

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2021

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

SCULPTOR CAPITAL MANAGEMENT, INC.

(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

26-0354783  
(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 symbol(s)	Name of each exchange on which registered
Class A Shares	SCU	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 November 4, 2021, there were 25,554,922 Class A Shares and 31,359,400 Class B Shares outstanding.

**SCULPTOR CAPITAL MANAGEMENT, INC.**  
**TABLE OF CONTENTS**

	<u>Page</u>
<b>PART I — FINANCIAL INFORMATION</b>	
Item 1. <a href="#">Financial Statements (Unaudited)</a>	<a href="#">6</a>
<a href="#">Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020</a>	<a href="#">6</a>
<a href="#">Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2021 and 2020</a>	<a href="#">7</a>
<a href="#">Consolidated Statements of Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2021 and 2020</a>	<a href="#">8</a>
<a href="#">Consolidated Statements of Changes in Shareholders' Equity (Deficit) for the Three and Nine Months Ended September 30, 2021 and 2020</a>	<a href="#">9</a>
<a href="#">Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2021 and 2020</a>	<a href="#">11</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">13</a>
Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">39</a>
Item 3. <a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	<a href="#">78</a>
Item 4. <a href="#">Controls and Procedures</a>	<a href="#">80</a>
<b>PART II — OTHER INFORMATION</b>	
Item 1. <a href="#">Legal Proceedings</a>	<a href="#">82</a>
Item 1A. <a href="#">Risk Factors</a>	<a href="#">82</a>
Item 2. <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	<a href="#">82</a>
Item 3. <a href="#">Defaults upon Senior Securities</a>	<a href="#">82</a>
Item 4. <a href="#">Mine Safety Disclosures</a>	<a href="#">82</a>
Item 5. <a href="#">Other Information</a>	<a href="#">82</a>
Item 6. <a href="#">Exhibits</a>	<a href="#">83</a>
<a href="#">Signatures</a>	<a href="#">84</a>

#### Defined Terms

<i>2007 Offerings</i>	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
<i>active executive managing directors</i>	Executive managing directors who remain active in our business
<i>Annual Report</i>	Our annual report on Form 10-K for the year ended December 31, 2020, dated February 23, 2021 and filed with the SEC
<i>Class A Shares</i>	Our Class A Shares, representing Class A common stock of Sculptor Capital Management, Inc., which are publicly traded and listed on the NYSE
<i>Class B Shares</i>	Class B Shares of Sculptor Capital Management, 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
<i>CLOs</i>	Collateralized loan obligations
<i>the Company, Sculptor Capital, the firm, we, us, our</i>	Refers, unless the context requires otherwise, to the Registrant and its consolidated subsidiaries, including the Sculptor Operating Group
<i>Distribution Holiday</i>	The Sculptor 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 is realized and (y) April 1, 2026. Holders of Group A Units, Group D Units, Group E Units and Group P Units and certain RSUs, do not receive distributions during the Distribution Holiday
<i>Distribution Holiday Economic Income</i>	Distribution Holiday Economic Income is the cumulative amount of Economic Income earned since October 1, 2018, less any dividends paid to Class A Shareholders or on the now-retired Preferred Units. Distribution Holiday Economic Income is a non-GAAP measure that is defined in the agreements of limited partnership of the Sculptor Operating Partnerships and is being presented to provide an update on the progress made toward the \$600.0 million target required to exit the Distribution Holiday.
<i>Exchange Act</i>	Securities Exchange Act of 1934, as amended
<i>executive managing directors</i>	The current executive managing directors of the Company, and, except where the context requires otherwise, also includes certain executive managing directors who are no longer active in our business
<i>funds</i>	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
<i>GAAP</i>	U.S. generally accepted accounting principles
<i>Group A Units</i>	Refers collectively to one Class A operating group unit in each of the Sculptor Operating Partnerships. Group A Units are limited partner interests held by our executive managing directors

<b><i>Group A-1 Units</i></b>	Refers collectively to one Class A-1 operating group unit in each of the Sculptor Operating Partnerships. Group A-1 Units are limited partner interests held by our executive managing directors
<b><i>Group B Units</i></b>	Refers collectively to one Class B operating group unit in each of the Sculptor Operating Partnerships. Group B Units are limited partner interests held by Sculptor Corp
<b><i>Group E Units</i></b>	Refers collectively to one Class E operating group unit in each of the Sculptor Operating Partnerships. Group E Units are limited partner interests held by our executive managing directors
<b><i>Group P Units</i></b>	Refers collectively to one Class P operating group unit in each of the Sculptor Operating Partnerships. Group P Units are limited partner interests held by our executive managing directors
<b><i>Institutional Credit Strategies</i></b>	Our asset management platform that invests in performing credits, including leveraged loans, high-yield bonds, private credit/bespoke financing and investment grade credit via CLOs, aircraft securitization vehicles, collateralized bond obligations, and other customized solutions
<b><i>IPO</i></b>	Our initial public offering of 3.6 million Class A Shares that occurred in November 2007
<b><i>NYSE</i></b>	New York Stock Exchange
<b><i>Partner Equity Units</i></b>	Refers collectively to the Group A Units, Group E Units and Group P Units
<b><i>Preferred Units</i></b>	One Class A cumulative preferred unit in each of the Sculptor Operating Partnerships collectively represents one "Preferred Unit." Certain of our executive managing directors collectively owned 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." We redeemed in full the Preferred Units in the fourth quarter of 2020, and as of September 30, 2021 there were no Preferred Units outstanding.
<b><i>PSUs</i></b>	Class A performance-based RSUs
<b><i>Recapitalization</i></b>	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
<b><i>Registrant</i></b>	Sculptor Capital Management, Inc., a Delaware corporation
<b><i>RSUs</i></b>	Class A restricted share units
<b><i>Sculptor Corp</i></b>	Sculptor Capital Holding Corporation, a Delaware corporation
<b><i>Sculptor Operating Group</i></b>	Refers collectively to the Sculptor Operating Partnerships and their consolidated subsidiaries
<b><i>Sculptor Operating Group Units</i></b>	Refers collectively to Sculptor Operating Group A, B, D, E, and P Units
<b><i>Sculptor Operating Partnerships</i></b>	Refers collectively to Sculptor Capital LP, Sculptor Capital Advisors LP and Sculptor Capital Advisors II LP
<b><i>SEC</i></b>	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.sculptor.com](http://www.sculptor.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, including assets under management by investment strategy, 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 webcasts. The contents of our website are not, however, a part of this report.

Also posted on our website in the “Investor Relations—Corporate Governance” section are charters for our Audit Committee; Compensation Committee; Nominating, Corporate Governance and Conflicts Committee and Corporate Responsibility and Compliance Committee, as well as our Corporate Governance Guidelines and Code of Business Conduct and Ethics governing our directors, officers and employees. Information on, or accessible through, our website is not a part of, and is not incorporated into, this report or any other SEC filing. Copies of our SEC filings or corporate governance materials are available without charge upon written request to Sculptor Capital Management, 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](http://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, including the impact of public health crises, such as the ongoing COVID-19 pandemic; United States (“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”) and any claims arising therefrom; whether the Company realizes all or any of the anticipated benefits from the Recapitalization and other related transactions; whether the Recapitalization and other related transactions result in any increased or unforeseen costs, indemnification obligations or have an impact on our ability to retain or compete for professional talent or investor capital; conditions impacting the alternative asset management industry; our ability to retain existing investor capital; our ability to successfully compete for fund investors, assets, professional talent and investment opportunities; our ability to retain our active executive managing directors, managing directors and other investment professionals; our successful formulation and execution of our business and growth strategies; our ability to appropriately manage conflicts of interest and tax and other regulatory factors relevant to our business; the anticipated benefits of changing the Registrant’s tax classification from a partnership to a corporation and subsequently converting from a limited liability company to a corporation; 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.

**SCULPTOR CAPITAL MANAGEMENT, INC.**  
**CONSOLIDATED BALANCE SHEETS — UNAUDITED**

**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements**

	September 30, 2021	December 31, 2020
	(dollars in thousands)	
<b>Assets</b>		
Cash and cash equivalents	\$ 143,005	\$ 183,815
Restricted cash	1,803	3,162
Investments (includes assets measured at fair value of \$458,106 and \$309,805, including assets sold under agreements to repurchase of \$161,013 and \$123,616 as of September 30, 2021 and December 31, 2020, respectively)	619,341	414,974
Income and fees receivable	45,876	539,623
Due from related parties	17,864	14,086
Deferred income tax assets	226,103	240,288
Operating lease assets	88,420	104,729
Other assets, net	71,634	82,500
<i>Assets of consolidated funds:</i>		
Other assets of consolidated funds	3	—
<b>Total Assets</b>	<b>\$ 1,214,049</b>	<b>\$ 1,583,177</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Compensation payable	\$ 70,454	\$ 234,006
Unearned income and fees	70,042	61,880
Tax receivable agreement liability	183,092	190,292
Operating lease liabilities	108,036	115,237
Debt obligations	120,167	334,972
Warrant liabilities, at fair value	88,712	37,827
Securities sold under agreements to repurchase	159,218	122,638
Other liabilities	34,780	51,445
<i>Liabilities of consolidated funds:</i>		
Other liabilities of consolidated funds	2	—
<b>Total Liabilities</b>	<b>834,503</b>	<b>1,148,297</b>
<b>Commitments and Contingencies (Note 16)</b>		
<b>Shareholders' Equity</b>		
Class A Shares, par value \$0.01 per share, 100,000,000 and 100,000,000 shares authorized, 25,216,856 and 22,903,571 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	252	229
Class B Shares, par value \$0.01 per share, 75,000,000 and 75,000,000 shares authorized, 32,887,882 and 32,824,538 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	329	328
Additional paid-in capital	207,791	166,917
Accumulated deficit	(265,848)	(178,674)
Accumulated other comprehensive income	146	732
Shareholders' deficit attributable to Class A Shareholders	(57,330)	(10,468)
Shareholders' equity attributable to noncontrolling interests	436,876	445,348
<b>Total Shareholders' Equity</b>	<b>379,546</b>	<b>434,880</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 1,214,049</b>	<b>\$ 1,583,177</b>

See notes to consolidated unaudited financial statements.

**SCULPTOR CAPITAL MANAGEMENT, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS — UNAUDITED**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
<b>Revenues</b>				
Management fees	\$ 76,820	\$ 68,053	\$ 227,391	\$ 195,389
Incentive income	27,031	41,525	134,379	89,085
Other revenues	1,786	2,316	5,145	7,693
Income of consolidated funds	—	58	3	90
<b>Total Revenues</b>	<b>105,637</b>	<b>111,952</b>	<b>366,918</b>	<b>292,257</b>
<b>Expenses</b>				
Compensation and benefits	53,078	65,030	201,759	197,739
Interest expense	3,277	4,488	12,280	14,944
General, administrative and other	39,672	26,465	92,070	203,786
Expenses of consolidated funds	—	34	2	53
<b>Total Expenses</b>	<b>96,027</b>	<b>96,017</b>	<b>306,111</b>	<b>416,522</b>
<b>Other (Loss) Income</b>				
Changes in fair value of warrant liabilities	(12,710)	—	(50,885)	—
Changes in tax receivable agreement liability	(39)	—	(18)	278
Net losses on retirement of debt	—	—	(30,198)	(693)
Net gains on investments	5,068	8,157	16,685	3,266
<b>Total Other (Loss) Income</b>	<b>(7,681)</b>	<b>8,157</b>	<b>(64,416)</b>	<b>2,851</b>
<b>Income (Loss) Before Income Taxes</b>	<b>1,929</b>	<b>24,092</b>	<b>(3,609)</b>	<b>(121,414)</b>
Income taxes	8,653	9,397	19,985	(17,971)
<b>Consolidated Net (Loss) Income</b>	<b>(6,724)</b>	<b>14,695</b>	<b>(23,594)</b>	<b>(103,443)</b>
Less: Net loss (income) attributable to noncontrolling interests	2,386	(4,393)	20,777	63,552
<b>Net (Loss) Income Attributable to Sculptor Capital Management, Inc.</b>	<b>(4,338)</b>	<b>10,302</b>	<b>(2,817)</b>	<b>(39,891)</b>
Change in redemption value of Preferred Units	—	(2,285)	—	(5,598)
<b>Net (Loss) Income Attributable to Class A Shareholders</b>	<b>\$ (4,338)</b>	<b>\$ 8,017</b>	<b>\$ (2,817)</b>	<b>\$ (45,489)</b>
<b>(Loss) Earnings per Class A Share</b>				
(Loss) Earnings per Class A Share - basic	\$ (0.17)	\$ 0.35	\$ (0.11)	\$ (2.02)
(Loss) Earnings per Class A Share - diluted	\$ (0.17)	\$ 0.25	\$ (0.50)	\$ (2.71)
Weighted-average Class A Shares outstanding - basic	25,334,903	22,729,285	24,743,527	22,542,047
Weighted-average Class A Shares outstanding - diluted	25,334,903	49,737,060	40,763,033	38,559,963

See notes to consolidated unaudited financial statements.

**SCULPTOR CAPITAL MANAGEMENT, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) — UNAUDITED**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
Consolidated net (loss) income	\$ (6,724)	\$ 14,695	\$ (23,594)	\$ (103,443)
<b>Other Comprehensive (Loss) Income, Net of Tax</b>				
Other comprehensive loss - currency translation adjustment	(565)	—	(1,248)	—
<b>Comprehensive (Loss) Income</b>	<u>(7,289)</u>	<u>14,695</u>	<u>(24,842)</u>	<u>(103,443)</u>
Less: Comprehensive loss (income) attributable to noncontrolling interests	2,678	(4,393)	21,439	63,552
<b>Comprehensive (Loss) Income Attributable to Sculptor Capital Management, Inc.</b>	<u>\$ (4,611)</u>	<u>\$ 10,302</u>	<u>\$ (3,403)</u>	<u>\$ (39,891)</u>

See notes to consolidated unaudited financial statements.

