adjustment to management fees[1]	(3,765)	(4,477)	(7,373)	(9,218)
Adjustment to other revenues[2]	—	—	—	(39)
Income of consolidated funds	(2,308)	(650)	(4,912)	(1,234)
Total Segment Revenues	**$ 97,435**	**$ 104,639**	**$ 214,417**	**$ 227,685**

(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 Segment Economic Income to Net (Loss) Income Attributable to Class A Shareholders

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Net (Loss) Income Attributable to Class A Shareholders	**$ (8,625)**	**$ (12,256)**	**$ 28,458**	**$ (8,766)**
Change in redemption value of Preferred Units	—	—	(44,364)	—
Net Loss Allocated to Och-Ziff Capital Management Group Inc.	**$ (8,625)**	**$ (12,256)**	**$ (15,906)**	**$ (8,766)**
Net loss allocated to Group A Units	(8,148)	(21,915)	(15,517)	(13,545)
Equity-based compensation, net of RSUs settled in cash	37,095	23,366	74,318	45,261
Adjustment to recognize deferred cash compensation in the period of grant	2,017	1,974	4,585	14,757
Recapitalization-related non-cash interest expense accretion	4,104	—	6,415	—
Income taxes	10,134	(2,524)	13,520	488
Net losses on early retirement of debt	595	14,303	6,053	14,303
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	1,282	555	3,659	393
Changes in tax receivable agreement liability	(5,362)	—	(5,362)	—
Depreciation, amortization and net gains and losses on fixed assets	2,364	2,794	4,775	5,166
Other adjustments	(3,044)	1,897	(6,351)	2,879
Economic Income	**$ 32,412**	**$ 8,194**	**$ 70,189**	**$ 60,936**

21. SUBSEQUENT EVENTS

Dividend

On August 2, 2019, the Company announced a cash dividend of $0.32 per Class A Share. The dividend is payable on August 21, 2019, to holders of record as of the close of business on August 14, 2019.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and the related notes included in Item 1 of this quarterly report and with our audited consolidated financial statements and the related notes included in our Annual Report. In addition, this discussion and analysis contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described under "Forward-Looking Statements" in this report, in our Annual Report, including the disclosures under "Item 1A. Risk Factors" therein, and in other reports we file with the SEC, that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. An investment in our Class A Shares is not an investment in any of our funds.

Overview

Recapitalization

As discussed in Note 3, on February 7, 2019, we completed the Recapitalization, which included a series of transactions that involved the reallocation of certain ownership interests in the Oz Operating Group to existing members of senior management, a "Distribution Holiday" on interests held by active and former executive managing directors, an amendment to the tax receivable agreement, a "Cash Sweep" to pay down the 2018 Term Loan and 2019 Preferred Units, and various other related transactions.

As part of the Recapitalization, we restructured the previously outstanding $400.0 million of 2016 Preferred Units into $200.0 million of 2019 Preferred Units and $200.0 million of Debt Securities. Additionally, we repaid $100.0 million of the debt outstanding under the 2018 Term Loan and terminated the $100.0 million of undrawn commitments under the 2018 Revolving Credit Facility. In accordance with the Cash Sweep, we repaid an additional $45.0 million during the first half of 2019 and another $5.0 million on August 1, 2019. See Note 8 for additional details.

Reverse Share Split

In January 2019, we completed the 1-for-10 Reverse Share Split. Corresponding adjustments were made to the Group A Units, Group B Units, Group D Units, Group P Units and PSIs. All prior period share, unit, per share and per unit amounts have been restated to give retroactive effect to the Reverse Share Split.

Corporate Classification Change

The Registrant changed its tax classification from a partnership to a corporation effective April 1, 2019 (the "Corporate Classification Change"), and subsequently converted from a Delaware limited liability company into a Delaware corporation effective May 9, 2019.

Effects of Adoption of Lease Accounting Standard

We adopted ASU No. 2016-02, *Leases (Topic 842)*, as amended, as of January 1, 2019 ("ASC 842"), and applied ASC 842 to lease arrangements outstanding as of the date of adoption. Adoption of ASC 842 resulted in the recognition of $126.0 million and $135.9 million of operating lease assets and liabilities, respectively, with the net of these amounts offsetting the deferred rent credit liability in existence immediately prior to adoption.

Overview of Our Financial Results

We reported GAAP net loss attributable to class A shareholders of $8.6 million for the second quarter of 2019, compared to loss of $12.3 million for the second quarter of 2018, and GAAP net income of $28.5 million for the first half of 2019, compared to net loss of $8.8 million for the first half of 2018.

The increases in net income attributable to Class A Shareholders year-over-year were primarily due to the loss recognized on early retirement of debt in the prior year period, a settlements expense accrual taken in the prior year period, as well as reductions across various operating expense categories. These improvements were partially offset by higher compensation and benefits expense driven primarily by the Recapitalization-related equity-based compensation grants, as well as lower management fees. Additionally, the net income was reduced by higher income tax expense, partially offset by a change in tax receivable agreement liability.

Economic Income was $32.4 million for the second quarter of 2019, compared to $8.2 million for the second quarter of 2018. This improvement was primarily due to a decrease in interest expense, a decrease in compensation and benefits expenses, as well as reductions across various operating expense categories. These decreases in expenses were partially offset by lower management fees.

Economic Income was $70.2 million for the first half of 2019, compared to $60.9 million for the first half of 2018. This improvement was primarily due to a decrease in interest expense, a decrease in salaries and benefits, as well as reductions across various operating expense categories. These decreases in expenses 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 $33.7 billion as of June 30, 2019. Longer-dated assets under management, which are those subject to initial commitment periods of three years or longer, were $22.0 billion, comprising 65% of our total assets under management as of June 30, 2019. Assets under management in our dedicated credit, real estate and other strategy-specific funds were $23.9 billion, comprising 71% of assets under management as of June 30, 2019.

Assets under management in our multi-strategy funds totaled $9.8 billion as of June 30, 2019, decreasing $2.9 billion, or 23%, year-over-year. This change was driven by net capital outflows of $3.2 billion, primarily in the Oz Master Fund, our largest multi-strategy fund; and $83.1 million of distributions to investors in certain smaller funds that we have decided to close. These decreases were partially offset by performance-related appreciation of $371.8 million.

Oz Master Fund generated a gross return of 14.8% and a net return of 11.7% year-to-date through June 30, 2019. Oz Master Fund delivered positive returns across all major strategies in the period with performance driven primarily by global equities, merger arbitrage and corporate credit. 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 $20.7 billion as of June 30, 2019, increasing $2.5 billion, or 14%, year-over-year. This change was driven by capital net inflows of $2.9 billion, partially offset by $387.4 million of distributions and other reductions, and performance-related depreciation of $22.8 million.

Assets under management in our opportunistic credit funds totaled $6.0 billion as of June 30, 2019, increasing $506.5 million, or 9%, year-over-year. This change was driven by $441.0 million of net inflows, and $149.8 million of performance-related appreciation. These increases were partially offset by $84.2 million of distributions in our closed-end opportunistic credit funds.

Oz Credit Opportunities Master Fund, our global opportunistic credit fund, generated a gross return of 4.4% and a net return of 3.3% year-to-date through June 30, 2019. Performance was broad-based with gains across both the corporate and structured credit strategies, and geographies. Assets under management for the fund were $1.7 billion as of June 30, 2019.

Assets under management in Institutional Credit Strategies totaled $14.7 billion as of June 30, 2019, increasing $2.0 billion, or 15%, year-over-year. The increase was driven primarily by the closing of additional CLOs and our second aircraft securitization.

Assets under management in our real estate funds totaled $2.9 billion as of June 30, 2019, increasing $382.2 million, or 15%, year-over-year. Since inception through June 30, 2019, the gross internal rate of return ("IRR") was 32.9% and 21.5% net for Och-Ziff Real Estate Fund II (for which the investment period ended in 2014), and 25.4% gross and 16.0% 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 (including the Recapitalization and the Corporate Classification Change), we could experience increased redemptions and a consequent reduction in our assets under management. Over the past few years, our assets under management have declined and this trend may continue to some extent for some period of time in light of the 2016 settlements. However, throughout the latter part of 2017 and 2018, net outflows from our multi-strategy funds began to normalize and were partially offset by growth in our CLOs business, as well as positive fund performance. We believe that strong fund performance should translate to inflows, although we cannot pinpoint the timing.

Information with respect to our assets under management throughout this report, including the tables set forth below, includes investments by us, our executive managing directors, employees and certain other related parties. As of June 30, 2019, approximately 3% 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 30% 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—Management Fees," 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.

Appreciation (depreciation) in the tables below reflects the aggregate net capital appreciation (depreciation) for the entire period and is presented on a total return basis, net of all fees and expenses (except incentive income on Special Investments), and includes the reinvestment of all dividends and other income. Management fees and incentive income vary by product.

Appreciation (depreciation) within Institutional Credit Strategies includes the effects of changes in the par value of the underlying collateral of the CLOs, foreign currency translation changes in the measurement of assets under management of our European CLOs and changes in the portfolio appraisal values for aircraft securitizations.

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.

	Three Months Ended June 30, 2019				
	March 31, 2019	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	June 30, 2019
	(dollars in thousands)				
Multi-strategy funds	$ 10,292,551	$ (848,872)	$ (5,699)	$ 337,415	$ 9,775,395
Credit					
Opportunistic credit funds	5,787,118	188,858	(5,204)	55,183	6,025,955
Institutional Credit Strategies	13,365,643	1,460,664	(1,986)	(105,580)	14,718,741
Real estate funds	2,652,488	279,085	(10,048)	—	2,921,525
Other	224,146	—	(6,296)	—	217,850
Total	**$ 32,321,946**	**$ 1,079,735**	**$ (29,233)**	**$ 287,018**	**$ 33,659,466**

	Three Months Ended June 30, 2018				
	March 31, 2018	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	June 30, 2018
	(dollars in thousands)				
Multi-strategy funds	$ 13,325,230	$ (366,710)	$ (491,023)	$ 235,571	$ 12,703,068
Credit					
Opportunistic credit funds	5,424,991	(51,237)	(2,801)	148,468	5,519,421
Institutional Credit Strategies	11,176,106	1,621,887	—	(50,666)	12,747,327
Real estate funds	2,471,498	77,804	(9,917)	(33)	2,539,352
Other	438,734	(34,599)	(5,087)	169	399,217
Total	**$ 32,836,559**	**$ 1,247,145**	**$ (508,828)**	**$ 333,509**	**$ 33,908,385**

	Six Months Ended June 30, 2019				
	December 31, 2018	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	June 30, 2019
	(dollars in thousands)				
Multi-strategy funds	$ 10,420,858	$ (1,735,225)	$ (26,977)	$ 1,116,739	$ 9,775,395
Credit					
Opportunistic credit funds	5,751,411	125,328	(32,176)	181,392	6,025,955
Institutional Credit Strategies	13,491,734	1,474,170	(109,133)	(138,030)	14,718,741
Real estate funds	2,577,040	354,555	(10,048)	(22)	2,921,525
Other	286,635	(62,868)	(6,296)	379	217,850
Total	**$ 32,527,678**	**$ 155,960**	**$ (184,630)**	**$ 1,160,458**	**$ 33,659,466**

	Six Months Ended June 30, 2018				
	December 31, 2017	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	June 30, 2018
	(dollars in thousands)				
Multi-strategy funds	$ 13,695,040	$ (918,380)	$ (594,991)	$ 521,399	$ 12,703,068
Credit					
Opportunistic credit funds	5,513,618	(150,077)	(118,786)	274,666	5,519,421
Institutional Credit Strategies	10,136,991	2,653,517	—	(43,181)	12,747,327
Real estate funds	2,495,190	77,804	(33,593)	(49)	2,539,352
Other	587,723	(35,169)	(159,258)	5,921	399,217
Total	**$ 32,428,562**	**$ 1,627,695**	**$ (906,628)**	**$ 758,756**	**$ 33,908,385**

In the six months ended June 30, 2019, our funds experienced performance-related appreciation of $1.2 billion and net inflows of $156.0 million. The net inflows were comprised of $2.3 billion of gross inflows and $2.1 billion of gross outflows due to redemptions, primarily in our multi-strategy funds. In 2019, excluding securitization vehicles within Institutional Credit Strategies, our largest sources of gross inflows were from corporate, institutional and other, fund-of-funds, and pensions, while related parties were the largest source of gross outflows. The net outflows include approximately $885.9 million of redemptions to former executive managing directors, the majority of which were driven by the anticipated Liquidity Redemption discussed in Note 3. Since June 30, 2019, estimated assets under management decreased to $33.2 billion as of August 1, 2019, which includes approximately $89 million of affiliate redemptions, the majority of which relates to the Liquidity Redemption.

In the six months ended June 30, 2018, our funds experienced performance-related appreciation of $758.8 million and net inflows of $1.6 billion. The net inflows were comprised of $3.5 billion of gross inflows, primarily due to launches of new CLOs, and $1.9 billion of gross outflows due to redemptions. We also had $906.6 million in distributions and other reductions related to closed-end funds that are in the process of realizing investments and making distributions to investors in those funds, as well as to certain smaller funds that we have decided to close. Our outflows in the first half of 2018 started to normalize. In the first half of 2018, excluding Institutional Credit Strategies products, our largest sources of gross inflows were from corporations, institutional and other, fund-of-funds and pensions, while related parties were the largest sources of gross outflows.

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 second 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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Weighted-average assets under management	$ 32,125,578	$ 32,680,905	$ 31,858,459	$ 32,515,304
Average management fee rates	0.72%	0.80%	0.74%	0.83%

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. 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 within the Real Estate segment.

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 0.95% to 2.25% annually of assets under management. For the second quarter of 2019, our multi-strategy funds had an average management fee rate of 1.30%.

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 June 30,		Returns for the Six Months Ended June 30,				Annualized Returns Since Inception Through June 30, 2019	
	2019	2018	2019		2018			
			Gross	Net	Gross	Net	Gross	Net
Fund	**(dollars in thousands)**							
Oz Master Fund[1]	$ 8,886,655	$ 11,104,223	14.8%	11.7%	6.2%	4.4%	16.3% [1]	11.4% [1]
Oz Enhanced Master Fund	693,290	683,444	24.6%	19.8%	9.2%	6.7%	14.9%	10.2%
Other funds	195,450	915,401	n/m	n/m	n/m	n/m	n/m	n/m
	$ 9,775,395	**$ 12,703,068**						

n/m not meaningful

(1) The annualized returns since inception are those of the Oz Multi-Strategy Composite, which represents the composite performance of all accounts that were managed in accordance with our broad multi-strategy mandate that were not subject to portfolio investment restrictions or other factors that limited our investment discretion since inception on April 1, 1994. Performance is calculated using the total return of all such accounts net of all investment fees and expenses of such accounts, except incentive income on unrealized gains attributable to Special Investments that could reduce returns in these investments at the time of realization, and the returns include the reinvestment of all dividends and other income. The performance calculation for the Oz Master Fund excludes realized and unrealized gains and losses attributable to currency hedging specific to certain investors investing in Oz Master Fund in currencies other than the U.S. Dollar. For the period from April 1, 1994 through December 31, 1997, the returns are gross of certain overhead expenses that were reimbursed by the accounts. Such reimbursement arrangements were terminated at the inception of the Oz Master Fund on January 1, 1998. The size of the accounts comprising the composite during the time period shown vary materially. Such differences impacted our investment decisions and the diversity of the investment strategies followed. Furthermore, the composition of the investment strategies we follow is subject to our discretion, has varied materially since inception and is expected to vary materially in the future. As of June 30, 2019, the gross and net annualized returns since the Oz Master Fund's inception on January 1, 1998 were 12.8% and 8.7%, respectively.

The $2.9 billion, or 23%, year-over-year decrease in assets under management in our multi-strategy funds was primarily due to capital net outflows of $3.2 billion, primarily from the Oz Master Fund, our largest multi-strategy fund, and distributions of $83.1 million in certain other multi-strategy funds that we have decided to close. These decreases were partially offset by performance-related appreciation of $371.8 million. In 2019, the largest sources of gross outflows from our multi-strategy funds were attributable to pensions and related parties.

For the first half of 2019, the Oz Master Fund generated a gross return of 14.8% and a net return of 11.7%. Oz Master Fund delivered positive returns across all major strategies in the period with performance driven primarily by global equities, merger arbitrage and corporate credit.

For the first half of 2018, the Oz Master Fund generated a gross return of 6.2% and a net return of 4.4%. Oz Master Fund's return was broad based, with positive performance for the quarter in all of its major strategies.

Credit

	Assets Under Management as of June 30,	
	2019	2018
	(dollars in thousands)	
Opportunistic credit funds	$ 6,025,955	$ 5,519,421
Institutional Credit Strategies	14,718,741	12,747,327
	$ 20,744,696	**$ 18,266,748**

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 2.00% annually of the net asset value of these funds. For the second quarter of 2019, our opportunistic credit funds had an average management fee rate of 0.73%.

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 June 30,		Returns for the Six Months Ended June 30,				Annualized Returns Since Inception Through June 30, 2019	
	2019	2018	2019		2018			
			Gross	Net	Gross	Net	Gross	Net
Fund	**(dollars in thousands)**							
Oz Credit Opportunities Master Fund	$ 1,691,379	$ 1,764,733	4.4%	3.3%	8.9%	6.2%	15.8%	11.5%
Customized Credit Focused Platform	3,239,374	3,081,947	6.9%	5.2%	7.5%	5.6%	17.6%	13.3%
Closed-end opportunistic credit funds	550,079	224,081	See below for return information on our closed-end opportunistic credit funds.					
Other funds	545,123	448,660	n/m	n/m	n/m	n/m	n/m	n/m
	$ 6,025,955	**$ 5,519,421**						

n/m not meaningful

Assets under management in our opportunistic credit funds increased by $506.5 million, or 9%, year-over-year. This change was driven by $441.0 million of net inflows and $149.8 million of performance-related appreciation, partially offset by $84.2 million of distributions in our closed-end opportunistic credit funds.

For the first half of 2019, the Oz Credit Opportunities Master Fund, our global opportunistic credit fund, generated a gross return of 4.4% and a net return of 3.3%. Performance was broad-based with gains across both the corporate and structured credit strategies, and geographies.

For the first half of 2018, the Oz Credit Opportunities Master Fund, our global opportunistic credit fund, generated a gross return of 8.9% and a net return of 6.2%. Performance was broad-based with gains across both the corporate and structured credit strategies.

The table below presents assets under management, investment performance and other information for our closed-end opportunistic credit funds. Our closed-end opportunistic credit funds follow a European-style waterfall, whereby incentive income may be paid to us only after a fund investor receives distributions in excess of their total contributed capital and a preferential return, which is generally 6% to 8%. 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. 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.

Fund (Investment Period)	Assets Under Management as of June 30, 2019	Assets Under Management as of June 30, 2018	Inception to Date as of June 30, 2019 Total Commitments	Total Invested Capital[(1)]	IRR Gross[(2)]	IRR Net[(3)]	Gross MOIC[(4)]
	(dollars in thousands)						
Oz European Credit Opportunities Fund (2012-2015)	$ 1,240	$ 46,090	$ 459,600	$ 305,487	15.7%	11.8%	1.5x
Oz Structured Products Domestic Fund II (2011-2014)	61,228	82,023	326,850	326,850	19.8%	15.6%	2.1x
Oz Structured Products Offshore Fund II (2011-2014)	64,860	84,196	304,531	304,531	17.3%	13.5%	1.9x
Oz Structured Products Offshore Fund I (2010-2013)	4,580	6,109	155,098	155,098	23.9%	19.1%	2.1x
Oz Structured Products Domestic Fund I (2010-2013)	4,260	5,486	99,986	99,986	22.7%	18.1%	2.0x
Other funds	413,911	177	414,750	11,127	n/m	n/m	n/m
	$ 550,079	**$ 224,081**	**$ 1,760,815**	**$ 1,203,079**			

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 June 30, 2019, 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.