**SCULPTOR CAPITAL MANAGEMENT, INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT) — UNAUDITED**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
<b>Number of Class A Shares</b>				
Beginning balance	25,101,187	22,311,432	22,903,571	21,284,945
Equity-based compensation	115,669	245,773	2,313,285	1,272,260
<b>Ending Balance</b>	<b>25,216,856</b>	<b>22,557,205</b>	<b>25,216,856</b>	<b>22,557,205</b>
<b>Number of Class B Shares</b>				
Beginning balance	32,887,882	32,820,414	32,824,538	29,208,952
Equity-based compensation	—	(1)	63,344	3,611,461
<b>Ending Balance</b>	<b>32,887,882</b>	<b>32,820,413</b>	<b>32,887,882</b>	<b>32,820,413</b>
<b>Class A Shares Par Value</b>				
Beginning balance	\$ 251	\$ 223	\$ 229	\$ 213
Equity-based compensation	1	3	23	13
<b>Ending Balance</b>	<b>\$ 252</b>	<b>\$ 226</b>	<b>\$ 252</b>	<b>\$ 226</b>
<b>Class B Shares Par Value</b>				
Beginning balance	\$ 329	\$ 328	\$ 328	\$ 292
Equity-based compensation	—	—	1	36
<b>Ending Balance</b>	<b>\$ 329</b>	<b>\$ 328</b>	<b>\$ 329</b>	<b>\$ 328</b>
<b>Additional Paid-in Capital</b>				
Beginning balance	\$ 200,733	\$ 142,288	\$ 166,917	\$ 117,936
Dividend equivalents on Class A restricted share units	834	(61)	7,311	814
Equity-based compensation, net of taxes	6,224	10,889	33,563	37,679
Change in redemption value of Preferred Units	—	(2,285)	—	(5,598)
<b>Ending Balance</b>	<b>\$ 207,791</b>	<b>\$ 150,831</b>	<b>\$ 207,791</b>	<b>\$ 150,831</b>

SCULPTOR CAPITAL MANAGEMENT, INC.  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT) — UNAUDITED — (continued)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
<b>Accumulated Deficit</b>				
Beginning balance	\$ (247,058)	\$ (406,440)	\$ (178,674)	\$ (343,759)
Cash dividends declared on Class A Shares	(13,618)	—	(77,046)	(11,613)
Dividend equivalents on Class A restricted share units	(834)	61	(7,311)	(814)
Consolidated net (loss) income	(4,338)	10,302	(2,817)	(39,891)
<b>Ending Balance</b>	<b>\$ (265,848)</b>	<b>\$ (396,077)</b>	<b>\$ (265,848)</b>	<b>\$ (396,077)</b>
<b>Accumulated Other Comprehensive Income</b>				
Beginning balance	\$ 419	\$ —	\$ 732	\$ —
Currency translation adjustment	(273)	—	(586)	—
<b>Ending Balance</b>	<b>\$ 146</b>	<b>\$ —</b>	<b>\$ 146</b>	<b>\$ —</b>
<b>Shareholders' Deficit Attributable to Class A Shareholders</b>	<b>\$ (57,330)</b>	<b>\$ (244,692)</b>	<b>\$ (57,330)</b>	<b>\$ (244,692)</b>
<b>Shareholders' Equity Attributable to Noncontrolling Interests</b>				
Beginning balance	\$ 438,620	\$ 386,686	\$ 445,348	\$ 440,779
Currency translation adjustment	(292)	—	(662)	—
Capital contributions	763	3,535	3,727	7,084
Capital distributions	(3,001)	(391)	(5,484)	(3,639)
Equity-based compensation, net of taxes	3,172	6,437	14,724	19,988
Consolidated net (loss) income	(2,386)	4,393	(20,777)	(63,552)
<b>Ending Balance</b>	<b>\$ 436,876</b>	<b>\$ 400,660</b>	<b>\$ 436,876</b>	<b>\$ 400,660</b>
<b>Total Shareholders' Equity</b>	<b>\$ 379,546</b>	<b>\$ 155,968</b>	<b>\$ 379,546</b>	<b>\$ 155,968</b>
Cash dividends paid on Class A Shares	\$ 0.54	\$ —	\$ 3.19	\$ 0.53

See notes to consolidated unaudited financial statements.

**SCULPTOR CAPITAL MANAGEMENT, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED**

	Nine Months Ended September 30,	
	2021	2020
	(dollars in thousands)	
<b>Cash Flows from Operating Activities</b>		
Consolidated net loss	\$ (23,594)	\$ (103,443)
<i>Adjustments to reconcile consolidated net loss to net cash provided by operating activities:</i>		
Amortization of equity-based compensation	54,089	60,342
Depreciation, amortization and net gains and losses on fixed assets	7,439	5,379
Changes in fair value of warrant liabilities	50,885	—
Net losses on retirement of debt	30,198	693
Deferred income taxes	14,452	(23,422)
Non-cash lease expense	27,084	16,026
Net gains on investments, net of dividends	(5,468)	(617)
<i>Operating cash flows due to changes in:</i>		
Income and fees receivable	493,657	177,687
Due from related parties	(3,724)	3,833
Other assets, net	10,099	6,861
Compensation payable	(167,368)	(121,190)
Unearned income and fees	8,162	6,095
Tax receivable agreement liability	(7,200)	(18,291)
Operating lease liabilities	(17,354)	(17,160)
Other liabilities	(14,217)	119,347
<i>Consolidated funds related items:</i>		
Other assets of consolidated funds	(3)	(90)
Other liabilities of consolidated funds	2	54
<b>Net Cash Provided by Operating Activities</b>	<b>457,139</b>	<b>112,104</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of fixed assets	(3,407)	(1,781)
Purchases of United States government obligations	(336,762)	(322,439)
Maturities and sales of United States government obligations	199,290	316,879
Investments in funds	(101,600)	(18,501)
Return of investments in funds	27,701	5,790
<b>Net Cash Used in Investing Activities</b>	<b>(214,778)</b>	<b>(20,052)</b>

**SCULPTOR CAPITAL MANAGEMENT, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED — (continued)**

	Nine Months Ended September 30,	
	2021	2020
(dollars in thousands)		
<b>Cash Flows from Financing Activities</b>		
Contributions from noncontrolling interests	3,727	7,084
Distributions to noncontrolling interests	(5,484)	(3,639)
Dividends on Class A Shares	(77,046)	(11,613)
Proceeds from debt obligations, net of issuance costs	3,219	3,276
Repayment of debt obligations, including prepayment costs	(249,731)	(36,668)
Proceeds from securities sold under agreements to repurchase, net of issuance costs	45,920	—
Other, net	(4,380)	(2,056)
<b>Net Cash Used in Financing Activities</b>	<b>(283,775)</b>	<b>(43,616)</b>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(755)	—
Net change in cash and cash equivalents and restricted cash	(42,169)	48,436
Cash and cash equivalents and restricted cash, beginning of period	186,977	245,439
<b>Cash and Cash Equivalents and Restricted Cash, End of Period</b>	<b>\$ 144,808</b>	<b>\$ 293,875</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
<i>Cash paid during the period:</i>		
Interest	\$ 11,097	\$ 10,794
Income taxes	\$ 6,263	\$ 5,614
<i>Reconciliation of cash and cash equivalents and restricted cash:</i>		
Cash and cash equivalents	\$ 143,005	\$ 290,297
Restricted cash	1,803	3,578
<b>Total Cash and Cash Equivalents and Restricted Cash</b>	<b>\$ 144,808</b>	<b>\$ 293,875</b>

See notes to consolidated unaudited financial statements.

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**1. ORGANIZATION**

Sculptor Capital Management, Inc. (the “Registrant”), a Delaware corporation, together with its consolidated subsidiaries (collectively, the “Company” or “Sculptor Capital”), is a global alternative asset management firm providing investment products in a range of areas, including multi-strategy, credit and real estate. With offices in New York, London, Hong Kong and Shanghai, the Company serves global clients through commingled funds, separate accounts and specialized products (collectively, the “funds”). Sculptor Capital’s distinct investment process seeks to generate attractive and consistent risk-adjusted returns across market cycles through a combination of bottom-up fundamental analysis, a high degree of flexibility, a collaborative team and integrated risk management. The Company’s capabilities span all major geographies, in strategies including fundamental equities, corporate credit, real estate debt and equity, merger arbitrage and structured credit.

The Company 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”), aircraft securitization vehicles, collateralized bond obligations (“CBOs”), commingled products and other customized solutions for clients.

The Company’s primary sources of revenues are management fees, which are generally 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 conducts its business and generates substantially all of its revenues primarily in the United States (the “U.S.”) through one operating and reportable segment. The single reportable segment reflects how the Company’s chief operating decision makers allocate resources, make operating decisions and assess financial performance on a consolidated basis under the Company’s ‘one-firm approach,’ which includes operating collaboratively across business lines, with predominantly a single expense pool. The Company conducts its operations through Sculptor Capital LP, Sculptor Capital Advisors LP and Sculptor Capital Advisors II LP (collectively, the “Sculptor Operating Partnerships” and collectively with their consolidated subsidiaries, the “Sculptor Operating Group”). The Registrant holds its interests in the Sculptor Operating Group indirectly through Sculptor Capital Holding Corporation (“Sculptor Corp”), a wholly owned subsidiary of the Registrant.

References to the Company’s “executive managing directors” include the current executive managing directors of the Company, and, except where the context requires otherwise, also include certain former executive managing directors who are no longer active in the Company’s business. References to the Company’s “active executive managing directors” refer to executive managing directors who remain active in the Company’s business.

**Company Structure**

The Registrant is a holding company that, through Sculptor Corp, holds equity ownership interests in the Sculptor 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 on the Class A Shares by the Registrant’s Board of Directors.
- **Class B Shares**—Class B Shares are held by executive managing directors, as further discussed below. 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

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

The Company conducts its operations through the Sculptor Operating Group. The following is a list of the outstanding units of the Sculptor Operating Partnerships as of September 30, 2021:

- **Group A Units**—Group A Units are limited partner interests issued to certain executive managing directors. In connection with the Recapitalization, as defined below, the Sculptor Operating Partnerships initiated a distribution holiday (the “Distribution Holiday”). Holders of Group A Units do not receive distributions on such units during the Distribution Holiday. 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 achieved when sufficient appreciation has occurred to meet a prescribed capital account book-up target under the terms of the Sculptor Operating Partnership limited partnership agreements.

Group A Unit grants are accounted for as equity-based compensation. See Note 13 in the Company’s annual report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 23, 2021 (“Annual Report”) for additional information. The Company completed a recapitalization in February 2019 (“Recapitalization”). See Note 3 in the Company’s Annual Report for additional details. 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.

- **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 Sculptor Operating Group. However, the holders of Group A-1 Units shall participate in any sale, change of control or other liquidity event that takes place prior to cancellation of the Group A-1 Units. 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**—Sculptor Corp holds a general partner interest and Group B Units in each Sculptor Operating Partnership. Sculptor Corp owns all of the Group B Units, which represent equity interest in the Sculptor Operating Partnerships. 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, book-up, 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 Sculptor 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). Holders of Group E Units do not receive distributions during the Distribution Holiday. See Note 3 in the

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

Company's Annual Report for additional details. Group E Unit grants are accounted for as equity-based compensation. See Note 13 in the Company's Annual Report 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 upon satisfaction of certain service and performance conditions. 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 Sculptor 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 13 in the Company's Annual Report for additional information.
- **Preferred Units**— The Preferred Units were non-voting preferred equity interests in the Sculptor Operating Partnerships. Preferred Units issued in 2016 and 2017 are collectively referred to as the "2016 Preferred Units." The 2016 Preferred Units were redeemed in full as a part of the Recapitalization. The Preferred Units issued in 2019 are referred to as the "2019 Preferred Units." The 2019 Preferred Units were redeemed in full at a 25% discount in the fourth quarter of 2020.

Executive managing directors hold a number of Class B Shares equal to the number of Group A Units, vested Group E Units, Group A-1 Units (to the extent the corresponding Class B Shares have not been canceled in connection with the vesting of certain Group E Units issued in connection with the Recapitalization, as further discussed in Note 3 in the Company's Annual Report) 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 Sculptor Corp. Class B Shares that relate to Group A-1 Units will be voted pro rata in accordance with the vote of the Class A Shares.

The following table presents the number of shares and units of the Registrant and the Sculptor Operating Partnerships, respectively, that were outstanding as of September 30, 2021:

	As of September 30, 2021
<b>Sculptor Capital Management, Inc.</b>	
Class A Shares	25,216,856
Class B Shares	32,887,882
Warrants to purchase Class A Shares (Note 7)	4,338,015
<b>Sculptor Operating Partnerships</b>	
Group A Units	16,019,506
Group A-1 Units	9,779,446
Group B Units	25,216,856
Group E Units	13,009,152
Group P Units	3,385,000

In addition, the Company grants 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 13 in the Company's Annual Report for additional information.

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

These unaudited, interim, consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (“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. 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. Certain prior year amounts have been reclassified to conform to the current year presentation.

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.

**Recently Adopted Accounting Pronouncements**

No changes to GAAP that went into effect in the nine months ended September 30, 2021, 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.

See Note 2 of the Annual Report for the complete listing of our accounting policies.

**3. 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 executive managing directors.

Prior to the Recapitalization, the attribution of net income (loss) of each Sculptor 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 Sculptor Operating Partnerships’ 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 Sculptor 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 a Sculptor 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 a Sculptor 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.