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 Institutional Credit Strategies, which are primarily comprised of 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 Institutional Credit Strategies, which includes our CLOs and aircraft securitization vehicles, generally range from 0.35% to 0.50% annually of assets under management. For the second quarter of 2019, Institutional Credit Strategies had an average management fee rate of 0.47% gross of rebates on cross-investments from other funds we manage (0.39% net of such rebates).

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

The OZLM CLOs presented below are our U.S. CLOs, whereas the OZLME CLOs are our European CLOs.

	Initial Closing Date (Most Recent Refinance Date)	Deal Size	Assets Under Management as of June 30, 2019	Assets Under Management as of June 30, 2018
		(dollars in thousands)		
CLOs				
OZLM I	July 19, 2012 (July 24, 2017)	$ 523,550	$ 495,746	$ 496,421
OZLM II	November 1, 2012 (August 29, 2018)	567,100	507,940	508,227
OZLM III	February 20, 2013 (December 15, 2016)	653,250	605,880	607,892
OZLM IV	June 27, 2013 (September 15, 2017)	615,500	536,821	539,585
OZLM VI	April 16, 2014 (April 17, 2018)	621,250	593,369	594,290
OZLM VII	June 26, 2014 (July 17, 2018)	636,775	593,286	792,034
OZLM VIII	September 9, 2014 (November 15, 2018)	622,250	594,877	593,984
OZLM IX	December 22, 2014 (November 8, 2018)	510,208	498,227	498,264
OZLM XI	March 12, 2015 (August 18, 2017)	541,532	513,735	515,151
OZLM XII	May 28, 2015 (September 18, 2018)	565,650	546,049	548,200
OZLM XIII	August 6, 2015 (September 18, 2018)	511,600	491,357	494,418
OZLM XIV	December 21, 2015 (June 4, 2018)	507,420	499,878	500,992
OZLM XV	December 20, 2016	409,250	394,957	395,505
OZLME I	December 15, 2016	430,490	453,403	465,059
OZLM XVI	June 8, 2017	410,250	399,548	400,021
OZLM XVII	August 3, 2017	512,000	497,587	497,830
OZLME II	September 14, 2017	494,708	450,598	462,407
OZLM XIX	November 21, 2017	610,800	600,122	600,329
OZLM XXI	January 26, 2018	510,600	500,299	500,956
OZLME III	January 31, 2018	509,118	453,221	466,138
OZLM XXII	February 22, 2018	509,200	463,338	466,967
OZLM XVIII	April 4, 2018	508,000	498,260	499,622
OZLM XX	May 11, 2018	464,150	446,739	447,813
OZLME IV	August 1, 2018	479,385	456,193	—
OZLME V	December 11, 2018	471,987	456,353	—
OZLM XXIII	May 2, 2019	505,425	483,975	—
OZLME VI	June 20, 2019	462,146	456,363	—
		14,163,594	13,488,121	11,892,105
STARR 2018-1	June 27, 2018	696,000	497,611	680,231
STARR 2019-1	April 18, 2019	589,000	542,822	—
Other funds	n/a	n/a	190,187	174,991
		$ 15,448,594	**$ 14,718,741**	**$ 12,747,327**

Assets under management in Institutional Credit Strategies totaled $14.7 billion as of June 30, 2019, increasing $2.0 billion, or 15%, year-over-year. The year-over-year increase in assets under management in Institutional Credit Strategies was driven primarily by the closing of additional CLOs and our second aircraft securitization.

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 0.50% to 1.50% annually of assets under management; however, management fees for Och-Ziff Real Estate Credit Fund I are based on invested capital. For the second quarter of 2019, our real estate funds had an average management fee rate of 0.36%. The decline in the average rate from the first quarter of 2019 was primarily due to Och-Ziff Real Estate Fund III, as this fund stepped down the basis on which fees are charged from committed capital to invested capital on April 1, 2019. The investment period for Och-Ziff Real Estate Fund III ends on September 30, 2019.

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 record incentive income paid to us by the real estate funds as unearned revenue in our consolidated balance sheets until the criteria for revenue recognition has been met.

	Assets Under Management as of June 30,	
	2019	2018
Fund	(dollars in thousands)	
Och-Ziff Real Estate Fund I	$ 13,578	$ 13,478
Och-Ziff Real Estate Fund II	92,234	143,803
Och-Ziff Real Estate Fund III	1,487,960	1,462,161
Och-Ziff Real Estate Credit Fund I	724,854	697,704
Other funds	602,899	222,206
	$ 2,921,525	**$ 2,539,352**

	Inception to Date as of June 30, 2019									
		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	$ 386,298	$ 837,573	25.4%	16.0%	2.2x	$ 372,720	$ 837,262	26.8%	2.2x
Och-Ziff Real Estate Fund II[7] (2011-2014)	839,508	762,588	1,523,027	32.9%	21.5%	2.0x	718,888	1,437,600	33.0%	2.0x
Och-Ziff Real Estate Fund III (2014-2019)	1,500,000	1,006,086	1,596,343	31.1%	20.5%	1.6x	526,695	990,332	37.6%	1.9x
Och-Ziff Real Estate Credit Fund I[8] (2015-2020)	736,225	171,080	209,349	n/m	n/m	n/m	87,921	113,630	n/m	n/m
Other funds	742,221	229,546	317,365	n/m	n/m	n/m	60,438	110,832	n/m	n/m
	$ 4,226,035	**$ 2,555,598**	**$ 4,483,657**				**$ 1,766,662**	**$ 3,489,656**		

	Unrealized Investments as of June 30, 2019		
	Invested Capital	Total Value	Gross MOIC[6]
Fund (Investment Period)	(dollars in thousands)		
Och-Ziff Real Estate Fund I (2005-2010)[7]	$ 13,578	$ 311	0.0x
Och-Ziff Real Estate Fund II (2011-2014)[7]	43,700	85,427	2.0x
Och-Ziff Real Estate Fund III (2014-2019)	479,391	606,011	1.3x
Och-Ziff Real Estate Credit Fund I (2015-2020)[8]	83,159	95,719	n/m
Other funds	169,108	206,533	n/m
	$ 788,936	**$ 994,001**	

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 June 30, 2019. 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 June 30, 2019.

(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 June 30, 2019, 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) This fund has invested less than half of its committed capital; therefore, IRR and MOIC information is not presented, as it is not meaningful.

Assets under management in our real estate funds increased $382.2 million, or 15%, year-over-year. Our real estate franchise continues to deploy capital and generate strong returns with a 20.5% annualized net return in our current opportunistic fund. We look to continue to grow this business by expanding our product offering and through raising successor funds.

Other

Management fees for these funds range from 1.00% to 1.50% annually of assets under management, generally based on the amount of capital committed to these platforms by our fund investors. For the second quarter of 2019, our other funds had an average management fee rate of 0.38%.

Incentive income for these funds is generally 20% of realized and unrealized annual profits or of cumulative profits attributable to each investor. Incentive income for these funds is subject to hurdle rates generally 3% to 8%.

Longer-Term Assets Under Management

As of June 30, 2019, approximately 65% of our assets under management were subject to initial commitment periods of three years or longer. Incentive income on these assets, if any, is 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 amount of incentive income accrued at the fund level but that has not yet been recognized in our revenues. 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—Revenues—Incentive Income" for additional information.

	June 30, 2019	
	Longer-Term Assets Under Management	Accrued Unrecognized Incentive Income
	(dollars in thousands)	
Multi-strategy funds	$ 324,361	$ 11,268
Credit		
Opportunistic credit funds	3,972,886	158,470
Institutional Credit Strategies	14,561,052	—
Real estate funds	2,921,524	105,443
Other	217,851	—
	$ 21,997,674	**$ 275,181**

We generally recognize incentive income on our longer-term assets under management in multi-strategy funds and open-end opportunistic credit funds at or near the end of their respective commitment periods, which are generally three to five years, when such amounts are probable of not significantly reversing. We may begin recognizing incentive income related to assets under management in our closed-end opportunistic credit funds and real estate funds after the conclusion of their respective investment period, when such amounts are probable of not significantly reversing. 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 $1.0 billion increase or decrease in assets under management subject to a 1% management fee would generally increase or decrease annual management fees by $10.0 million. If profits, net of management fees, attributable to a fee-paying fund investor were $10.0 million in a given year, we generally would earn incentive income equal to $2.0 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 example, incentive income for the majority of our multi-strategy assets under management is recognized in the fourth quarter each year, based on full year investment performance.

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 and Note 13 to our consolidated financial statements for additional information regarding management fees.

Incentive Income. We earn incentive income based on the cumulative performance of our funds over a commitment period. We recognize incentive income when such amounts are probable of not significantly reversing.

Other Revenues. Other revenues consist primarily of interest income on investments in CLOs and cash and cash equivalents, as well as subrental income. Interest income is recognized on an effective yield basis. Subrental income is recognized on a straight-line basis over the lease term.

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

Expenses

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

On an annual basis, compensation and benefits comprise a significant portion of total expenses, with discretionary cash bonuses generally comprising a significant portion of total compensation and benefits. We accrue minimum annual discretionary cash bonuses 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.

Compensation and benefits also include 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 PSUs and Partner Equity Units granted to executive managing directors.

Prior to 2019, we also issued Group D Units to executive managing directors. Group D Units were not considered equity under GAAP, and therefore no equity-based compensation expense was recognized for these units when they were granted. Distributions to holders of Group D Units were included within compensation and benefits in the consolidated statements of comprehensive income (loss). Prior to the Distribution Holiday, these distributions were accrued in the quarter in which the related income was earned and were paid out the following quarter at the same time distributions on the Group A Units and dividends on our Class A Shares were paid. Upon the conversion of Group D Units into Group A Units in connection with the Recapitalization, we recognized 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 service period.