Noncontrolling interests are presented as a separate component of shareholders’ equity on the Company’s consolidated balance sheets. The primary components of noncontrolling interests are separately presented in the Company’s consolidated statements of changes in shareholders’ equity (deficit) to distinguish the shareholders’ equity (deficit) attributable to Class A shareholders and noncontrolling interest holders. Net income (loss) includes the net income (loss) attributable to the holders of noncontrolling interest on the Company’s consolidated statements of operations.

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

The table below sets forth the calculation of noncontrolling interests related to the Group A Units for each Sculptor Operating Partnership (rounding differences may occur). The blended participation percentages presented below take into account ownership changes throughout the periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(dollars in thousands)				
<b>Sculptor Capital LP</b>				
Net income (loss)	\$ 5,081	\$ 8,836	\$ (22,713)	\$ (133,304)
Blended participation percentage	39 %	46 %	39 %	42 %
<b>Net Income (Loss) Attributable to Group A</b>	<b>\$ 2,003</b>	<b>\$ 4,049</b>	<b>\$ (8,824)</b>	<b>\$ (55,356)</b>
<b>Units</b>				
<b>Sculptor Capital Advisors LP</b>				
Net (loss) income	\$ (11,795)	\$ 948	\$ (34,989)	\$ (18,343)
Blended participation percentage	39 %	47 %	39 %	42 %
<b>Net (Loss) Income Attributable to Group A</b>	<b>\$ (4,556)</b>	<b>\$ 445</b>	<b>\$ (13,592)</b>	<b>\$ (7,617)</b>
<b>Units</b>				
<b>Sculptor Capital Advisors II LP</b>				
Net income	\$ 6,581	\$ 13,043	\$ 48,164	\$ 29,822
Blended participation percentage	0 %	0 %	0 %	0 %
<b>Net Income Attributable to Group A Units</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Total Sculptor Operating Group</b>				
Net (loss) income	\$ (133)	\$ 22,827	\$ (9,538)	\$ (121,825)
Blended participation percentage	n/m	20 %	235 %	52 %
<b>Net (Loss) Income Attributable to Group A</b>	<b>\$ (2,553)</b>	<b>\$ 4,494</b>	<b>\$ (22,416)</b>	<b>\$ (62,973)</b>
<b>Units</b>				

n/m - not meaningful

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(dollars in thousands)				
Group A Units	\$ (2,553)	\$ 4,494	\$ (22,416)	\$ (62,973)
Other	167	(101)	1,639	(579)
	<b>\$ (2,386)</b>	<b>\$ 4,393</b>	<b>\$ (20,777)</b>	<b>\$ (63,552)</b>

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

	September 30, 2021		December 31, 2020	
	(dollars in thousands)			
Group A Units	\$ 425,401	\$ 433,756	\$ 425,401	\$ 433,756
Other	11,475	11,592	11,475	11,592
	<b>\$ 436,876</b>	<b>\$ 445,348</b>	<b>\$ 436,876</b>	<b>\$ 445,348</b>

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**4. INVESTMENTS AND FAIR VALUE DISCLOSURES**

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

	September 30, 2021	December 31, 2020
	(dollars in thousands)	
U.S. government obligations, at fair value	\$ 241,570	\$ 104,295
CLOs, at fair value	216,536	205,510
Equity method investments	161,235	105,169
<b>Total Investments</b>	<b>\$ 619,341</b>	<b>\$ 414,974</b>

The Company invests in U.S. government obligations to manage excess liquidity and these investments are carried at fair value under the fair value option election with changes in fair value recorded within net gains on investments in the consolidated statements of operations.

CLOs, at fair value, consist of investments for which the fair value option has been elected and represents investments in notes of unconsolidated CLOs. Changes in fair value of these investments are included within net gains on investments in the consolidated statements of operations.

The Company's equity investments include investments in funds, which are not consolidated, but in which the Company exerts significant influence. The Company has not elected the fair value option and is accounting for such investments under the equity method. The Company recognizes its share of earnings within net gains on investments in the consolidated statements of operations. Refer to Note 15 for details of the related party nature of such investments.

**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). The Company and the funds it manages hold a variety of investments, certain of which are not publicly traded or that are otherwise illiquid. Significant judgement and estimation go into the assumptions that drive the fair value of these investments. The fair value of these investments may be estimated using a combination of observed transaction prices, prices from third parties (including independent pricing services and relevant broker quotes), models or other valuation methodologies based on pricing inputs that are neither directly nor indirectly market observable. 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 establishes a hierarchical disclosure framework that prioritizes and ranks 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 and the specific characteristics of the financial instrument. Financial instruments 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.

Financial instruments measured at fair value are classified and disclosed into one of the following categories based on the observability of inputs used in the determination of fair values:

- **Level I** – Quoted prices that are available in active markets for identical financial instruments as of the reporting date. The types of financial instruments that would generally be included in this category are certain listed equities, U.S. government obligations and certain listed derivatives.

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

- **Level II** – Quotations received from dealers making a market for financial instruments (“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 financial instruments 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 where the fair value is based on observable inputs. These financial instruments exhibit higher levels of liquid market observability as compared to Level III financial instruments.
- **Level III** – Pricing inputs that are unobservable in the market and includes situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value of financial instrument in this category may require significant management judgment or estimation. The fair value of these financial instruments 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 (e.g., cash flows, implied yields, EBITDA multiples). The types of financial instruments that would generally be included in this category include CLOs, warrant liabilities, certain credit default swap contracts, certain bank debt securities, certain OTC derivatives, 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, a financial instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument when the fair value is based on unobservable inputs.

For financial instruments for which the Company uses independent pricing services for valuation, the Company performs analytical procedures and compares independent pricing service valuations to other vendors’ pricing as applicable. The Company also performs due diligence reviews on independent pricing services on an annual basis and performs other due diligence procedures as may be deemed necessary.

**Fair Value Measurements Categorized within the Fair Value Hierarchy**

The following table summarizes the Company’s financial assets and liabilities measured at fair value on a recurring basis within the fair value hierarchy as of September 30, 2021:

	As of September 30, 2021				Total
	Level I	Level II	Level III		
(dollars in thousands)					
<b>Assets, at Fair Value</b>					
<i>Included within investments:</i>					
U.S. government obligations	\$ 241,570	\$ —	\$ —		\$ 241,570
CLOs <sup>(1)</sup>	\$ —	\$ —	\$ 216,536		\$ 216,536
<b>Liabilities, at Fair Value</b>					
Warrants	\$ —	\$ —	\$ 88,712		\$ 88,712

(1) As of September 30, 2021, investments in CLOs had contractual principal amounts of \$202.8 million outstanding, which excludes the Company’s investments in subordinated tranches of the notes, as these do not have contractual principal payments.

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis within the fair value hierarchy as of December 31, 2020:

	As of December 31, 2020			
	Level I	Level II	Level III	Total
(dollars in thousands)				
<b>Assets, at Fair Value</b>				
<i>Included within cash and cash equivalents:</i>				
U.S. government obligations	\$ 29,999	\$ —	\$ —	\$ 29,999
<i>Included within investments:</i>				
U.S. government obligations	\$ 104,295	\$ —	\$ —	\$ 104,295
CLOs <sup>(1)</sup>	\$ —	\$ —	\$ 205,510	\$ 205,510
<b>Liabilities, at Fair Value</b>				
Warrants	\$ —	\$ —	\$ 37,827	\$ 37,827

(1) As of December 31, 2020, investments in CLOs had contractual principal amounts of \$194.5 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 related to foreign currency translation adjustments, are recorded within net gains on investments in the consolidated statements of operations. Gains and losses related to foreign currency translation adjustments are recorded in the statements of comprehensive income (loss). 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 financial assets and liabilities for the three months ended September 30, 2021:

	June 30, 2021	Purchases / Issuances	Investment Sales / Settlements	Gains / (Losses) Included in Earnings	Gains / (Losses) Included in Other Comprehensive Income	September 30, 2021
(dollars in thousands)						
<b>Assets, at Fair Value</b>						
<i>Included within investments:</i>						
CLOs	\$ 219,433	\$ 982	\$ (286)	\$ 335	\$ (3,928)	\$ 216,536
<b>Liabilities, at Fair Value</b>						
Warrants	\$ 76,002	\$ —	\$ —	\$ (12,710)	\$ —	\$ 88,712

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

The following table summarizes the changes in the Company's Level III financial assets for the three months ended September 30, 2020:

	June 30, 2020	Purchases / Issuances	Investment Sales / Settlements	Gains / (Losses) Included in Earnings	Gains / (Losses) Included in Other Comprehensive Income	September 30, 2020
(dollars in thousands)						
<b>Assets, at Fair Value</b>						
<i>Included within investments:</i>						
CLOs	\$ 178,842	\$ 778	\$ (103)	\$ 9,123	\$ —	\$ 188,640

The following table summarizes the changes in the Company's Level III financial assets and liabilities for the nine months ended September 30, 2021:

	December 31, 2020	Purchases / Issuances	Investment Sales / Settlements	Gains / (Losses) Included in Earnings	Gains / (Losses) Included in Other Comprehensive Income	September 30, 2021
(dollars in thousands)						
<b>Assets, at Fair Value</b>						
<i>Included within investments:</i>						
CLOs	\$ 205,510	\$ 34,276	\$ (16,431)	\$ 2,088	\$ (8,907)	\$ 216,536
<b>Liabilities, at Fair Value</b>						
Warrants	\$ 37,827	\$ —	\$ —	\$ (50,885)	\$ —	\$ 88,712

The following table summarizes the changes in the Company's Level III financial assets for the nine months ended September 30, 2020:

	December 31, 2019	Purchases / Issuances	Investment Sales / Settlements	Gains / (Losses) Included in Earnings	Gains / (Losses) Included in Other Comprehensive Income	September 30, 2020
(dollars in thousands)						
<b>Assets, at Fair Value</b>						
<i>Included within investments:</i>						
CLOs	\$ 182,870	\$ 5,185	\$ (288)	\$ 873	\$ —	\$ 188,640

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

The table below summarizes the net change in unrealized gains and (losses) on the Company's Level III financial instruments outstanding as of the reporting date:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(dollars in thousands)				
<b>Assets, at Fair Value</b>				
<i>Included within investments:</i>				
CLOs	\$ (3,593)	\$ 3,185	\$ (6,063)	\$ 873
<b>Liabilities, at Fair Value</b>				
Warrants	\$ (12,710)	\$ —	\$ (50,885)	\$ —

**Valuation Methodologies for Fair Value Measurements Categorized within Level III**

Investments in CLOs are valued using independent pricing services. The Company performs procedures over the values provided by the pricing services as discussed above. Warrant liabilities are valued by independent pricing services using a Black-Scholes option pricing model, for which the Company's Class A Share price, exercise price, risk free rate, volatility and term to expiry are the primary inputs to the valuation. The Company reviews inputs, assumptions and valuation methodology used in the warrants' valuations.

**Financial Instruments Not Measured at Fair Value**

Management estimates that the carrying value of the Company's financial instruments not measured at the fair value, including its debt obligations and repurchase agreements, approximated their fair values as of September 30, 2021. The fair value measurements for the Company's repurchase agreements are categorized as Level III within the fair value hierarchy and were determined using independent pricing services. The fair value measurements for the Company's debt obligations are categorized as Level III within the fair value hierarchy and for the 2020 Term Loan is determined using a discounted cash flow model and for CLO Investments Loans are determined using independent pricing services.

**Loans Sold to CLOs Managed by the Company**

From time to time the Company sells loans to CLOs managed by the Company. These loans are purchased by the Company in the open market and simultaneously sold for cash to the CLOs. The loans are accounted for as transfers of financial assets as they meet the criteria for derecognition under GAAP. No loans were sold in each of the nine months ended September 30, 2021 and 2020. The Company invests in senior secured and subordinated notes issued by certain CLOs to which it sold loans in the past. These investments represent retained interests to the Company and are in the form of a 5% vertical strip (i.e., 5% of each of the senior and subordinated tranches of notes issued by each CLO). The retained interests are reported within investments on the Company's consolidated balance sheet. As of September 30, 2021 and December 31, 2020, the Company's investments in these retained interests had a fair value of \$89.0 million and \$90.3 million, respectively.

The Company is subject to risks associated with the performance of the underlying collateral and the market yield of the assets. The Company's risk of loss from retained interest is limited to its investments in these interests. The Company receives quarterly payments of interest and principal, as applicable, on these retained interests. In the nine months ended September 30, 2021 and 2020, the Company received \$2.1 million and \$2.3 million, respectively, of interest and principal payments related to the retained interests.

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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.

**5. VARIABLE INTEREST ENTITIES**

In the ordinary course of business, the Company sponsors the formation of funds that are considered VIEs. See Note 2 in 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 assets and liabilities of consolidated VIEs were not material as of September 30, 2021 and December 31, 2020.

The Company's direct involvement with funds that are VIEs and not consolidated by the Company, as it has been determined that the Company is not the primary beneficiary, 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 income and fees, 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 16. 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 unconsolidated 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:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
	(dollars in thousands)	
Net assets of unconsolidated VIEs in which the Company has a variable interest	\$ 10,929,724	\$ 10,481,312
<i>Maximum risk of loss as a result of the Company's involvement with VIEs:</i>		
Unearned income and fees	70,042	61,880
Income and fees receivable	12,285	192,826
Investments	241,446	233,638
<b>Maximum Exposure to Loss</b>	<b>\$ 323,773</b>	<b>\$ 488,344</b>

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**6. LEASES**

The Company has non-cancelable operating leases for its headquarters in New York and its offices in London, Hong Kong, Shanghai, and various other locations and data centers. The Company does not have renewal options for any of its current leases. The Company also subleases a portion of its office space in London and New York through the end of the lease term. In addition, the Company has finance leases for computer hardware. As of September 30, 2021, the Company has pledged collateral related to its lease obligations of \$6.2 million, which is included within cash and cash equivalents in the consolidated balance sheets.