We also have profit-sharing arrangements whereby certain employees or executive managing directors are entitled to a share of incentive income that were earn from certain funds. This incentive income is typically paid to us and then we pay a portion to the profit-sharing participant as investments held by these funds are realized. To the extent that the payments to the employees or executive managing directors are probable and reasonably estimable, we accrue these payments as compensation expense for GAAP purposes, which may occur prior to the recognition of the related incentive income.

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

Interest Expense. Amounts included within interest expense relate primarily to indebtedness outstanding. See "—Liquidity and Capital Resources—Debt Obligations" and "—Liquidity and Capital Resources—Securities Sold Under Agreements to Repurchase" for additional information.

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, foreign exchange gains and losses, and other miscellaneous expenses.

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

Other Income (Loss)

Changes in Tax Receivable Agreement Liability. Changes in tax receivable agreement liability consists of changes in our estimate of the future payments related to the tax receivable agreement that result from changes in future income tax savings due to changes in tax rates. See Note 19 to our consolidated financial statements included in this report for additional information.

Net Losses on Early Retirement of Debt. Net losses on early retirement of debt consist of net losses realized upon the early retirement of any indebtedness outstanding, and include the write-off of unamortized debt discounts and issuance costs, as well as other fees incurred in connection with the early retirement of debt.

Net Gains (Losses) on Investments. Net gains (losses) on investments primarily consist of net gains and losses on investments in our funds, including investments in U.S. government obligations, CLOs and other funds we manage.

Net Gains (Losses) of Consolidated Funds. Net gains (losses) of consolidated funds consist of net realized and unrealized gains and losses 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 Oz Operating Partnerships are partnerships for U.S. federal income tax purposes. The Registrant was a partnership for U.S. federal income tax purposes until the Corporate Classification Change on April 1, 2019. Prior to the Corporate Classification Change, only a portion of the income we earned was 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. Following the Corporate Classification Change, generally all of the income allocated to the Registrant from the Oz Operating Group will be subject to corporate-level income taxes in the United States.

Net 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. Increases or decreases in net (loss) income attributable to the Group A Units are driven by the earnings of the Oz Operating Group. See Note 4 for additional information regarding our ownership interest in the Oz Operating Group.

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

Results of Operations

Three and Six Months Ended June 30, 2019 Compared to Three and Six Months Ended June 30, 2018

Revenues

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Management fees	$ 61,400	$ 70,593	$ 125,023	$ 143,043
Incentive income	34,757	34,656	87,955	85,490
Other revenues	5,043	3,867	8,812	8,409
Income of consolidated funds	2,308	650	4,912	1,234
Total Revenues	**$ 103,508**	**$ 109,766**	**$ 226,702**	**$ 238,176**

Total revenues for the quarter-to-date period decreased $6.3 million, primarily due to the following:

- A $9.2 million decrease in management fees, driven primarily by a $10.2 million decrease in multi-strategy funds due to lower average assets under management and a $2.7 million decrease in real estate funds, primarily due to a step down in the management fee basis from committed capital to invested capital effective April 1, 2019, for Och-Ziff Real Estate Fund III. These decreases were partially offset by (i) a $2.7 million increase in opportunistic credit funds due to higher average assets under management; and (ii) a $1.3 million increase in Institutional Credit Strategies, primarily due to launches of additional CLOs and an aircraft securitization. See "—Assets Under Management and Fund Performance—Weighted-Average Assets Under Management and Average Management Fee Rates" above for information regarding our average management fee rate.
- Incentive income remained relatively flat, primarily due to the following:
  - *Multi-strategy funds.* A $702 thousand increase in incentive income from our multi-strategy funds, primarily due to a $4.0 million increase related to fund investor redemptions, partially offset by a $3.1 million decrease from longer-term assets under management.
  - *Opportunistic credit funds.* A $5.8 million increase in incentive income from our opportunistic credit funds, primarily due to (i) a $7.1 million increase due to a contract modification that resulted in an offset to previously recognized incentive income in the prior year period; and (ii) a $1.2 million increase from longer-term assets under management. These increases were partially offset by (i) a $1.8 million decrease from assets under management subject to a one-year measurement period; and (ii) a $723 thousand decrease related to fund investor redemptions.
  - *Real estate funds.* A $4.4 million decrease in incentive income from our real estate funds primarily due to lower realizations.
  - *Other funds.* A $1.9 million decrease primarily due to incentive income received in the prior year related to funds that have since been closed.
- A $1.2 million increase in other revenues primarily due to $1.6 million of certain transaction fees recognized in the current year period related to Institutional Credit Strategies. Partially offsetting this increase was lower interest income earned on our investments in CLOs due to the sale of a majority of our U.S. CLO risk retention investments in 2018.

- A $1.7 million increase in income of consolidated funds primarily due to higher interest income period-over-period.

Total revenues for the year-to-date period decreased $11.5 million, primarily due to the following:

- An $18.0 million decrease in management fees, driven primarily by a $20.2 million decrease in multi-strategy funds due to lower average assets under management and a $2.6 million decrease in real estate funds, primarily due to a step down in the management fee basis from committed capital to invested capital effective April 1, 2019, for Och-Ziff Real Estate Fund III. These decreases were partially offset by (i) a $2.0 million increase in opportunistic credit funds due to higher average assets under management; and (ii) a $3.8 million increase in Institutional Credit Strategies, primarily due to launches of additional CLOs and an aircraft securitization. See "—Assets Under Management and Fund Performance—Weighted-Average Assets Under Management and Average Management Fee Rates" above for information regarding our average management fee rate.
- A $2.5 million increase in incentive income, primarily due to the following:
    - *Multi-strategy funds.* A $2.9 million increase in incentive income from our multi-strategy funds, primarily due to an $8.6 million increase related to fund investor redemptions, which was partially offset by (i) a $3.0 million decrease from assets under management subject to a one-year measurement period; and (ii) a $2.1 million decrease from longer-term assets under management.
    - *Opportunistic credit funds.* A $2.5 million increase in incentive income from our opportunistic credit funds, primarily due to (i) a $7.8 million increase in tax distributions taken to cover tax liabilities on incentive income that has been accrued on certain longer-term assets under management; (ii) a $6.2 million increase due to a contract modification that resulted in an offset to previously recognized incentive income in the prior year period; and (iii) a $1.8 million increase from assets under management subject to a one-year measurement period. These increases were partially offset by a $13.4 million decrease from longer-term assets under management.
    - *Real estate funds.* A $1.9 million decrease in incentive income from our real estate funds, primarily due to a $2.2 million decrease in tax distributions.
    - *Other funds.* A $941 thousand decrease in incentive income, primarily due to a $1.9 million decrease in incentive income received in the prior year related to funds that have since been closed, partially offset by a $1.0 million increase from assets under management subject to a one-year measurement period in certain strategy-specific funds.
- A $3.7 million increase in income of consolidated funds primarily due to higher interest income year-over-year.

Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Compensation and benefits	$ 80,709	$ 74,502	$ 166,424	$ 143,426
Interest expense	6,523	7,505	12,731	14,103
General, administrative and other	28,427	48,509	66,215	86,359
Expenses of consolidated funds	84	24	139	108
Total Expenses	**$ 115,743**	**$ 130,540**	**$ 245,509**	**$ 243,996**

Total expenses for the quarter-to-date period decreased $14.8 million, primarily due to the following:

- A $20.1 million decrease in general, administrative and other expenses primarily driven by (i) a $13.0 million legal provision accrual in the prior year period related to certain legal matters; and (ii) a $2.3 million decrease in professional services primarily driven by lower legal expenses incurred period-over-period.

- A $1.0 million decrease in interest expense, which was primarily driven by lower average debt outstanding balance, offset by a $4.1 million increase related to non-cash interest expense accretion on Debt Securities issued in exchange for Preferred Units in connection with the Recapitalization. Upon exchange, Debt Securities were recognized at fair value and are being accreted to par value over time through interest expense for GAAP.
- An offsetting $6.2 million increase in compensation and benefits expenses driven by a $13.7 million increase in equity-based compensation expense, primarily driven by the Recapitalization-related equity-based compensation grants. This increase was partially offset by (i) a $3.3 million decrease in bonus expense, primarily due to lower minimum bonus accruals; and (ii) a $3.3 million decrease in salary and benefits, as our worldwide headcount decreased to 394 as of June 30, 2019, from 442 as of June 30, 2018.

Total expenses for the year-to-date period increased $1.5 million, remaining relatively flat, primarily due to the following:

- A $23.0 million increase in compensation and benefits expenses driven by (i) a $28.8 million increase in equity-based compensation expense, primarily driven by the Recapitalization-related equity-based compensation grants; and (ii) a $2.8 million increase in bonus expense due to certain reversals in the prior year period. These increases were partially offset by (i) a $6.3 million decrease in salaries and benefits due to a lower headcount, as described above; and (ii) a $2.3 million decrease in expenses related to distributions accrued on Group D Units, as no amounts were accrued in the current-year period as there were no Group D Units outstanding at June 30, 2019.
- An offsetting $20.1 million decrease in general, administrative, and other expenses primarily due to (i) a $13.0 million legal provision accrual in the prior year period related to certain legal matters; (ii) a $2.9 million decrease in foreign exchange losses; and (iii) a $2.6 million decrease in information processing and communications expenses, as well as reductions across various other operating expense categories.
- An offsetting $1.4 million decrease in interest expense, which was primarily driven by lower average debt outstanding balance, offset by a $6.4 million increase related to non-cash interest expense accretion on Debt Securities issued in exchange for Preferred Units in connection with the Recapitalization. Upon exchange, Debt Securities were recognized at fair value and are being accreted to par value over time through interest expense for GAAP.

Other Income (Loss)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
		(dollars in thousands)		
Changes in tax receivable agreement liability	$ 5,362	$ —	$ 5,362	$ —
Net losses on early retirement of debt	(595)	(14,303)	(6,053)	(14,303)
Net gains (losses) on investments	3,148	(785)	5,837	(473)
Net gains of consolidated funds	482	(26)	4,228	466
Total Other Income (Loss)	**$ 8,397**	**$ (15,114)**	**$ 9,374**	**$ (14,310)**

Total other income increased for both the quarter-to-date and year-to-date periods primarily due to the $14.3 million loss recognized on early retirement of our Senior Notes and certain CLO Investments Loans in the second quarter of 2018. Further contributing to improvements were changes in tax receivable agreement liability as a result of conversion to a C-corporation; higher net gains on investments, which primarily relate to our investments in funds, including our CLO retention investments, and net gains on investments held by the consolidated funds. These increases were partially offset by losses recognized on early retirement of debt during the current year period, which primarily relate to the write-off of a portion of the discount and deferred financing costs on our 2018 Term Loan.

Income Taxes

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Income taxes	$ 10,134	$ (2,524)	$ 13,520	$ 488

Income tax expense for the quarter-to-date period increased by $12.7 million. This was primarily due to the tax impacts of the Corporate Classification Change, namely, an increase in deferred income tax expense of $5.6 million due to a decrease in our state apportionment factor, and an increase in tax expense of $1.1 million from tax on income not subject to entity level tax in the comparative period, combined with a general increase in profitability. Our effective income tax rate for the three months ended June 30, 2019, was impacted by the Corporate Classification Change as well as by Recapitalization-related expenses incurred during the three months ended June 30, 2019, including Group E Unit grants and transaction-related expenses, not deductible for tax purposes.

Income tax expense for the year-to-date period increased by $13.0 million. This was primarily due to the tax impacts of the Corporate Classification Change, namely, an increase in deferred income tax expense of $5.6 million resulting from a decrease in our state apportionment factor, as well as a $1.1 million write-off of excess deferred income tax assets upon the vesting of RSUs, along with higher profitability for the period. Our effective income tax rate for the six months ended June 30, 2019, was impacted by the Corporate Classification Change as well as by Recapitalization-related expenses incurred during the period, including Group E Units grants and transaction-related expenses, not deductible for tax purposes.

Please see Note 15 for additional information on the drivers of our effective income tax rate.

Net (Loss) Income Attributable to Noncontrolling Interests

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Group A Units	$ (8,148)	$ (21,915)	$ (15,517)	$ (13,545)
Other	164	475	299	740
Total	**$ (7,984)**	**$ (21,440)**	**$ (15,218)**	**$ (12,805)**
Redeemable noncontrolling interests	$ 2,637	$ 332	$ 8,171	$ 953

Net loss allocated to noncontrolling interests decreased by $13.5 million and increased by $2.4 million for the quarter-to-date and year-to-date periods, respectively. The improvement for the quarter-to-date period and the increase in loss for the year-to-date period were primarily driven by amounts attributable to the Group A Units due to profitability drivers discussed above. For the calculation of noncontrolling interests related to Group A Units see Note 4.

Net (Loss) Income Attributable to Class A Shareholders

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Net (Loss) Income Attributable to Class A Shareholders	$ (8,625)	$ (12,256)	$ 28,458	$ (8,766)

Net loss attributable to Class A Shareholders decreased by $3.6 million for the quarter-to-date period and net income attributable to Class A Shareholders increased by $37.2 million for the year-to-date period. The improvements in net income attributable to Class A Shareholders year-over-year were primarily due to the loss recognized on early retirement of debt in the prior year period, a settlements expense accrual taken in the prior year period, as well as reductions across various operating expense categories. These improvements were partially offset by higher compensation and benefits expense driven primarily by the Recapitalization-related equity-based compensation grants, as well as lower management fees. Additionally, the net income was reduced by higher income tax expense, partially offset by a change in tax receivable agreement liability.

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 segment performance in any given period. Management uses Economic Income as the basis on which it evaluates our financial performance and makes resource allocation and other operating decisions. Management considers it important that investors review the same operating information that it uses.

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

- Income allocations to our executive managing directors on their direct interests in the Oz Operating Group. Management reviews operating performance at the Oz Operating Group level, where our operations are performed, prior to making any income allocations.
- Equity-based compensation expenses, depreciation and amortization expenses, changes in the tax receivable agreement liability, net losses on early retirement of debt, gains and losses on fixed assets, and gains and losses on investments in funds, as management does not consider these items to be reflective of operating performance. However, the fair value of RSUs that are settled in cash to employees or executive managing directors is included as an expense at the time of settlement.
- Amounts related to non-cash interest expense accretion on Debt Securities issued in exchange for 2016 Preferred Units in connection with the Recapitalization. Upon exchange, Debt Securities were recognized at fair value and are being accreted to par value over time through interest expense for GAAP; however, management does not consider this interest accretion to be reflective of our 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.

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, general, administrative and other expenses and net income (loss) attributable to noncontrolling interests as presented on an Economic Income basis are also non-GAAP measures.

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

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

We currently have two operating segments: Oz Funds and Real Estate. The Oz Funds segment provides asset management services to our multi-strategy funds, dedicated credit funds and other alternative investment vehicles. The Real Estate segment provides asset management services to our real estate funds.

Three and Six Months Ended June 30, 2019 Compared to Three and Six Months Ended June 30, 2018

Economic Income Revenues (Non-GAAP)

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018		
	Oz Funds	**Real Estate**	**Total Company**	**Oz Funds**	**Real Estate**	**Total Company**
			(dollars in thousands)			
Economic Income Basis						
Management fees	$ 55,233	$ 2,402	$ 57,635	$ 61,067	$ 5,049	$ 66,116
Incentive income	33,249	1,508	34,757	28,921	5,735	34,656
Other revenues	4,837	206	5,043	3,750	117	3,867
Total Economic Income Revenues	**$ 93,319**	**$ 4,116**	**$ 97,435**	**$ 93,738**	**$ 10,901**	**$ 104,639**

Oz Funds Segment

Economic Income revenues for the Oz Funds segment for the quarter-to-date period decreased $419 thousand, primarily due to the following:

- A $5.8 million decrease in management fees, driven primarily by a $9.5 million decrease in multi-strategy funds due to lower average assets under management, partially offset by (i) a $2.7 million increase in opportunistic credit funds due to higher average assets under management; and (ii) a $1.3 million increase in Institutional Credit Strategies, primarily due to launches of additional CLOs and an aircraft securitization. See "—Assets Under Management and Fund Performance—Weighted-Average Assets Under Management and Average Management Fee Rates" above for information regarding our average management fee rate.
- A $4.3 million increase in incentive income primarily due to the following:
    - *Multi-strategy funds.* A $702 thousand increase in incentive income from our multi-strategy funds, primarily due to a $4.0 million increase related to fund investor redemptions, partially offset by a $3.1 million decrease from longer-term assets under management.
    - *Opportunistic credit funds.* A $5.8 million increase in incentive income from our opportunistic credit funds, primarily due to (i) a $7.1 million increase due to a contract modification that resulted in an offset to previously recognized incentive income in the prior year period; and (ii) a $1.2 million increase from longer-term assets under management. These increases were partially offset by (i) a $1.8 million decrease from assets under management subject to a one-year measurement period; and (ii) a $723 thousand decrease related to fund investor redemptions.
    - *Other funds.* A $1.9 million decrease primarily due to incentive income received in the prior year related to funds that have since been closed.
- A $1.2 million increase in other revenues primarily due to $1.6 million of certain transaction fees recognized in the current year period related to Institutional Credit Strategies. Partially offsetting this increase was lower interest income earned on our investments in CLOs due to the sale of a majority of our U.S. CLO risk retention investments in 2018.

Real Estate Segment

Economic Income revenues for the Real Estate segment for the quarter-to-date period decreased $6.8 million, primarily due to the following:

- A $2.6 million decrease in management fees from our real estate funds, primarily due to a step down in the management fee basis from committed capital to invested capital effective April 1, 2019, for Och-Ziff Real Estate Fund III.
- A $4.2 million decrease in incentive income from our real estate funds driven primarily by lower realizations.

	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018		
	Oz Funds	Real Estate	Total Company	Oz Funds	Real Estate	Total Company
			(dollars in thousands)			
Economic Income Basis						
Management fees	$ 110,430	$ 7,220	$ 117,650	$ 124,042	$ 9,783	$ 133,825
Incentive income	79,539	8,416	87,955	75,160	10,330	85,490
Other revenues	8,414	398	8,812	8,183	187	8,370
Total Economic Income Revenues	**$ 198,383**	**$ 16,034**	**$ 214,417**	**$ 207,385**	**$ 20,300**	**$ 227,685**

Oz Funds Segment

Economic Income revenues for the Oz Funds segment for the year-to-date period decreased $9.0 million, primarily due to the following:

- A $13.6 million decrease in management fees, driven primarily by a $18.5 million decrease in multi-strategy funds due to lower average assets under management, partially offset by (i) a $2.0 million increase in opportunistic credit funds due to higher average assets under management; and (ii) a $4.0 million increase in Institutional Credit Strategies, primarily due to launches of additional CLOs and an aircraft securitization. See "—Assets Under Management and Fund Performance—Weighted-Average Assets Under Management and Average Management Fee Rates" above for information regarding our average management fee rate.
- A $4.4 million increase in incentive income primarily due to the following:
  - *Multi-strategy funds.* A $2.9 million increase in incentive income from our multi-strategy funds, primarily due to an $8.6 million increase related to fund investor redemptions, which was partially offset by (i) a $3.0 million decrease from assets under management subject to a one-year measurement period; and (ii) a $2.1 million decrease from longer-term assets under management.
  - *Opportunistic credit funds.* A $2.5 million increase in incentive income from our opportunistic credit funds, primarily due to (i) a $7.8 million increase in tax distributions taken to cover tax liabilities on incentive income that has been accrued on certain longer-term assets under management; (ii) a $6.2 million increase due to a contract modification that resulted in an offset to previously recognized incentive income in the prior year period; and (iii) a $1.8 million increase from assets under management subject to a one-year measurement period. These increases were partially offset by a $13.4 million decrease from longer-term assets under management.
  - *Other funds.* A $941 thousand decrease in incentive income, primarily due to a $1.9 million decrease in incentive income received in the prior year related to funds that have since been closed, partially offset by a $1.0 million increase from assets under management subject to a one-year measurement period in certain strategy-specific funds.