In September 2021, the Company entered into a non-cancellable agreement to sublease a portion of its New York office space through the end of the original lease maturity in 2029. As a result of this agreement, the Company recognized an impairment loss on its right-of-use asset of \$11.2 million and wrote-off related leasehold improvements and fixed assets in the amount of \$2.3 million. These losses were recorded in the general, administrative and other expenses within the consolidated statements of operations. The Company used a discounted cash flows method to value the right-of-use asset to determine the impairment amount.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
<b>Lease Cost</b>				
Operating lease cost	\$ 4,882	\$ 5,152	\$ 15,215	\$ 15,440
Short-term lease cost	4	13	26	38
Finance lease cost - amortization of leased assets	199	199	596	529
Finance lease cost - imputed interest on lease liabilities	4	19	21	57
Less: Sublease income	(408)	(391)	(1,234)	(1,145)
<b>Net Lease Cost</b>	<b>\$ 4,681</b>	<b>\$ 4,992</b>	<b>\$ 14,624</b>	<b>\$ 14,919</b>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
<b>Supplemental Lease Cash Flow Information</b>				
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows for operating leases	\$ 5,398	\$ 5,634	\$ 16,563	\$ 16,837
Operating cash flows for finance leases	\$ —	\$ 1	\$ 1	\$ 6
Finance cash flows for finance leases	\$ 241	\$ 256	\$ 865	\$ 907
Right-of-use assets obtained in exchange for lease obligations				
Operating leases	\$ —	\$ —	\$ 2,893	\$ 6
Finance leases	\$ —	\$ —	\$ —	\$ 745

SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

	September 30, 2021	December 31, 2020
<b>Lease Term and Discount Rate</b>		
Weighted average remaining lease term		
Operating leases	7.8 years	8.5 years
Finance leases	1.5 years	1.6 years
Weighted average discount rate		
Operating leases	7.8 %	7.9 %
Finance leases	6.3 %	7.2 %
	Operating Leases	Finance Leases
	(dollars in thousands)	
<b>Maturity of Lease Liabilities - Contractual Payments</b>		
October 1, 2021 to December 31, 2021	\$ 5,383	\$ —
2022	20,773	248
2023	20,017	—
2024	16,132	—
2025	14,329	—
Thereafter	68,042	—
<b>Total Lease Payments</b>	<b>144,676</b>	<b>248</b>
Imputed interest	(36,640)	(8)
<b>Total Lease Liabilities - Contractual Payments</b>	<b>\$ 108,036</b>	<b>\$ 240</b>
	Operating Leases	
	(dollars in thousands)	
<b>Sublease Rent - Contractual Payments</b>		
October 1, 2021 to December 31, 2021		\$ 402
2022		2,086
2023		3,177
2024		1,920
2025		1,920
Thereafter		8,040
<b>Total Sublease Rent - Contractual Payments</b>		<b>\$ 17,545</b>

SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

7. DEBT OBLIGATIONS AND WARRANTS

	2020 Term Loan	CLO Investments Loans	Total
	(dollars in thousands)		
<b>Maturity of Debt Obligations</b>			
October 1, 2021 to December 31, 2021	\$ —	\$ —	\$ —
2022	—	—	—
2023	—	—	—
2024	—	—	—
2025	—	—	—
2026	—	—	—
Thereafter	95,000	39,035	134,035
<b>Total Payments</b>	<b>95,000</b>	<b>39,035</b>	<b>134,035</b>
Unamortized discounts & deferred financing costs	(13,637)	(231)	(13,868)
<b>Total Debt Obligations</b>	<b>\$ 81,363</b>	<b>\$ 38,804</b>	<b>\$ 120,167</b>

**2020 Credit Agreement**

On September 25, 2020, Sculptor Capital LP, as borrower, (the “Borrower”), and certain other subsidiaries of the Company, as guarantors, entered into a credit and guaranty agreement (the “2020 Credit Agreement”), consisting of (i) a senior secured term loan facility in an initial aggregate principal amount of \$320.0 million (the “2020 Term Loan”) and (ii) a senior secured revolving credit facility in an initial aggregate principal amount of \$25.0 million (the “2020 Revolving Credit Facility”). The proceeds from the 2020 Term Loan were first allocated to the full fair value of the warrants issued in connection with the 2020 Credit Agreement (which establishes both a liability and a debt discount, as described below), and the residual proceeds, net of deferred offering costs and discounts, of \$275.8 million was then recognized as the initial carrying value of the 2020 Term Loan.

Certain prepayments of the 2020 Term Loan are subject to a prepayment premium (the “Call Premium”) equal to (a) prior to the second anniversary of the Closing Date, a customary “make-whole” premium equal to the present value of all required interest payments that would be due from the date of prepayment through and including the second anniversary of the Closing Date plus a premium of 3.0% of the principal amount of loans prepaid, (b) on or after the second anniversary of the Closing Date but prior to the third anniversary of the Closing Date, a premium of 3.0% of the principal amount of loans prepaid, (c) on or after the third anniversary of the Closing Date but prior to the four anniversary of the Closing Date, a premium of 2.0% of the principal amount of loans prepaid and (d) thereafter, 0%. On June 21, 2021, the Company entered into a letter agreement amending the 2020 Credit Agreement to increase the amount of voluntary prepayments for which the Call Premium shall not apply from \$175.0 million to \$225.0 million in exchange for an amendment fee of \$1.75 million. As such, no Call Premium was due on the first \$225.0 million prepaid by the Company. The amendment fee was recorded as an additional discount to the 2020 Term Loan in the second quarter of 2021. In the nine months ended September 30, 2021, the Company prepaid \$224.4 million of the 2020 Term Loan, resulting in an outstanding balance of \$95.0 million, which is due at maturity. The Company recognized a \$30.2 million loss on this retirement of debt. As a result of the \$175.0 million of aggregate prepayments made through March 31, 2021, the Company is no longer subject to the cash sweep or financial maintenance covenants, other than the covenant requiring \$20.0 billion minimum fee-paying assets under management described below.

The 2020 Term Loan and the 2020 Revolving Credit Facility mature on the seventh and sixth anniversary, respectively, of the initial funding of the 2020 Term Loan, which occurred on November 13, 2020 (the “Closing Date”). Proceeds from the

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

2020 Term Loan, together with cash on hand, were used to repay the Debt Securities and the 2018 Term Loan, as defined in Note 8 to our consolidated financial statements in our Annual Report, as well as to redeem the 2019 Preferred Units in full.

Borrowings under the 2020 Credit Agreement bear interest at a per annum rate equal to, at the Company's option, one, two, three or six-month LIBOR (subject to a 0.75% floor) plus 6.25%, or a base rate (subject to a 1.75% floor) plus 5.25%. The Borrower is also required to pay an undrawn commitment fee at a rate per annum equal to 0.50% of the undrawn portion of the 2020 Revolving Credit Facility.

The 2020 Credit Agreement prohibits the total fee-paying assets under management, subject to certain exclusions, of the Borrower, the guarantors and their consolidated subsidiaries as of the last day of any fiscal quarter to be less than \$20.0 billion. The 2020 Credit Agreement contains customary events of default for a transaction of this type, after which obligations under the 2020 Credit Agreement may be declared immediately due and payable and sets forth certain types of bankruptcy or insolvency events of default involving the Borrower, the guarantors or any of the material subsidiaries of the foregoing after which the obligations under the 2020 Credit Agreement become automatically due and payable. The 2020 Credit Agreement also provided the counterparty a seat on the Company's Board of Directors.

***Warrants***

In connection with the 2020 Credit Agreement, the Company has issued and outstanding warrants to purchase 4,338,015 Class A Shares. The warrants have a 10-year term from the Closing Date and an initial exercise price per share equal to \$11.93. The exercise price is subject to reduction by an amount equal to any dividends paid on Class A Shares. As a result, the exercise price was \$8.74 per share as of September 30, 2021. The warrants provide for customary adjustments in the event of a stock split, stock dividend, recapitalization or similar event. In lieu of making a cash payment otherwise contemplated upon exercise, the holder may exercise the warrants in whole or in part to receive a net number of Class A Shares. In addition, one of the warrants provides that, upon exercise in whole or in part by the holder, the Company may decide in its sole discretion whether the holder's exercise of such warrant will be settled by delivery of Class A Shares (which shares may be reduced to a net number of Class A Shares in accordance with the procedure described in the preceding sentence) or by the Company's payment to the holder of an amount in cash equal to the Black-Scholes value as provided for in the applicable warrant agreement. If the Company undergoes a change of control prior to the expiration date, the holder will have the right to require the Company to repurchase any remaining portion of the warrants not yet exercised at their Black-Scholes value as provided for in the applicable agreement. The warrants restrict transfers and other dispositions for 18 months from the Closing Date, subject to certain exceptions.

***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 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. In addition to customary events of default included in financing arrangements of this type, an event of default would also be triggered if there is an event of default at the CLO level. Prior to the relevant CLO's maturity date, this would include certain material covenant breaches, regulatory and insolvency events for the relevant CLO issuer, as well as a payment default, where the relevant CLO is unable to make interest payments on the senior, non-deferrable interest notes issued by the CLO. 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 \$43.3 million and \$66.5 million as of September 30, 2021 and December 31, 2020, respectively.

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

Carrying amounts presented in the table below are net of discounts, if any, and unamortized deferred financing costs. The interest rates on the CLO Investments Loans are variable based on LIBOR or EURIBOR (subject to a floor of zero percent). 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.

Initial Borrowing Date	Contractual Rate	Final Maturity Date	Carrying Value	
			September 30, 2021	December 31, 2020
(dollars in thousands)				
June 7, 2017	LIBOR plus 1.48%	November 16, 2029	\$ 17,216	\$ 17,200
August 2, 2017	LIBOR plus 1.41%	January 21, 2030	21,588	21,584
September 14, 2017	EURIBOR plus 2.21%	September 14, 2024	—	19,868
February 27, 2020	EURIBOR plus 0.80%	January 11, 2022	—	505
			<b>\$ 38,804</b>	<b>\$ 59,157</b>

**8. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE**

The Company has a €200.0 million master credit facility agreement (the “CLO Financing Facility”) to finance portions of the risk retention investments in certain 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 September 30, 2021, €61.4 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. In addition to customary events of default included in financing arrangements of this type, an event of default would also be triggered if there is an event of default at the CLO level. Prior to the relevant CLO’s maturity date, this would include certain material covenant breaches, regulatory and insolvency events for the relevant CLO issuer, as well as a payment default where the relevant CLO is unable to make interest payments on the senior, non-deferrable interest notes issued by the CLO. 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.

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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 September 30, 2021	\$ 159,218	\$ —	\$ 159,218	\$ 159,218	\$ —
As of December 31, 2020	\$ 122,638	\$ —	\$ 122,638	\$ 122,638	\$ —

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:

Securities Sold under Agreements to Repurchase	Investments in CLOs				Total
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater Than 90 Days	
(dollars in thousands)					
As of September 30, 2021	\$ —	\$ —	\$ —	\$ 159,218	\$ 159,218
As of December 31, 2020	\$ —	\$ —	\$ —	\$ 122,638	\$ 122,638

**9. OTHER ASSETS, NET**

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

	September 30, 2021	December 31, 2020
(dollars in thousands)		
<i>Fixed Assets:</i>		
Leasehold improvements	\$ 48,518	\$ 52,801
Computer hardware and software	54,854	50,085
Furniture, fixtures and equipment	8,279	8,411
Accumulated depreciation and amortization	(82,886)	(80,833)
Fixed assets, net	28,765	30,464
Goodwill	22,691	22,691
Prepaid expenses	12,477	19,229
Other	7,701	10,116
<b>Total Other Assets, Net</b>	<b>\$ 71,634</b>	<b>\$ 82,500</b>

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**10. OTHER LIABILITIES**

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

	September 30, 2021	December 31, 2020
	(dollars in thousands)	
Accrued expenses	\$ 16,144	\$ 16,904
Uncertain tax positions	8,250	8,250
Due to funds <sup>(1)</sup>	2,768	11,933
Unused trade commissions	2,160	3,494
Other	5,458	10,864
<b>Total Other Liabilities</b>	<b>\$ 34,780</b>	<b>\$ 51,445</b>

(1) To the extent that a fee-paying fund is an investor in another fee-paying fund, the Company rebates a corresponding portion of the management fees charged in the investee fund. Due to funds amounts also reflect certain incentive income and management fee waivers.

**11. REVENUES**

The following table presents management fees and incentive income recognized as revenues for the three months ended September 30, 2021 and 2020:

	Three Months Ended September 30,			
	2021		2020	
	Management Fees	Incentive Income	Management Fees	Incentive Income
	(dollars in thousands)			
Multi-strategy funds	\$ 39,585	\$ 16,394	\$ 33,239	\$ 22,013
Credit				
Opportunistic credit funds	13,141	9,779	12,512	16,585
Institutional Credit Strategies	14,856	—	13,302	—
Real estate funds	9,238	858	9,000	2,927
<b>Total</b>	<b>\$ 76,820</b>	<b>\$ 27,031</b>	<b>\$ 68,053</b>	<b>\$ 41,525</b>

The following table presents management fees and incentive income recognized as revenues for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30,			
	2021		2020	
	Management Fees	Incentive Income	Management Fees	Incentive Income
	(dollars in thousands)			
Multi-strategy funds	\$ 114,185	\$ 97,507	\$ 94,826	\$ 58,377
Credit				
Opportunistic credit funds	39,065	22,038	33,308	24,005
Institutional Credit Strategies	46,360	—	36,653	—
Real estate funds	27,781	14,834	30,594	6,703
Other	—	—	8	—
<b>Total</b>	<b>\$ 227,391</b>	<b>\$ 134,379</b>	<b>\$ 195,389</b>	<b>\$ 89,085</b>

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

The following table presents the composition of the Company's income and fees receivable as of September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
	(dollars in thousands)	
Management fees	\$ 26,354	\$ 25,937
Incentive income	19,522	513,686
<b>Income and Fees Receivable</b>	<b>\$ 45,876</b>	<b>\$ 539,623</b>

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 Company's unearned income and fees as of September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
	(dollars in thousands)	
Management fees	\$ 737	\$ 78
Incentive income	69,305	61,802
<b>Unearned Income and Fees</b>	<b>\$ 70,042</b>	<b>\$ 61,880</b>

A liability for unearned incentive income is generally recognized when the Company receives incentive income distributions from its funds, primarily its real estate funds, whereby the distributions received have not yet met the recognition threshold of being probable that a significant reversal of cumulative revenue will not occur. A liability for unearned management fees is generally recognized when management fees are paid to the Company on a quarterly basis in advance, based on the amount of assets under management at the beginning of the quarter. In the nine months ended September 30, 2021, and 2020, the Company recognized \$9.8 million and \$3.9 million, respectively, of the beginning balance of unearned incentive income for each respective year. The Company recognized all of the beginning balances of unearned management fees during the respective quarter.

## 12. 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. Accordingly, the effective tax rate for interim periods is not indicative of the tax rate expected for a full year.

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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 September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
Statutory U.S. federal income tax rate	21.00	%	21.00	%	21.00	%	21.00	%
Loss (income) passed through to noncontrolling interests	145.73	%	-0.39	%	-71.48	%	-1.38	%
Foreign income taxes	81.04	%	4.57	%	-114.01	%	-2.03	%
RSU excess income tax benefit or expense	8.39	%	2.29	%	-20.58	%	-0.44	%
State and local income taxes	81.03	%	5.44	%	-53.09	%	3.47	%
Nondeductible amortization of Partner Equity Units	31.04	%	5.66	%	-54.32	%	-4.36	%
Nondeductible interest expense	—	%	0.85	%	—	%	-0.74	%
Foreign tax credits and deductions	-17.02	%	-1.94	%	23.94	%	0.38	%
Change in fair value of warrants	88.53	%	—	%	-269.42	%	—	%
Disallowed executive compensation	16.44	%	3.70	%	-15.19	%	-0.74	%
Other, net	-7.61	%	-2.18	%	-0.60	%	-0.36	%
<b>Effective Income Tax Rate</b>	<b>448.57</b>	<b>%</b>	<b>39.00</b>	<b>%</b>	<b>-553.75</b>	<b>%</b>	<b>14.80</b>	<b>%</b>

The Company recognizes tax benefits for amounts that are “more likely than not” to be sustained upon examination by tax authorities. For uncertain tax positions in which the benefit to be realized does not meet the “more likely than not” threshold, the Company establishes a liability, which is included within other liabilities in the consolidated balance sheets. As of September 30, 2021 and December 31, 2020, the Company had a liability for unrecognized tax benefits of \$8.3 million. As of and for the nine months ended September 30, 2021, the Company did not accrue interest or penalties related to uncertain tax positions. As of September 30, 2021, 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 if recognized, would affect its tax expense by \$4.8 million as of September 30, 2021.

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**13. GENERAL, ADMINISTRATIVE AND OTHER**

The following table presents the components of general, administrative and other expenses as reported in the consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
Occupancy and equipment	\$ 9,627	\$ 7,549	\$ 24,970	\$ 22,685
Information processing and communications	6,033	5,223	16,890	15,881
Recurring placement and related service fees	4,696	4,057	14,290	14,229
Professional services	4,487	3,836	12,176	18,781
Impairment of right-of-use asset <sup>1</sup>	11,240	—	11,240	—
Insurance	2,281	2,118	6,773	6,374
Business development	281	237	591	1,600
Other expenses	1,027	1,405	5,140	5,296
	39,672	24,425	92,070	84,846
Legal provisions	—	2,040	—	118,940
<b>Total General, Administrative and Other</b>	<b>\$ 39,672</b>	<b>\$ 26,465</b>	<b>\$ 92,070</b>	<b>\$ 203,786</b>

(1) See Note 6 for additional details on impairment of right-of-use asset.

**14. (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 September 30, 2021 and 2020, the Company included 130,528 and 297,927 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 nine months ended September 30, 2021 and 2020, the Company included 176,516 and 473,070 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 outstanding warrants and unvested RSUs. At the Sculptor Operating Group Level, the Company applies the if-converted method to vested Group A Units and vested Group E Units. For unvested Group A Units and unvested Group E Units, the Company applies the treasury stock method first to determine the number of incremental units that would be issuable and then applies the if-converted method to those resulting incremental units. The Company did not include the Group P Units or unvested PSUs in the calculation of dilutive (loss) earnings per Class A Share, as the applicable market performance conditions had not yet been met as of the end of each reporting period presented below. Certain PSUs vested in the second quarter of 2021 at which time they were converted into Class A Shares. The effect of dilutive securities on net (loss) income attributable to Class A Shareholders is presented net of tax.

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

SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

Three Months Ended September 30, 2021	Net Loss Attributable to Class A Shareholders	Weighted- Average Class A Shares Outstanding	Loss Per Class A Share	Number of Antidilutive Units and Warrants Excluded from Diluted Calculation
	(dollars in thousands, except per share amounts)			
Basic	\$ (4,338)	25,334,903	\$ (0.17)	
<i>Effect of dilutive securities:</i>				
Group A Units	—	—		16,019,506
Group E Units	—	—		13,009,152
RSUs	—	—		3,289,109
Warrants	—	—		4,338,015
Diluted	\$ (4,338)	25,334,903	\$ (0.17)	
Three Months Ended September 30, 2020	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	\$ 8,017	22,729,285	\$ 0.35	
<i>Effect of dilutive securities:</i>				
Group A Units	4,264	16,019,506		—
Group E Units	—	10,988,269		—
RSUs	—	—		4,110,587
Diluted	\$ 12,281	49,737,060	\$ 0.25	
Nine Months Ended September 30, 2021	Net Loss Attributable to Class A Shareholders	Weighted- Average Class A Shares Outstanding	Loss Per Class A Share	Number of Antidilutive Units and Warrants Excluded from Diluted Calculation
	(dollars in thousands, except per share amounts)			
Basic	\$ (2,817)	24,743,527	\$ (0.11)	
<i>Effect of dilutive securities:</i>				
Group A Units	(17,720)	16,019,506		—
Group E Units	—	—		13,010,373
RSUs	—	—		3,463,072
Warrants	—	—		4,338,015
Diluted	\$ (20,537)	40,763,033	\$ (0.50)	

SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

Nine Months Ended September 30, 2020	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	\$ (45,489)	22,542,047	\$ (2.02)	
<i>Effect of dilutive securities:</i>				
Group A Units	(59,134)	16,017,916		—
Group E Units	—	—		13,386,679
RSUs	—	—		4,186,109
Diluted	\$ (104,623)	38,559,963	\$ (2.71)	

**15. 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.

**Certain Amounts Related to Tax Receivable Agreement Liability**

Amounts due to related parties relate primarily to future payments owed to certain former executive managing directors under the tax receivable agreement, as discussed further in Note 16. The tax receivable agreement liability was \$183.1 million as of September 30, 2021, and \$88.3 million of the balance was due to related parties. The Company made payments totaling \$7.2 million, and \$18.2 million under the tax receivable agreement (inclusive of interest thereon) in the nine months ended September 30, 2021 and 2020, respectively, of which \$3.9 million and \$10.0 million were paid to related parties. No payments were made in the three months ended September 30, 2021 and 2020, respectively.

**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.

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

As of September 30, 2021 and 2020, respectively, approximately \$938.9 million and \$957.1 million of the Company's assets under management represented investments by the Company, its executive managing directors, employees and certain other related parties in the Company's funds. As of September 30, 2021 and 2020, approximately 54% and 48%, respectively, of these assets under management were not charged management fees or incentive income. The following table presents management fees and incentive income charged on investments held by the Company's executive managing directors, employees and certain other related parties:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
<i>Fees charged on investments held by related parties:</i>				
Management fees	\$ 869	\$ 982	\$ 2,696	\$ 2,881
Incentive income	\$ 154	\$ 257	\$ 2,307	\$ 688

**Commitment to Purchase Interest in BharCap Sponsor LLC.**

In March 2021, the Company committed to acquire a non-controlling membership interest of BharCap Sponsor LLC, an entity managed by a member of the Company's board of directors, in the amount of \$3.0 million and as of September 30, 2021, has funded \$210 thousand of the commitment. In connection with the anticipated initial public offering of BharCap Acquisition Corp., a newly organized blank check company, BharCap Sponsor LLC purchased shares of BharCap Acquisition Corp.'s Class B common stock and has committed to purchase warrants in a private placement that will close simultaneously with the closing of the initial public offering of BharCap Acquisition Corp.

**16. COMMITMENTS AND CONTINGENCIES**

**Tax Receivable Agreement**

The purchase of Group A Units from current and former executive managing directors and the Ziffs with the proceeds from the 2007 Offerings, and subsequent taxable exchanges by them of Partner Equity Units for Class A Shares on a one-for-one basis (or, at the Company's option, a cash equivalent), resulted, and, in the case of future exchanges, are anticipated to result, in an increase in the tax basis of the assets of the Sculptor 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 Sculptor 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 Sculptor 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 Sculptor Capital Management, Inc. once it became treated as a corporate taxpayer following the Company's conversion from a partnership to a corporation for U.S. federal income tax purposes, effective April 1, 2019 (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 U.S. 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.

In connection with the Recapitalization, the Company amended the tax receivable agreement to provide that, conditioned on Sculptor Capital Management, 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 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%.

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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 Sculptor 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 U.S. 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 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 the tax receivable agreement liability 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 operations.

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 Sculptor Corp will have sufficient taxable income in the relevant tax years to utilize the tax benefits that would give rise to an obligation to make payments. The actual timing and amount of any actual payments under the tax receivable agreement will vary based upon these and a number of other factors. As of September 30, 2021, the estimated future payment under the tax receivable agreement was \$183.1 million, which is recorded in the tax receivable agreement liability balance on the consolidated balance sheets.

The table below presents management's estimate as of September 30, 2021, 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.

	<b>Potential Payments Under Tax Receivable Agreement</b>	
	<b>(dollars in thousands)</b>	
October 1, 2021 to December 31, 2021	\$	20,035
2022		15,903
2023		27,821
2024		21,954
2025		26,098
2026		31,729
Thereafter		39,552
<b>Total Payments</b>	<b>\$</b>	<b>183,092</b>

**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), on November 4, 2020, the U.S. District Court for the Eastern District of New York (the "Court") ordered restitution consistent with the terms of the settlement

**SCULPTOR CAPITAL MANAGEMENT, INC. — UNAUDITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

agreement between Oz Africa Management GP, LLC (“Oz Africa”) and certain former shareholders of Africo Resources Ltd. (the “Claimants”), and imposed a sentence otherwise consistent with the Plea Agreement, dated September 29, 2016, between Oz Africa and the Department of Justice (the “DOJ”) and U.S. Attorney’s Office for the Eastern District of New York (the “USAO”). Per the Court’s sentence and the settlement agreement, Oz Africa paid approximately \$138.0 million to former shareholders of Africo Resources Ltd. Additionally, the Deferred Prosecution Agreement (the “DPA”) between the Company, the DOJ and the USAO was terminated shortly thereafter.

With completion of the foregoing events, the Company has put all legal issues stemming from legacy dealings in Africa behind it.

**Investment Commitments**

The Company has unfunded capital commitments of \$70.7 million to certain funds it manages. Approximately \$48.6 million of these commitments will be funded by contributions to the Company from certain employees and executive managing directors. The Company expects to fund these commitments over the approximately next seven years. In addition, certain current and former executive managing directors of the Company, collectively, have unfunded capital commitments to funds managed by the Company of up to \$32.2 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.

In addition, in March 2021, the Company committed to acquire a non-controlling membership interest of BharCap Sponsor LLC., see Note 15 for additional details.

**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.

Additionally, the Company has agreements with certain of the funds it manages to reimburse certain expenses in excess of an agreed-upon cap. During the three and nine months ended September 30, 2021 and 2020 these amounts were not material.

**17. SUBSEQUENT EVENTS**

**Dividend**

On November 3, 2021, the Company announced a cash dividend of \$0.28 per Class A Share. The dividend is payable on November 22, 2021, to holders of record as of the close of business on November 15, 2021.

**Exchange of Group A Units for Class A Shares and Cash**

On November 3, 2021 the Sculptor Operating Partnerships and Sculptor Corp exchanged 993,512 Group A Units held by certain former executive managing directors for a combination of \$11.1 million cash and 317,926 Class A shares, equating to an execution price of \$19.68 per Group A Unit. In addition, 534,969 Group A-1 Units held by such former executive managing directors were cancelled. The agreement to exchange such Group A Units was entered into on November 1, 2021 and was completed on November 3, 2021. The Class A Shares were issued in a transaction exempt from the registration requirement of the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof and Regulation D thereunder to accredited investors (as such term is defined in Regulation D).