Real Estate Segment

Economic Income revenues for the Real Estate segment for the year-to-date period decreased $4.3 million, primarily due to the following:

- A $2.6 million decrease in management fees from our real estate funds, primarily due to a step down in the management fee basis from committed capital to invested capital effective April 1, 2019, for Och-Ziff Real Estate Fund III.
- A $1.9 million decrease in incentive income from our real estate funds, primarily due to a $2.2 million decrease in tax distributions.

Economic Income Expenses (Non-GAAP)

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018		
	Oz Funds	Real Estate	Total Company	Oz Funds	Real Estate	Total Company
	(dollars in thousands)					
Economic Income Basis						
Compensation and benefits	$ 35,260	$ 5,056	$ 40,316	$ 39,890	$ 7,832	$ 47,722
Interest expense	2,419	—	2,419	7,505	—	7,505
General, administrative and other expenses	21,599	691	22,290	40,727	493	41,220
Total Economic Income Expenses	**$ 59,278**	**$ 5,747**	**$ 65,025**	**$ 88,122**	**$ 8,325**	**$ 96,447**

Oz Funds Segment

Economic Income expenses for the quarter-to-date period for the Oz Funds segment decreased by $28.8 million, primarily due to the following:

- A $19.1 million decrease in general, administrative and other expenses. This was primarily driven by (i) a $13.0 million legal provision accrual in the prior year period; and (ii) a $2.4 million decrease in professional services primarily driven by lower legal expenses incurred year-over-year; as well as reductions across various other operating expense categories.
- A $5.1 million decrease in interest expense, driven primarily by lower average debt outstanding balance.
- A $4.6 million decrease in compensation and benefits expenses driven primarily by (i) a $3.2 million decrease in salaries and benefits; and (ii) a $1.4 million decrease in bonus expense, each of which is driven by lower headcount year-over-year.

Real Estate Segment

Economic Income expenses for the quarter-to-date period for the Real Estate segment decreased by $2.6 million, primarily due to lower incentive income profit-sharing expense.

	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018		
	Oz Funds	Real Estate	Total Company	Oz Funds	Real Estate	Total Company
	(dollars in thousands)					
Economic Income Basis						
Compensation and benefits	$ 72,021	$ 11,841	$ 83,862	$ 65,688	$ 15,053	$ 80,741
Interest expense	6,316	—	6,316	14,103	—	14,103
General, administrative and other expenses	52,715	1,337	54,052	70,714	1,204	71,918
Total Economic Income Expenses	**$ 131,052**	**$ 13,178**	**$ 144,230**	**$ 150,505**	**$ 16,257**	**$ 166,762**

Oz Funds Segment

Economic Income expenses for the year-to-date period for the Oz Funds segment decreased by $19.5 million, primarily due to the following:

- General, administrative and other expenses decreased by $18.0 million period-over-period. This was primarily due to (i) a $13.0 million legal provision accrual in the prior year period; (ii) a $3.0 million decrease in foreign exchange loss; and (iii) a $2.3 million decrease in information, processing and communications expenses incurred period-over-period. During the first half of 2019, we incurred $10.2 million of expenses related to the Recapitalization, which were offset by decreases across various operating expenses categories.
- A $7.8 million decrease in interest expense, driven primarily by lower average debt outstanding balance.
- An offsetting $6.3 million increase in compensation and benefits expenses driven by a $12.8 million increase in bonus expense, primarily due to $12.6 million of deferred cash compensation forfeiture reversals in the prior year period. This increase was partially offset by a $6.5 million decrease in salaries and benefits due to lower headcount.

Real Estate Segment

Economic Income expenses for the year-to-date period for the Real Estate segment decreased by $3.1 million, primarily due to lower incentive income profit-sharing expense.

Other Economic Items (Non-GAAP)

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018		
	Oz Funds	Real Estate	Total Company	Oz Funds	Real Estate	Total Company
	(dollars in thousands)					
Economic Income Basis						
Net loss attributable to noncontrolling interests	$ (2)	$ —	$ (2)	$ (2)	$ —	$ (2)

	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018		
	Oz Funds	Real Estate	Total Company	Oz Funds	Real Estate	Total Company
	(dollars in thousands)					
Economic Income Basis						
Net loss attributable to noncontrolling interests	$ (2)	$ —	$ (2)	$ (13)	$ —	$ (13)

Net loss attributable to noncontrolling interests represent the amount of loss that was reduced from Economic Income and attributed to residual interests in certain businesses not owned by us.

Economic Income (Non-GAAP)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Economic Income:				
Oz Funds	$ 34,043	$ 5,618	$ 67,333	$ 56,893
Real Estate	(1,631)	2,576	2,856	4,043
Total Company	**$ 32,412**	**$ 8,194**	**$ 70,189**	**$ 60,936**

Oz Funds Segment

Economic Income was $34.0 million for the second quarter of 2019, compared to $5.6 million for the second quarter of 2018. This improvement was primarily due to a decrease in interest expense, a decrease in compensation and benefits expenses, as well as reductions across various operating expense categories. These decreases in expenses were partially offset by lower management fees.

Economic Income was $67.3 million for the first half of 2019, compared to $56.9 million for the first half of 2018. This improvement was primarily due to a decrease in interest expense, a decrease in salaries and benefits, as well as reductions across various operating expense categories. These decreases in expenses were partially offset by lower management fees and higher bonus expense.

Real Estate Segment

Economic Income was a loss of $1.6 million for the second quarter of 2019, compared to income of $2.6 million for the second quarter of 2018. This decrease was primarily due to lower management fees and incentive income, partially offset by lower incentive income profit sharing expense. Economic Income was $2.9 million for the first half of 2019, compared to $4.0 million for the first half of 2018, remaining relatively flat year-over-year as lower management fees were offset by lower incentive income profit-sharing expense.

Liquidity and Capital Resources

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.
- Pay interest and principal, as applicable, on our debt obligations, repurchase agreements and 2019 Preferred Units.

- Provide capital to facilitate the growth of our business, including making risk retention investments in CLOs managed by us that are subject to EU risk retention rules.
- 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 general, administrative and other expenses incurred in the ordinary course of business. Rate reductions in our multi-strategy funds 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 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. 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 throughout the year, 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 indebtedness outstanding or any other liabilities prior to their respective maturity or due dates, which would reduce amounts available to distribute to our Class A Shareholders. Additionally, we may refinance all or a portion of our outstanding indebtedness prior to their respective maturity dates. 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.

On July 27, 2017, the UK Financial Conduct Authority announced that it would phase out LIBOR as a benchmark by the end of 2021. To address a potential transition away from LIBOR, the Senior Subordinated Credit Agreement and Senior Credit Agreement each provide for an agreed upon methodology to calculate the new floating rate reference plus new applicable spreads. See "Part I, Item 1A. Risk Factors—Risks Related to Our Business—Changes in the method of determining LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect our credit arrangements and our collateralized loan obligation transactions" in our Annual Report for additional information.

In order to meet risk retention requirements for certain of the CLOs we manage, we use a combination of cash on hand, as well as financing under the CLO Investments Loans and repurchase agreements to fund our 5% risk retention investments. We expect to continue relying on a combination of cash on hand and financing 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 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.

Cash Sweep

As part of the Recapitalization, we also instituted the Cash Sweep with regards to the paydowns of the 2018 Term Loan and the 2019 Preferred Units. See Note 3 for detailed information regarding how the Cash Sweep amount is determined.

Debt Obligations

2018 Term Loan

In February 2019, we repaid $100.0 million of the 2018 Term Loan and terminated the 2018 Revolving Credit Facility. As of June 30, 2019, $55.0 million remained outstanding under the 2018 Term Loan. In accordance with the Cash Sweep, we repaid an additional $45.0 million during the first half of 2019 and another $5.0 million on August 1, 2019. See Note 8 for additional details.

Preferred Units Restructuring

In connection with the Recapitalization, $200.0 million of the 2016 Preferred Units was restructured into the Debt Securities and the remaining $200.0 million of the 2016 Preferred Units was restructured into the 2019 Preferred Units. As of June 30, 2019, both the Debt Securities and the 2019 Preferred Units remain outstanding. See Notes 8 and 10 for additional information.

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 for additional details.

Securities Sold Under Agreements to Repurchase

See Note 11 to our consolidated financial statements included in this report for a description of securities sold under agreements to repurchase, which we use to finance risk retention investments in certain of our European CLOs.

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 Ziff Investors Partnership, L.P. II and certain of its affiliates and control persons (the "Ziffs"). As of June 30, 2019, 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 expected to pay our executive managing directors and the Ziffs approximately $206.1 million. 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. See Note 19 to our consolidated financial statements for additional details.

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.

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 Group does not distribute cash to Oz Corp in an amount sufficient to meet our obligations under the tax receivable agreement.

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

- The amount and timing of our income will impact the payments to be made under the tax receivable agreement. To the extent that we do 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 Group assets at the time of any exchange will determine the extent to which we may benefit from amortizing the 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 we will receive an increase in tax basis of the Oz Operating Group assets as a result of such exchanges, and thus will impact the benefit derived by us 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 2019, 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)**
May 28, 2019	May 20, 2019	$ 0.37	$ —
March 29, 2019	March 22, 2019	$ 0.23	$ —

As discussed in Note 3, in connection with the Recapitalization, and pursuant to the Cash Sweep, we and our executive managing directors agreed to a "Distribution Holiday" on the Group A Units, Group D Units, Group E Units, Group P Units and certain RSUs that will terminate on the earlier of (x) 45 days after the last day of the first calendar quarter as of which the achievement of $600.0 million of Economic Income adjusted for certain items described in the Oz Operating Partnership limited partnership agreements is realized and (y) April 1, 2026. During the Distribution Holiday, dividends may continue to be paid on our Class A Shares.