## 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 the heading "Forward-Looking Statements" in this report, and under the heading "Item 1A. Risk Factors" in this quarterly report and in our Annual Report, 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

#### COVID-19 Pandemic

In 2020, the COVID-19 pandemic spread across the world, resulting in a wide-spread economic downturn. We successfully executed our business continuity plan and continued operations with no material interruptions by implementing a work from home model necessary to protect the health and well-being of our employees and in response to mandated precautions, where applicable. We also reached out to our critical vendors to ensure that they are well positioned to operate during the pandemic. We rely significantly on the effectiveness of our information technology infrastructure to continue our operations and to continue to maintain appropriate controls over operations, treasury function, accounting and financial reporting.

Due to the uncertainty over the timing and extent of any possible global economic recovery, we cannot readily estimate or determine the effects that the ongoing COVID-19 pandemic will ultimately have on our future business and financial results, as well as on our liquidity and capital resources. Please see the COVID-19 commentary included throughout this MD&A, including "—Liquidity and Capital Resources," "Part I—Item 1A. Risk Factors" and Note 1 to our consolidated financial statements included in our Annual Report for additional information.

#### 2020 Credit Agreement

On September 25, 2020, we entered into a new financing facility, the 2020 Credit Agreement, consisting of (i) a senior secured term loan facility in an initial aggregate principal amount of \$320.0 million (the "2020 Term Loan") and (ii) a senior secured revolving credit facility in an initial aggregate principal amount of \$25.0 million (the "2020 Revolving Credit Facility"). Upon the closing of the 2020 Credit Agreement in the fourth quarter of 2020, we used the proceeds from the 2020 Term Loan to repay in full our existing 2018 Term Loan and Debt Securities, as well as to redeem the 2019 Preferred Units in full, which allowed us to capture \$62.3 million of negotiated discounts available under the Debt Securities and the 2019 Preferred Units. In connection with the 2020 Credit Agreement, we issued warrants to purchase approximately 4.3 million Class A Shares and provided the counterparty a seat on our Board of Directors. Through September 30, 2021, we voluntarily prepaid an aggregate of \$225.0 million of the 2020 Term Loan, leaving a balance of \$95.0 million, which is due at maturity. As a result of the prepayments, we are no longer subject to the cash sweep or financial maintenance covenants other than the \$20.0 billion minimum fee-paying assets under management covenant. The 2020 Revolving Credit Facility remains undrawn and available for working capital and general corporate purposes. Please see "—Liquidity and Capital Resources" for additional information.

#### Overview of Our Financial Results

We reported a GAAP net loss attributable to Class A Shareholders of \$4.3 million in the third quarter of 2021, compared to net income of \$8.0 million for the third quarter of 2020, and GAAP net loss of \$2.8 million in the first nine months of 2021, compared to a net loss of \$45.5 million in the first nine months of 2020.

The increase in net loss attributable to Class A Shareholders for the third quarter of 2021 was primarily due to lower incentive income, higher general, administrative and other expenses which included a right-of-use asset impairment loss and write-off of associated fixed assets and leasehold improvements, change in the fair value of warrant liabilities, and lower gains on investments, partially offset by lower compensation and benefits expenses, higher management fees, and lower interest expense.

The decrease in net loss attributable to Class A Shareholders for the first nine months of 2021 was primarily due to legal provisions incurred in 2020, higher revenues, net gains on investments, lower salary and benefits expenses, lower professional services expenses, and lower equity-based compensation, partially offset by change in the fair value of warrant liabilities, higher income tax expense, losses on early retirement of debt, and higher bonus expense. Please see “—Results of Operations” for detailed discussion of the drivers of our results.

Economic Income was \$44.0 million for the third quarter of 2021, compared to \$42.4 million for the third quarter of 2020. This increase was primarily due to higher management fees and lower compensation and benefits expenses, partially offset by lower incentive income.

Economic Income was \$160.1 million in the first nine months of 2021, compared to a loss of \$39.5 million in the first nine months of 2020. This increase was primarily due to legal provisions incurred in 2020, higher incentive income and management fees, lower salaries and benefits expense, and lower professional services expenses, partially offset by 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 \$37.5 billion as of September 30, 2021. Longer-dated assets under management, which are those subject to initial commitment periods of three years or longer, were \$24.9 billion, comprising 66% of our total assets under management as of September 30, 2021. This amount excludes assets under management that had initial commitment periods of three years or longer and subsequently moved to shorter commitment periods at the end of their initial commitment period.

Assets under management in our multi-strategy funds totaled \$11.5 billion as of September 30, 2021, increasing \$1.5 billion, or 15%, year-over-year. This change was primarily driven by performance-related appreciation of \$1.4 billion.

Sculptor Master Fund generated a gross return of 10.5% and a net return of 7.4% year-to-date through September 30, 2021. The fund profited predominately from positions within corporate credit, structured credit, and convertible and derivative arbitrage. Please see “—Assets Under Management and Fund Performance—Multi-Strategy Funds” for additional information regarding the returns of the Sculptor Master Fund.

Assets under management in our dedicated credit products totaled \$21.7 billion as of September 30, 2021, increasing \$337.7 million, or 2%, year-over-year. Assets under management in our opportunistic credit funds totaled \$6.5 billion as of September 30, 2021, increasing \$491.7 million, or 8%, year-over-year. This was driven by \$1.1 billion of performance-related appreciation, partially offset by \$579.5 million of net outflows, and \$21.4 million of distributions in our closed-end opportunistic credit funds.

Sculptor Credit Opportunities Master Fund, our global opportunistic credit fund, generated a gross return of 18.3% and a net return of 14.4% year-to-date through September 30, 2021. The fund continued to see contributions to performance from exposure added in the depths of the dislocation. Corporate credit led performance from additional positive developments across a variety of our largest process driven investments in both the U.S. and Europe. The portfolio benefited from the successful progression of a number of long-term restructurings where we had added to our exposure over the past year at and near pricing lows.

Assets under management in Institutional Credit Strategies totaled \$15.1 billion as of September 30, 2021, decreasing \$154.0 million, or 1%, year-over-year. This was driven primarily by the wind down and redemption of certain of our CLOs, and changes in underlying collateral value and distributions, partially offset by the launch of four CLOs.

Assets under management in our real estate funds totaled \$4.3 billion as of September 30, 2021, decreasing \$366.1 million, or 8%, year-over-year primarily due to \$936.3 million of distributions and other reductions, primarily related to Sculptor Real Estate Credit Fund I and Sculptor Real Estate Fund III, as both of these funds' respective investment periods have expired.

This was partially offset by \$563.5 million of net inflows driven by the launch of several Sculptor Real Estate Fund IV co-investment vehicles and additional capital called into Sculptor Real Estate Credit Fund I. Since inception through September 30, 2021, the gross internal rate of return (“IRR”) was 28.0% and 18.6% net for Sculptor Real Estate Fund III (for which the investment period ended in September 2019). Since inception through September 30, 2021, the gross IRR was 17.8% and 12.3% net for Sculptor Real Estate Credit Fund I.

#### **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 multi-strategy and certain open-end opportunistic credit funds on a monthly basis on the first day of each month. Investors in these 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 four 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. 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, securitization vehicles, 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 securitization vehicles). 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.

Information with respect to our assets under management throughout this report, including the tables set forth below, includes investments by us, our executive managing directors, employees and certain other related parties. As of September 30, 2021, 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 54% 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.

**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 September 30, 2021					September 30, 2021
	June 30, 2021	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	Other <sup>(1)</sup>	
	(dollars in thousands)					
Multi-strategy funds	\$ 11,305,792	\$ (42,392)	\$ —	\$ 193,142	\$ —	\$ 11,456,542
Credit						
Opportunistic credit funds	6,467,414	(66,337)	(6,639)	138,453	—	6,532,891
Institutional Credit Strategies	15,654,998	445,433	(825,308)	163	(138,311)	15,136,975
Real estate funds	4,375,845	78,285	(118,247)	(3,833)	—	4,332,050
<b>Total</b>	<b>\$ 37,804,049</b>	<b>\$ 414,989</b>	<b>\$ (950,194)</b>	<b>\$ 327,925</b>	<b>\$ (138,311)</b>	<b>\$ 37,458,458</b>

	Three Months Ended September 30, 2020					September 30, 2020
	June 30, 2020	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	Other <sup>(1)</sup>	
	(dollars in thousands)					
Multi-strategy funds	\$ 9,401,759	\$ (54,445)	\$ —	\$ 605,980	\$ —	\$ 9,953,294
Credit						
Opportunistic credit funds	5,880,126	93,403	(177,918)	245,548	—	6,041,159
Institutional Credit Strategies	15,399,296	33	(194,562)	531	85,669	15,290,967
Real estate funds	4,736,544	669	(44,818)	5,770	—	4,698,165
Other	770	—	(770)	—	—	—
<b>Total</b>	<b>\$ 35,418,495</b>	<b>\$ 39,660</b>	<b>\$ (418,068)</b>	<b>\$ 857,829</b>	<b>\$ 85,669</b>	<b>\$ 35,983,585</b>

	Nine Months Ended September 30, 2021					September 30, 2021
	December 31, 2020	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	Other <sup>(1)</sup>	
	(dollars in thousands)					
Multi-strategy funds	\$ 10,504,024	\$ 155,000	\$ (759)	\$ 798,277	\$ —	\$ 11,456,542
Credit						
Opportunistic credit funds	6,287,777	(490,748)	(17,600)	753,462	—	6,532,891
Institutional Credit Strategies	15,697,827	1,480,827	(1,593,850)	580	(448,409)	15,136,975
Real estate funds	4,308,648	456,705	(431,070)	(2,233)	—	4,332,050
<b>Total</b>	<b>\$ 36,798,276</b>	<b>\$ 1,601,784</b>	<b>\$ (2,043,279)</b>	<b>\$ 1,550,086</b>	<b>\$ (448,409)</b>	<b>\$ 37,458,458</b>

	Nine Months Ended September 30, 2020					September 30, 2020
	December 31, 2019	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	Other <sup>(1)</sup>	
	(dollars in thousands)					
Multi-strategy funds	\$ 9,332,118	\$ (372,659)	\$ (17,819)	\$ 1,011,654	\$ —	\$ 9,953,294
Credit						
Opportunistic credit funds	6,025,306	286,165	(177,933)	(92,379)	—	6,041,159
Institutional Credit Strategies	15,710,319	406,755	(813,438)	224	(12,893)	15,290,967
Real estate funds	3,393,876	1,422,774	(114,087)	(4,398)	—	4,698,165
Other	8,311	20	(8,331)	—	—	—
<b>Total</b>	<b>\$ 34,469,930</b>	<b>\$ 1,743,055</b>	<b>\$ (1,131,608)</b>	<b>\$ 915,101</b>	<b>\$ (12,893)</b>	<b>\$ 35,983,585</b>

(1) 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 value for aircraft securitization vehicles.

In the nine months ended September 30, 2021, assets under management increased by \$660.2 million, driven by performance-related appreciation of \$1.6 billion, net inflows of \$1.6 billion, distributions and other reductions of \$2.0 billion, and a decrease of \$448.4 million primarily due to the effects of changes in par value of underlying collateral of the CLOs. The net inflows were comprised of (i) \$2.9 billion of gross inflows, driven by \$1.5 billion in Institutional Credit Strategies, due to the launch of additional CLOs, \$956.5 million in multi-strategy funds, primarily driven by inflows into the Sculptor Master Fund, and \$456.7 million in real estate funds, primarily due to the launch of several Sculptor Real Estate Fund IV co-investment vehicles; and (ii) \$1.3 billion of gross outflows due to redemptions, primarily in our multi-strategy and opportunistic credit funds. Distributions and other reductions of \$2.0 billion were driven primarily by \$1.6 billion of distributions from Institutional Credit Strategies as a result of the wind down and redemption of certain of our CLOs, and \$431.1 million of distributions from our real estate funds as a result of realizations in our real estate funds. In 2021, excluding securitization vehicles within Institutional Credit Strategies, our largest sources of gross inflows were from high net worth and family offices, sovereign wealth and corporates, and pensions, while pensions and fund-of-funds were the largest source of gross outflows.

As of November 1, 2021, estimated assets under management decreased to \$37.2 billion, driven by \$431.7 million of distributions and other reductions to investors in certain funds, paydowns in our CLOs and a wind down of one of our CLOs, as well as \$69.0 million of net outflows. These decreases were partially offset by \$243.9 million of performance-related appreciation.

In the nine months ended September 30, 2020, assets under management increased by \$1.5 billion. Our funds experienced performance-related appreciation of \$915.1 million and net inflows of \$1.7 billion. The net inflows were comprised of (i) \$2.8 billion of gross inflows, driven by \$1.4 billion in real estate funds, primarily due to additional closes of Sculptor Real Estate Fund IV, \$641.3 million in opportunistic credit funds, and \$436.9 million in Institutional Credit Strategies, primarily driven by a launch of an aircraft securitization vehicle; and (ii) \$1.0 billion of gross outflows due to redemptions, primarily in our multi-strategy and open-ended credit funds. Additionally, our funds experienced distributions and other reductions of \$1.1 billion, driven primarily by Institutional Credit Strategies, as there was a decrease in the number of aircraft serving as collateral in certain of our aircraft securitization vehicles for which we act as collateral manager. In 2020, excluding securitization vehicles within Institutional Credit Strategies, our largest sources of gross inflows were from corporate and other institutions, pensions, and private banks, while pensions were the largest source 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 third quarter investment performance for the periods presented, as these amounts generally do not impact management fees calculated for those periods. The average management fee rates presented below take into account the effect of non-fee paying assets under management. Our average management fee may vary from period to period based on the mix of products that comprise our assets under management. The average management fee rates below consider management fees on Economic Income basis. For reconciliations of our non-GAAP measures to the respective

GAAP measures, please see “—Economic Income Reconciliations” at the end of this MD&A.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
Weighted-average assets under management	\$ 37,428,049	\$ 35,215,556	\$ 36,712,865	\$ 34,448,513
Average management fee rates	0.76 %	0.72 %	0.77 %	0.70 %

#### **Fund Performance Information**

The tables below present performance information for the funds we manage. 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 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. Return information that includes Special Investments excludes incentive income on unrealized gains attributable to such investments, which could reduce returns at the time of realization. Special Investments and initial public offering investments are not allocated to all investors in the funds, and investors that were not allocated Special Investments and initial public offering investments may experience materially different returns.

#### **Multi-Strategy Funds**

Sculptor’s multi-strategy funds invest in high-conviction investment ideas across asset classes, regions and investment strategies. Our primary focus is on idiosyncratic opportunities where return drivers are less sensitive to market direction.

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 1.00% to 2.00% annually of assets under management. For the third quarter of 2021, our multi-strategy funds had an average management fee rate of 1.26%.

We generally crystallize incentive income from the majority of our multi-strategy funds on an annual basis. Incentive income is generally equal to 20% of the realized and unrealized profits attributable to each investor. A portion of the assets under management in each of the Sculptor 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 rate for our multi-strategy funds. Once the investment performance has exceeded the hurdle rate for these assets, we may receive a “catch-up” allocation, resulting in a

potential recognition by us of a full 20% of the net profits attributable to investors in these assets.

Fund	Assets Under Management as of September 30,		Returns for the Nine Months Ended September 30,				Annualized Returns Since Inception Through September 30, 2021	
			2021		2020		Gross	Net
	2021	2020	Gross	Net	Gross	Net		
	(dollars in thousands)							
Sculptor Master Fund <sup>(1)</sup>	\$ 10,476,043	\$ 9,136,360	10.5 %	7.4 %	16.8 %	12.4 %	16.8 % <sup>(2)</sup>	11.7 % <sup>(2)</sup>
Sculptor Enhanced Master Fund	970,031	787,563	7.6 %	5.2 %	15.7 %	11.7 %	15.0 %	10.4 %
Other funds	10,468	29,371	n/m	n/m	n/m	n/m	n/m	n/m
	<u>\$ 11,456,542</u>	<u>\$ 9,953,294</u>						

n/m not meaningful

- (1) The returns for the Sculptor Master Fund exclude Special Investments. Special Investments in the Sculptor Master Fund are held by investors representing a small percentage of assets under management in the fund. Inclusive of these Special Investments, the returns of the Sculptor Master Fund for the nine months ended September 30, 2021 were 10.9% gross and 7.9% net, for the nine months ended September 30, 2020 were 15.8% gross and 11.6% net, and annualized since inception through September 30, 2021 were 16.5% gross and 11.5% net.
- (2) The annualized returns since inception are those of the Sculptor 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, and the returns include the reinvestment of all dividends and other income. The performance calculation for the Sculptor Master Fund excludes realized and unrealized gains and losses attributable to currency hedging specific to certain investors investing in Sculptor 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 Sculptor Master Fund on January 1, 1998. The size of the accounts comprising the composite during the time period shown vary materially. Such differences impacted our investment decisions and the diversity of the investment strategies followed. Furthermore, the composition of the investment strategies we follow is subject to our discretion, has varied materially since inception and is expected to vary materially in the future. As of September 30, 2021, the annualized returns since the Sculptor Master Fund's inception on January 1, 1998 were 13.6% gross and 9.3% net excluding Special Investments and 13.3% gross and 9.1% net inclusive of Special Investments.

Assets under management in our multi-strategy funds increased \$1.5 billion, or 15%, year-over-year, primarily due to performance-related appreciation of \$1.4 billion. In 2021, the largest sources of gross inflows into our multi-strategy funds were from high net worth and family offices and sovereign wealth and corporates, while the largest sources of gross outflows were attributable to pensions and high net worth and family offices.

In the first nine months of 2021, the Sculptor Master Fund generated a gross return of 10.5% and a net return of 7.4%. The fund profited predominately from positions within corporate credit, structured credit, and convertible and derivative arbitrage.

In the first nine months of 2020, the Sculptor Master Fund generated a gross return of 16.8% and a net return of 12.4%. Our active repositioning of the portfolio and capital deployment through the depths of the COVID-19 pandemic in the second and third quarter of 2020, was instrumental in driving returns. All of Sculptor Master Fund's strategies have generated positive performance during the period.

Credit

	Assets Under Management as of September 30,	
	2021	2020
	(dollars in thousands)	
Opportunistic credit funds	\$ 6,532,891	\$ 6,041,159
Institutional Credit Strategies	15,136,975	15,290,967
	<u>\$ 21,669,866</u>	<u>\$ 21,332,126</u>

Opportunistic Credit Funds

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

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

Assets under management for our opportunistic credit funds are generally based on the net asset value of those funds plus any unfunded commitments. Management fees for our opportunistic credit funds generally range from 0.75% to 1.75% annually of the net asset value of these funds. For the third quarter of 2021, our opportunistic credit funds had an average management fee rate of 0.82%.

The table below presents assets under management and investment performance information for certain of our opportunistic credit funds. Incentive income related to these funds (excluding the closed-end opportunistic fund, which is explained further below) is generally equal to 20% of realized and unrealized profits attributable to each investor, and a portion of these assets under management is subject to hurdle rates, which are generally 5% to 8% for our open-end opportunistic credit funds. Once the cumulative investment performance has exceeded the hurdle rate, we may receive a “catch-up” allocation, resulting in a potential recognition by us of a full 20% of the net profits attributable to investors in these funds. The measurement periods for these assets under management generally range from one to five years.

Fund	Assets Under Management as of September 30,		Returns for the Nine Months Ended September 30,				Annualized Returns Since Inception Through September 30, 2021	
	2021	2020	2021		2020		Gross	Net
	(dollars in thousands)		Gross	Net	Gross	Net	Gross	Net
Sculptor Credit Opportunities Master Fund <sup>(1)</sup>	\$ 2,321,291	\$ 1,888,511	18.3 %	14.4 %	5.6 %	7.5 %	14.2 %	10.1 %
Customized Credit Focused Platform	3,878,535	3,279,505	See below for return information on our Customized Credit Focused Platform.					
Closed-end opportunistic credit funds	333,065	349,006	See below for return information on our closed-end opportunistic credit funds.					
Other funds	—	524,137	n/m	n/m	n/m	n/m	n/m	n/m
	<u>\$ 6,532,891</u>	<u>\$ 6,041,159</u>						

n/m not meaningful

- (1) The returns for the Sculptor Credit Opportunities Master Fund exclude Special Investments. Special Investments in the Sculptor Credit Opportunities Master Fund are held by investors representing a small percentage of assets under management in the fund. Inclusive of these Special Investments, the returns of the Sculptor Credit Opportunities Master Fund for the nine months ended September 30, 2021 were 18.3% gross and 14.5% net, for the nine months ended September 30, 2020 were -6.0% gross and -7.7% net, and annualized since inception through September 30, 2021 were 13.8% gross and 9.9% net.

Assets under management in our opportunistic credit funds increased by \$491.7 million, or 8%, year-over-year. This was driven primarily by \$1.1 billion of performance-related appreciation, partially offset by \$579.5 million of net outflows.

In the first nine months of 2021, the Sculptor Credit Opportunities Master Fund, our global opportunistic credit fund, generated a gross return of 18.3% and a net return of 14.4%. The fund continued to see contributions to performance from exposure added in the depths of the dislocation. Corporate credit led performance from additional positive developments across a variety of our largest process driven investments in both the U.S. and Europe. The portfolio benefited from the successful progression of a number of long-term restructurings where we had added to our exposure over the past year at and near pricing lows.

In the first nine months of 2020, the Sculptor Credit Opportunities Master Fund, our global opportunistic credit fund, generated a gross return of -5.6% and a net return of -7.5%. The negative returns were primarily driven by the corporate credit strategies, partially offset by positive performance in structured credit.

Our Customized Credit Focused Platform invests in a flexible credit mandate across the credit spectrum to allow timely investments as market conditions change and dislocate.

	Weighted Average Return for the Nine Months Ended September 30, <sup>(2)</sup>				Inception to Date as of September 30, 2021		
	2021		2020		IRR		
	Gross	Net	Gross	Net	Gross <sup>(3)</sup>	Net <sup>(4)</sup>	Net Invested Capital Multiple <sup>(5)</sup>
<b>Customized Credit Focused Platform</b>							
Opportunistic Credit Performance <sup>(1)</sup>	17.8 %	14.1 %	3.1 %	2.3 %	16.0 %	12.3 %	2.6x

- (1) Performance presented is for the opportunistic credit strategies in the Customized Credit Focused Platform. As of September 30, 2021, approximately 95% of the invested capital in the Customized Credit Focused Platform is invested in the Platform's opportunistic credit strategies.
- (2) Weighted Average Returns reflect the total profit & loss divided by the weighted average capital base for the period.
- (3) Gross IRR represents estimated, unaudited, annualized pre-tax returns based on the timing of cash inflows and outflows for each investment. It is calculated in the same manner as Net IRR, however, it does not reflect adjustments to cash flows related to incentive income, management fees and the applicable fund expenses. Gross IRR represents the estimated, unaudited, annualized pre-tax return based on the actual and/or projected timing of cash inflows from, and outflows to, investors for each investment (irrespective of any funding from a credit facility or other third-party financing source used by the Customized Credit Focused Platform). In certain cases, funding from a credit facility or other third party financing source was initially used by the Customized Credit Focused Platform to acquire an investment or pay certain expenses, which may have the effect of increasing the Gross IRR above that which would have been presented, had drawdowns from limited partners been initially used to acquire the investment or pay such expenses. Gross IRR includes the effect of investment hedges as determined by the Company. There can be no assurance that an appropriate hedge will be identified for each investment or that an appropriate hedge will be available for all investments.
- (4) Net IRR is the Gross IRR adjusted to reflect actual management fees, incentive income and expenses incurred by the Customized Credit Focused Platform.
- (5) Net Invested Capital Multiple: Given the Customized Credit Focused Platform has an active liquid investment program, a key element of which includes ramping up and ramping down depending on market conditions - much of which has recently been deployed - this is a multiple measuring the current net asset value over the net invested capital, where net invested capital represents cumulative contributions less cumulative distributions.

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 September 30,		Inception to Date as of September 30, 2021				
	2021	2020	Total Commitments	Total Invested Capital <sup>(1)</sup>	Gross IRR <sup>(2)</sup>	Net IRR <sup>(3)</sup>	Gross MOIC <sup>(4)</sup>
	(dollars in thousands)						
Sculptor European Credit Opportunities Fund (2012-2015)	\$ —	\$ —	\$ 459,600	\$ 305,487	15.7 %	11.8 %	1.5x
Sculptor Structured Products Domestic Fund II (2011-2014)	8,534	15,986	326,850	326,850	19.4 %	15.3 %	2.1x
Sculptor Structured Products Offshore Fund II (2011-2014)	8,125	14,659	304,531	304,531	16.8 %	13.1 %	1.9x
Sculptor Structured Products Offshore Fund I (2010-2013)	3,373	4,315	155,098	155,098	23.8 %	19.1 %	2.1x
Sculptor Structured Products Domestic Fund I (2010-2013)	4,184	3,957	99,986	99,986	22.6 %	18.0 %	2.0x
Other funds	308,849	310,089	309,000	140,739	n/m	n/m	n/m
	<b>\$ 333,065</b>	<b>\$ 349,006</b>	<b>\$ 1,655,065</b>	<b>\$ 1,332,691</b>			

- n/m not meaningful
- (1) Represents funded capital commitments net of recallable distributions to investors.
  - (2) Gross IRR for our closed-end opportunistic credit funds represents the estimated, unaudited, annualized return based on the timing of cash inflows and outflows for the fund as of September 30, 2021, 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, aircraft securitization vehicles, CBOs, and other customized solutions for clients.

Assets under management for Institutional Credit Strategies are generally based on the par value of the collateral and cash held for CLOs and CBO, and adjusted portfolio values for our aircraft securitization vehicles. However, assets under management are reduced for any investments in these securitization vehicles held by our other funds to avoid double counting these assets. Management fees for Institutional Credit Strategies generally range from 0.25% to 0.50% annually of assets under management. For the third quarter of 2021, Institutional Credit Strategies had an average management fee rate of 0.42% gross of rebates on cross-investments from other funds we manage (0.32% net of such rebates). These average rates exclude the net impact of deferred subordinated management fees.

Incentive income from our CLOs and CBO is generally equal to 20% of the excess cash flows due to the holders of the subordinated notes issued by the CLOs and CBO and is generally subject to a 12% hurdle rate. Because of the hurdle rate and structure of our CLOs and CBO, 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. We do not earn incentive income from our aircraft securitization

vehicles.

	Most Recent Launch or Refinancing Year	Deal Size	Assets Under Management as of September 30,	
			2021	2020
(dollars in thousands)				
Collateralized loan obligations	2017	\$ 2,269,082	\$ 1,610,120	\$ 1,643,275
	2018	6,920,173	6,106,647	6,601,668
	2019	1,115,396	463,456	1,073,495
	2020	1,868,287	1,703,807	1,433,921
	2021	4,680,601	3,964,836	3,209,415
		16,853,539	13,848,866	13,961,774
Aircraft securitization vehicles	2018	696,000	447,999	475,415
	2019	1,128,000	323,089	381,680
	2020	472,732	171,372	183,122
		2,296,732	942,460	1,040,217
Collateralized bond obligation	2019	349,550	273,987	274,632
Other funds	n/a	n/a	71,662	14,344
		<b>\$ 19,499,821</b>	<b>\$ 15,136,975</b>	<b>\$ 15,290,967</b>

Assets under management in Institutional Credit Strategies totaled \$15.1 billion as of September 30, 2021, decreasing \$154.0 million, or 1%, year-over-year. The year-over-year decrease in assets under management in Institutional Credit Strategies was driven primarily by the wind down and redemption of certain of our CLOs, and changes in underlying collateral value and distributions, partially offset by the launch of four CLOs. In 2021 we priced seven refinancing transactions in our existing CLOs extending the maturity of these transactions, but often at lower average net fees. Refinancing CLOs produces further returns for the CLO subordinated note holders.