As agreed to as part of the Recapitalization, during the Distribution Holiday, pursuant to the Cash Sweep, we expect to pay dividends on our Class A Shares annually in an aggregate amount equal to not less than 20% of our annual Economic Income less an estimate of payments under the tax receivable agreement and income taxes related to the earnings for the periods ("Distributable Earnings") or more than 30% of Distributable Earnings; provided, that, if the minimum amount of dividends eligible to be made hereunder would be $1.00 or less per Class A Share, then up to $1.00 per Class A Share (subject to appropriate adjustment in the event of any equity dividend, equity split, combination or other similar recapitalization with respect to the Class A Shares).

The declaration and payment of any distribution may be subject to legal, contractual or other restrictions. For example, as a Delaware corporation, the Registrant is not permitted to make distributions if and to the extent that after giving effect to such distributions, its liabilities plus the par value of its common shares 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.

Historically, when we have paid dividends on our Class A Shares, we also made 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; however, as part of the Recapitalization, the Oz Operating Partnerships initiated the Distribution Holiday. See Note 3 to our consolidated financial statements in this report for additional information regarding the Distribution Holiday.

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. 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 six months ended June 30, 2019 and 2018 was $43.1 million and $208.5 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, interest income collected on our investments in CLO's, less cash used for operating expenses, including interest paid on our debt obligations. Additionally, net cash from operating activities also includes the investment activities of the funds we consolidate.

Net cash flows from operating activities for the six months ended June 30, 2019 decreased from the prior year period due to lower incentive income earned in 2018, a large portion of which was collected in the beginning of 2019, as compared to incentive earned in 2017, a large portion of which was collected in the beginning of 2018. The decrease in operating cash flow was partially offset by lower discretionary bonuses paid in 2019 as compared to 2018. The majority of our cash bonus expenses are paid out during the first quarter of the following year. Also contributing to the decrease in operating cash in 2019 were lower management fees and costs related to the Recapitalization, which were offset by decreases across various operating expenses categories. The decreases in operating cash were partially offset by the increase in cash inflows in 2019 from 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 six months ended June 30, 2019 and 2018 was $(10.2) million, and $(200.8) million respectively. Investing cash outflows in 2019 primarily related to purchases of U.S. government obligations and investments in funds, partially offset by return of investments of U.S. government obligations and investments in funds. Investing cash outflows in 2018 primarily related to sales of investments. Investment-related cash flows of the consolidated funds are classified within operating activities.

Financing Activities. Net cash from financing activities for the six months ended June 30, 2019 and 2018 was $(176.6) million and $(293.2) million, respectively. Net cash from financing activities is generally comprised of dividends paid to our Class A Shareholders, borrowings and repayments related to our debt obligations, and proceeds from repurchase agreements used to finance risk retention investments in our European CLOs. Contributions from noncontrolling interests, which primarily relate to fund investor contributions into the consolidated funds, and distributions to noncontrolling interests, which primarily relate to fund investor redemptions from the consolidated funds and distributions to our executive managing directors on their Group A Units, prior to the Distribution Holiday, are also included in net cash from financing activities.

In the six months ended June 30, 2019, we repaid $145.0 million of the 2018 Term Loan and a $21.1 million CLO Investment Loan. In the six months ended June 30, 2019, we entered into a $16.3 million repurchase agreement to finance risk retention investment in a European CLO.

In the second quarter of 2018, we repaid our $400.0 million Senior Notes and entered into our 2018 Term Loan borrowing $250.0 million and repaying $50.0 million of the balance in the period.

We paid dividends of $12.3 million to our Class A Shareholders in the six months ended June 30, 2019, compared to dividends of $17.2 million to our Class A Shareholders and $23.6 million of distributions to our executive managing directors on their Group A Units in the first six months ended June 30, 2018.

Contractual Obligations

The table below summarizes our contractual cash obligations as of June 30, 2019, and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

	July 1, 2019-December 31, 2019	2020 - 2021	2022 - 2023	2024 - Thereafter	Total
			(dollars in thousands)		
Long-term debt(1)	$ —	$ —	$ 152,239	$ 177,758	$ 329,997
Estimated interest on long-term debt(2)	2,022	36,624	29,731	32,731	101,108
Securities sold under agreements to repurchase(3)	—	—	—	79,357	79,357
Operating leases(4)	11,230	43,438	38,865	97,587	191,120
Tax receivable agreement(5)	—	55,408	68,173	82,510	206,091
Unrecognized tax benefits(6)	—	—	—	—	—
Incentive income subject to clawback(7)	—	—	—	—	—
Total Contractual Obligations	**$ 13,252**	**$ 135,470**	**$ 289,008**	**$ 469,943**	**$ 907,673**

(1) Represents indebtedness outstanding under the Debt Securities, 2018 Term Loan and the CLO Investments Loans. In relation to CLO Investments Loans, the amounts present our best estimate of the timing of expected payments on investments in CLOs, as the timing of payments on CLO Investments Loans is contingent on principal payments made to us on our investments in CLOs. Amounts presented represent expected cash payments, and have not been reduced for any discounts or deferred debt issuance costs that are netted against these balances for presentation in our consolidated balance sheet.

(2) Represents expected future interest payments on long-term debt based on the LIBOR and EURIBOR rates that were in effect as of June 30, 2019.

(3) Represents payments on securities sold under agreements to repurchase in accordance with the set scheduled maturity date that corresponds to the maturities of the securities sold under such transaction and exclude any interest payments as such amounts cannot be reasonably estimated. Interest payments on securities sold under agreements are based on the weighted average effective interest rate of each class of securities that have been sold, plus a spread to be agreed upon by the parties

(4) Represents the payments required under our various operating leases for office space and data centers.

(5) Represents the maximum amounts that would be payable to our executive managing directors and the Ziffs under the tax receivable agreement assuming that we will have sufficient taxable income each year to fully realize the expected tax savings resulting from the purchase by the Oz Operating Group of

Group A Units with proceeds from the 2007 Offerings, as well as subsequent exchanges as discussed above under the heading "—Liquidity and Capital Resources—Tax Receivable Agreement." In light of the numerous factors affecting our obligation to make such payments, the timing and amounts of any such actual payments may differ materially from those presented in the table above.

(6) We are not currently able to make a reasonable estimate of the timing of payments in individual years in connection with our unrecognized tax benefits of $7.0 million, and therefore these amounts are not included in the table above.

(7) As of June 30, 2019, we had incentive income collected from certain of our funds that is subject to clawback in the event of future losses in the respective fund. We are not currently able to make a reasonable estimate of the timing of payments, if any, as the payments are contingent on future realizations of investments in the respective fund, the timing of which is uncertain.

Off-Balance Sheet Arrangements

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

As of June 30, 2019, 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 35% within Level I; approximately 45% within Level II; and approximately 20% within Level III. As of December 31, 2018, 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 36% within Level I; approximately 41% within Level II; and approximately 23% 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 go 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 Valuation 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 Controls 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 our operations, regulatory compliance, valuation of financial instruments and reporting. Additionally, the Internal Audit Group meets periodically with management and the Audit Committee of our 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."

Recognition of Incentive Income

The determination of whether to recognize incentive income under GAAP requires a significant amount of judgment regarding whether it is probable that a significant revenue reversal of incentive income that we are potentially entitled to as of a point in time will not occur in future periods, which would preclude the recognition of such amounts as incentive income. Management considers a variety of factors when evaluating whether the recognition of incentive income is appropriate, including: the performance of the fund, whether the we have received or are entitled to receive incentive income distributions and whether such amounts are restricted, the investment period and expected term of the fund, where the fund is in its life-cycle, the volatility and liquidity of investments held by the fund, our team's experience with similar investments and potential sales of investments within the fund. Management continuously evaluates whether there are additional considerations that could potentially impact the recognition of incentive income and notes that the recognition, and potential reversal, of incentive income is subject to potentially significant variability due to changes to the aforementioned considerations.

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 and subsequent exchanges, as well as an additional 20-year loss carryforward period available to us for net operating losses generated prior to 2018 and indefinite carryforward period for net operating losses generated beginning 2018, in order to fully realize the deferred income tax assets. Our analysis of whether we expect to have sufficient future taxable income to realize these deductions is based solely on estimates over this period.

Oz Corp generated taxable income of $40.0 million for the six months ended June 30, 2019, 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 $1.2 billion over the remaining five-year weighted-average amortization period, as well as an additional 20-year loss carryforward period available, in order to fully realize the deferred income tax assets. Using the estimates and assumptions discussed below, we expect to generate sufficient taxable income over the remaining amortization and loss carryforward periods available to us in order to fully realize these deferred income tax assets.

To generate $1.2 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 $33.3 billion as of July 1, 2019, we would need to generate a minimum compound annual growth rate in assets under management of less than 3% over the period for which the taxable income estimate relates to fully realize the deferred income tax assets, assuming no performance-related growth, and therefore no incentive income. The assumed nature and amount of this estimated growth rate are not based on historical results or current expectations of future growth; however, the other assumptions underlying the taxable income estimate, such as general maintenance of current expense ratios and cost allocation percentages among the Oz Operating Partnerships, which impact the amount of taxable income flowing through our legal structure, are based on our near-term operating budget. If our actual growth rate in assets under management falls below this minimum threshold for any extended time during the period for which these estimates relate and we do not otherwise experience offsetting growth rates in other periods, we may not generate taxable income sufficient to realize the deferred income tax assets and may need to record a valuation allowance.

Management regularly reviews the model used to generate the estimates, including the underlying assumptions. If it determines that a valuation allowance is required for any reason, the amount would be determined based on the relevant circumstances at that time. To the extent we record a valuation allowance against our deferred income tax assets related to the goodwill and other intangible assets, we would record a corresponding decrease in the liability to our executive managing directors and the Ziffs under the tax receivable agreement equal to approximately 69% of such amount; therefore, our net income (loss) allocated to Class A Shareholders would only be impacted by 31% 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 June 30, 2019, we had $196.0 million of net operating losses available to offset future taxable income for federal income tax purposes that will expire between 2030 and 2037, and $122.1 million of net operating losses available to be carried forward without expiration. Additionally, $156.5 million of net operating losses are available to offset future taxable income for state income tax purposes and $152.7 million for local income tax purposes that will expire between 2035 and 2039. Based on the analysis set forth above, as of June 30, 2019, we have determined that it is not necessary to record a valuation allowance with respect to our deferred income tax assets related to the goodwill and other intangible assets deductible for tax purposes, and any related net operating loss carryforward. However, we have determined that we may not realize certain foreign income tax credits and accordingly, a valuation allowance of $11.9 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.

We adopted ASC No. 2016-02, *Leases (Topic 842)*, as amended, as of January 1, 2019 ("ASC 842"). Adoption of ASC 842 resulted in the recognition of $126.0 million and $135.9 million of operating lease assets and liabilities, respectively, with the net of these amounts offsetting the deferred rent credit liability in existence immediately prior to adoption. Operating lease-related expense recognition is generally in line with the accounting guidance in effect prior to the adoption of ASC 842, and therefore we do not expect ASC 842 to have a material impact on our future operating expense trends.

None of the other changes to GAAP that went into effect during the six months ended June 30, 2019 are expected to impact our future trends.

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

None of the 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 total segments Economic Income and its components to the respective GAAP measures for the periods presented in this MD&A.

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
	(dollars in thousands)	
Net Loss Attributable to Class A Shareholders—GAAP	**$ (8,625)**	**$ (12,256)**
Change in redemption value of Preferred Units	—	—
Net Loss Allocated to Och-Ziff Capital Management Group Inc—GAAP	**(8,625)**	**(12,256)**
Net loss allocated to Group A Units	(8,148)	(21,915)
Equity-based compensation, net of RSUs settled in cash	37,095	23,366
Adjustment to recognize deferred cash compensation in the period of grant	2,017	1,974
Recapitalization-related non-cash interest expense accretion	4,104	—
Income taxes	10,134	(2,524)
Net losses on early retirement of debt	595	14,303
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	1,282	555
Changes in tax receivable agreement liability	(5,362)	—
Depreciation, amortization and net gains and losses on fixed assets	2,364	2,794
Other adjustments	(3,044)	1,897
Economic Income	**$ 32,412**	**$ 8,194**

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
	(dollars in thousands)	
Net Income (Loss) Attributable to Class A Shareholders—GAAP	**$ 28,458**	**$ (8,766)**
Change in redemption value of Preferred Units	(44,364)	—
Net Loss Allocated to Och-Ziff Capital Management Group Inc—GAAP	**(15,906)**	**(8,766)**
Net loss allocated to Group A Units	(15,517)	(13,545)
Equity-based compensation, net of RSUs settled in cash	74,318	45,261
Adjustment to recognize deferred cash compensation in the period of grant	4,585	14,757
Recapitalization-related non-cash interest expense accretion	6,415	—
Income taxes	13,520	488
Net losses on early retirement of debt	6,053	14,303
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	3,659	393
Changes in tax receivable agreement liability	(5,362)	—
Depreciation, amortization and net gains and losses on fixed assets	4,775	5,166
Other adjustments	(6,351)	2,879
Economic Income	**$ 70,189**	**$ 60,936**

Economic Income Revenues

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Management fees—GAAP	$ 61,400	$ 70,593	$ 125,023	$ 143,043
Adjustment to management fees[(1)]	(3,765)	(4,477)	(7,373)	(9,218)
Management Fees—Economic Income Basis—Non-GAAP	**57,635**	**66,116**	**117,650**	**133,825**
Incentive Income—Economic Income Basis—GAAP and Non-GAAP	**34,757**	**34,656**	**87,955**	**85,490**
Other revenues—GAAP	5,043	3,867	8,812	8,409
Adjustment to other revenues[(2)]	—	—	—	(39)
Other Revenues—Economic Income Basis—Non-GAAP	**5,043**	**3,867**	**8,812**	**8,370**
Total Revenues—Economic Income Basis—Non-GAAP	**$ 97,435**	**$ 104,639**	**$ 214,417**	**$ 227,685**

(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 gains on fixed assets.

Economic Income Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Compensation and benefits—GAAP	$ 80,709	$ 74,502	$ 166,424	$ 143,426
Adjustment to compensation and benefits[(1)]	(40,393)	(26,780)	(82,562)	(62,685)
Compensation and Benefits—Economic Income Basis—Non-GAAP	**$ 40,316**	**$ 47,722**	**$ 83,862**	**$ 80,741**
Interest expense—GAAP	$ 6,523	$ 7,505	$ 12,731	$ 14,103
Adjustment to interest expense[(2)]	(4,104)	—	(6,415)	—
Interest Expense—Economic Income Basis—Non-GAAP	**$ 2,419**	**$ 7,505**	**$ 6,316**	**$ 14,103**
General, administrative and other expenses—GAAP	$ 28,427	$ 48,509	$ 66,215	$ 86,359
Adjustment to general, administrative and other expenses[(3)]	(6,137)	(7,289)	(12,163)	(14,441)
General, Administrative and Other Expenses—Economic Income Basis—Non-GAAP	**$ 22,290**	**$ 41,220**	**$ 54,052**	**$ 71,918**

(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. 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. Distributions to the Group D Units are also excluded, as management reviews operating performance at the Oz Operating Group level, where substantially all of our operations are performed, prior to making any income allocations.

(2) Adjustment to exclude non-cash interest expense accretion on Debt Securities issued in exchange for 2016 Preferred Units in connection with the Recapitalization. Upon exchange, Debt Securities were recognized at fair value and are being accreted to par value over time through interest expense for GAAP; however, management does not consider this interest accretion to be reflective of the operating performance of the Company.

(3) 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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Net loss attributable to noncontrolling interests—GAAP	$ (7,984)	$ (21,440)	$ (15,218)	$ (12,805)
Adjustment to net loss attributable to noncontrolling interests(1)	7,982	21,438	15,216	12,792
Net Loss Attributable to Noncontrolling Interests—Economic Income Basis—Non-GAAP	**$ (2)**	**$ (2)**	**$ (2)**	**$ (13)**

(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.

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 June 30, 2019 and December 31, 2018, would have resulted in a change of approximately $1.5 billion in our assets under management, respectively.

A 10% change in the fair value of the net assets held by our funds as of July 1, 2019 (the date management fees are calculated for the third quarter of 2019) would impact management fees charged on that day by approximately $4.1 million. A 10% change in the fair value of the net assets held by our funds as of January 1, 2019, would have impacted management fees charged on that day by approximately $4.0 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 June 30, 2019 and December 31, 2018, 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

Borrowings under the CLO Investments Loans, the Senior Credit Facility and the Subordinated Credit Facility, if any, 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 June 30, 2019 and December 31, 2018, 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 June 30, 2019, 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 June 30, 2019.

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 second quarter of 2019 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 "Part I, Item 1A. Risk Factors—Risks Related to Our Business—Regulatory changes in jurisdictions outside the United States could adversely affect our business" in our Annual Report. See Note 19 to our consolidated financial statements included in this report for additional information.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in our Annual Report. 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

Effective August 7, 2019, Herbert Alvin ("Hap") Pollard will be promoted to the roles of Chief Accounting Officer and principal accounting officer of the Company. Mr. Pollard, 41, is a managing director of the Company and the Company's Director of Corporate Finance, a position he has held since 2016. Prior to that, Mr. Pollard served as a controller of the Company from 2007 to 2016.

Mr. Pollard will succeed Erez Elisha, who notified the Company on July 31, 2019 of his intention to resign as the Chief Accounting Officer and principal accounting officer of the Company, effective August 7, 2019. In order to assist with an orderly transition of his responsibilities, Mr. Elisha will remain with the Company as an executive managing director until August 31, 2019.

Item 6. Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of April 1, 2019, by and between Och-Ziff Holding Corporation and Och-Ziff Holding LLC, incorporated herein by reference to Exhibit 2.1 of our Current Report on Form 8-K, filed on April 2, 2019.
3.1	Plan of Conversion, incorporated herein by reference to Exhibit 99.1 of our Current Report on Form 8-K, filed on April 30, 2019.
3.2	Certificate of Conversion to a Corporation of Och-Ziff Capital Management Group LLC, incorporated herein by reference to Exhibit 99.2 of our Current Report on Form 8-K, filed on April 30, 2019.
3.3	Certificate of Incorporation of Och-Ziff Capital Management Group Inc., incorporated herein by reference to Exhibit 99.3 of our Current Report on Form 8-K, filed on April 30, 2019.
3.4	By-Laws of Och-Ziff Capital Management Group Inc., incorporated herein by reference to Exhibit 99.4 of our Current Report on Form 8-K, filed on April 30, 2019.
4.1	Amendment to OZ Advisors II LP Unit Designation of the Preferences and Relative, Participating, Optional, and Other Special Rights, Powers and Duties of Class A Cumulative Preferred Units, dated as of April 1, 2019, by and between Och-Ziff Capital Management Group LLC and Och-Ziff Holding LLC, incorporated herein by reference to Exhibit 4.1 of our Current Report on Form 8-K, filed on April 2, 2019.
10.1*	Amended and Restated Certificate of Incorporation of Och-Ziff Holding Corporation dated May 28, 2019.
10.2*+	First Amendment to the Omnibus Agreement Between Thomas Sipp and OZ Management LP, OZ Advisors LP and OZ Advisors II LP dated July 10, 2019.
10.3+	Amendment to Och-Ziff Capital Management Group LLC 2013 Incentive Plan, effective May 13, 2019, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on May 13, 2019.
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*	Inline XBRL Instance Document — The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith

\+ Management contract or compensatory plan or arrangement

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: August 6, 2019

OCH-ZIFF CAPITAL MANAGEMENT GROUP INC.

By: /s/ Thomas M. Sipp
Thomas M. Sipp
Chief Financial Officer and Executive Managing Director