#### Real Estate Funds

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

Assets under management for our real estate funds are generally based on the amount of capital committed by our fund investors during the investment period and the amount of actual capital invested for periods following the investment period. However, assets under management are reduced for unfunded commitments by our executive managing directors that will be funded through transfers from other funds in order to avoid double counting these assets. Management fees for our real estate funds, exclusive of co-investment vehicles, generally range from 0.50% to 1.50% annually of assets under management, however, management fees for Sculptor Real Estate Credit Fund I are based on invested capital both during and after the investment period. For the third quarter of 2021, our real estate funds, inclusive of co-investment vehicles, had an average management fee rate of 0.79%.

The tables below present assets under management, investment performance and other information for our real estate funds. The amounts included within "other funds" below mainly relate to co-investment vehicles. 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 preferential 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.

For funds that have concluded their investment periods, we expect assets under management 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 September 30,	
	2021	2020
	(dollars in thousands)	
Sculptor Real Estate Fund II (2011-2014)	\$ 26,148	\$ 60,550
Sculptor Real Estate Fund III (2014-2019)	332,515	474,133
Sculptor Real Estate Fund IV (2019-2023)	2,593,280	2,593,233
Sculptor Real Estate Credit Fund I (2015-2020)	354,588	730,931
Co-investment and other funds	1,025,519	839,318
	<u>\$ 4,332,050</u>	<u>\$ 4,698,165</u>

Fund	Inception to Date as of September 30, 2021						Realized/Partially Realized Investments <sup>(1)</sup>			
	Total Investments						Total Value			
	Total Commitments	Invested Capital <sup>(2)</sup>	Total Value <sup>(3)</sup>	Gross IRR <sup>(4)</sup>	Net IRR <sup>(4)</sup>	Gross MOIC <sup>(4)</sup>	Invested Capital	Total Value	Gross IRR <sup>(4)</sup>	Gross MOIC <sup>(4)</sup>
	(dollars in thousands)									
Sculptor Real Estate Fund I	\$ 408,081	\$ 386,298	\$ 847,612	25.5 %	16.1 %	2.2x	\$ 386,298	\$ 847,612	25.5 %	2.2x
Sculptor Real Estate Fund II	839,508	762,588	1,585,106	32.8 %	21.6 %	2.1x	762,588	1,585,106	32.8 %	2.1x
Sculptor Real Estate Fund III	1,500,000	1,101,784	1,898,503	28.0 %	18.6 %	1.7x	889,483	1,619,875	32.1 %	1.8x
Sculptor Real Estate Fund IV <sup>(7)</sup>	2,596,024	382,017	541,207	n/m	n/m	n/m	161,730	268,404	n/m	n/m
Sculptor Real Estate Credit Fund I	736,225	624,633	755,111	17.8 %	12.3 %	1.2x	274,660	364,726	20.6 %	1.3x
Co-investment and other funds	1,334,402	914,128	1,119,844	n/m	n/m	n/m	188,232	333,798	n/m	n/m
	<u>\$ 7,414,240</u>	<u>\$ 4,171,448</u>	<u>\$ 6,747,383</u>				<u>\$ 2,662,991</u>	<u>\$ 5,019,521</u>		

Fund	Unrealized Investments as of September 30, 2021		
	Invested Capital	Total Value	Gross MOIC <sup>(4)</sup>
	(dollars in thousands)		
Sculptor Real Estate Fund I	\$ —	\$ —	—
Sculptor Real Estate Fund II	—	—	—
Sculptor Real Estate Fund III	212,301	278,628	1.3x
Sculptor Real Estate Fund IV <sup>(7)</sup>	220,287	272,802	n/m
Sculptor Real Estate Credit Fund I	349,973	390,385	1.1x
Co-investment and other funds	725,896	786,046	n/m
	<u>\$ 1,508,457</u>	<u>\$ 1,727,861</u>	

- n/m not meaningful
- 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.
  - Invested capital represents total aggregate contributions made for investments by the fund.
  - Total value represents the sum of realized distributions and the fair value of unrealized and partially realized investments as of September 30, 2021. Total value will be impacted (either positively or negatively) by future economic and other factors. Accordingly, the total value ultimately realized will likely be higher or lower than the amounts presented as of September 30, 2021.
  - Gross IRR for our real estate funds represents the estimated, unaudited, annualized return based on the timing of cash inflows and outflows for the aggregated investments as of September 30, 2021, 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 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) 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 totaled \$4.3 billion as of September 30, 2021, decreasing \$366.1 million, or 8%, year-over-year due to \$936.3 million of distributions and other reductions, primarily related to Sculptor Real Estate Credit Fund I and Sculptor Real Estate Fund III, as both of these funds' respective investment periods have expired. This was partially offset by net inflows of \$563.5 million, primarily due to the launch of several Sculptor Real Estate Fund IV co-investment vehicles and additional capital called into Sculptor Real Estate Credit Fund I. Our real estate funds continue to deploy capital and generate strong returns with an 18.6% annualized net return in Sculptor Real Estate Fund III and 12.3% annualized net return in Sculptor Real Estate Credit Fund I.

### Longer-Term Assets Under Management

As of September 30, 2021, approximately 66% of our assets under management were subject to initial commitment periods of three years or longer, excluding assets under management that had initial commitment periods of three years or longer and subsequently moved to shorter commitment periods at the end of their initial commitment period. The table below presents the amount of these assets under management.

	September 30, 2021	December 31, 2020
	(dollars in thousands)	
Multi-strategy funds	\$ 719,790	\$ 463,681
Credit		
Opportunistic credit funds	4,705,373	4,250,444
Institutional Credit Strategies	15,121,877	15,683,304
Real estate funds	4,332,049	4,308,648
	<b>\$ 24,879,089</b>	<b>\$ 24,706,077</b>

Incentive income on these assets, if any, is based on the cumulative investment performance generated over this commitment period. 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.

The table below presents the changes in the amount of incentive income accrued at the fund level but that has not yet been recognized in our revenues during nine months ended September 30, 2021:

	December 31, 2020	Recognized Incentive Income	Performance	September 30, 2021
	(dollars in thousands)			
Multi-strategy funds	\$ 14,932	\$ (3,844)	\$ 11,735	\$ 22,823
Credit				
Opportunistic credit funds	14,925	(2,961)	102,798	114,762
Real estate funds	98,371	(14,833)	31,458	114,996
	<b>\$ 128,228</b>	<b>\$ (21,638)</b>	<b>\$ 145,991</b>	<b>\$ 252,581</b>

Accrued unrecognized incentive income associated with longer-term assets increased by \$124.4 million during the nine months ended September 30, 2021. We generated an additional \$146.0 million of accrued unrecognized incentive income due to our strong fund performance and recognized \$21.6 million of incentive income in the the period.

Our accrued unrecognized incentive income (“ABURI”) from longer-term assets under management generally comprise the following:

- *Multi-strategy funds.* Multi-strategy ABURI is derived from clients in the three-year liquidity tranche, where incentive income other than tax distributions will be recognized at the end of each client’s three-year period.
- *Opportunistic credit funds.* Opportunistic credit funds ABURI is derived from three sources:
  - Clients in the three-year and four-year liquidity tranches of an open-end opportunistic credit fund, where incentive income other than tax distributions will be recognized at the end of each client’s three-year or four-year period
  - Long dated closed-end opportunistic credit funds, where incentive income other than tax distributions will be recognized during each fund’s harvest period after invested capital and a preferred return has been distributed to the clients
  - The Customized Credit Focused Platform, where incentive income other than tax distributions is recognized at the end of a multi-year term; previously crystallized on December 31, 2020

- *Real estate funds.* Real Estate ABURI is derived from long-dated real estate funds, where incentive income other than tax distributions will start to be recognized following the completion of each fund's investment period as investments are realized and after invested capital and a preferred return has been distributed to the clients.

Certain ABURI amounts presented above will generally have compensation expense (on an Economic Income Basis) that will reduce the amount ultimately realized on a net basis. Compensation expense relating to ABURI from our real estate funds is generally recognized at the same time the related incentive income revenue is recognized. Compensation expense relating to ABURI generated from our multi-strategy funds and opportunistic credit funds is generally recognized in the fourth quarter of the year the underlying fund performance is generated which may not occur at the same time that the related revenues are generated.

## 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, the impact of differing management fee rates charged on those inflows and redemptions, as well as the impact of the deferral of subordinated management fees from certain CLOs. See "—Weighted-Average Assets Under Management and Average Management Fee Rates" for information on our average management fee rate and Note 12 to our consolidated financial statements in our Annual Report 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. See Note 12 to our consolidated financial statements in our Annual Report for additional information regarding incentive income.

**Other Revenues.** Other revenues consist primarily of interest income on investments in CLOs, cash equivalents and long-term U.S. government obligations, 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.

## **Expenses**

**Compensation and Benefits.** Compensation and benefits consist of salaries, employee 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.

We also have profit-sharing arrangements whereby certain employees or executive managing directors are entitled to a share of incentive income that we 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—Financing Arrangements” 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, impairment of right-of-use lease assets, foreign currency transaction gains and losses, and other miscellaneous expenses. Legal settlements and provisions are also included within general, administrative and other.

## **Other (Loss) Income**

**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 16 to our consolidated financial statements included in this report for additional information.

**Net Losses on Retirement of Debt.** Net losses on retirement of debt consist of net losses realized upon the 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 retirement of debt.

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

**Changes in Fair Value of Warrant Liabilities.** Changes in fair value of warrant liabilities represent gains (losses) from changes in fair value of the warrants.

***Income Taxes***

Income taxes consist of our provision for federal, state and local income taxes in the U.S. 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 Sculptor 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 U.S. and foreign jurisdictions. Following the Corporate Classification Change, generally all of the income allocated to the Registrant from the Sculptor Operating Group will be subject to corporate-level income taxes in the U.S. See Note 12 for additional information regarding significant items impacting our income tax provision and effective tax rate.

***Net (Loss) Income 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 Sculptor Operating Group. See Note 3 for additional information regarding our ownership interest in the Sculptor Operating Group.

## Results of Operations

### Three and Nine Months Ended September 30, 2021 Compared to Three and Nine Months Ended September 30, 2020

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
Net (Loss) Income Attributable to Class A Shareholders	\$ (4,338)	\$ 8,017	\$ (2,817)	\$ (45,489)

Refer below for the discussion of the contributing factors to changes in Net (Loss) Income Attributable to Class A Shareholders from the prior year periods.

#### Revenues

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
Management fees	\$ 76,820	\$ 68,053	\$ 227,391	\$ 195,389
Incentive income	27,031	41,525	134,379	89,085
Other revenues	1,786	2,316	5,145	7,693
Income of consolidated funds	—	58	3	90
<b>Total Revenues</b>	<b>\$ 105,637</b>	<b>\$ 111,952</b>	<b>\$ 366,918</b>	<b>\$ 292,257</b>

Total revenues for the quarter-to-date period were \$105.6 million, decreasing \$6.3 million, primarily due to the following:

- An \$8.8 million increase in management fees, primarily due to the following:
  - *Multi-strategy funds.* A \$6.3 million increase in multi-strategy funds due to higher average assets under management.
  - *Institutional Credit Strategies.* A \$1.6 million increase in Institutional Credit Strategies primarily due to the recovery of \$2.3 million of previously deferred subordinated management fees in the third quarter of 2021, compared to the deferral of \$1.7 million of subordinated management fees in the third quarter of 2020. This increase was partially offset by decreases driven by a reduction in assets under management in certain of our CLOs due to distributions, as well as the redemption of a CLO in the second quarter of 2021.

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 rates.

- A \$14.5 million decrease in incentive income, primarily due to the following:
  - *Multi-strategy funds.* A \$5.6 million decrease in incentive income from our multi-strategy funds, which was driven by a \$5.2 million decrease in incentive income from assets under management subject to a one-year measurement period.
  - *Opportunistic credit funds.* A \$6.8 million decrease in incentive income from our opportunistic credit funds, which was driven by a \$16.3 million decrease in incentive income from longer-term assets under management, partially offset by an \$8.3 million increase related to fund investor redemptions and a \$1.2 million increase in incentive income from assets under management subject to a one-year measurement period.

- *Real Estate funds.* A \$2.1 million decrease in incentive income from our real estate funds, primarily due to lower realizations, as these will vary from period to period based on exit opportunities.
- A \$530 thousand decrease in other revenues driven by a decrease in interest income due to lower interest rates.

Total revenues for the year-to-date period were \$366.9 million, increasing \$74.7 million, primarily due to the following:

- A \$32.0 million increase in management fees, primarily due to the following:
  - *Multi-strategy funds.* A \$19.4 million increase in multi-strategy funds due to higher average assets under management.
  - *Opportunistic credit funds.* A \$5.7 million increase in opportunistic credit funds due to higher average assets under management in the Sculptor Credit Opportunities Master Fund, as well as higher average fee-paying assets under management in certain of our open-ended credit funds. These increases were partially offset due to the liquidation of one of our open-ended credit funds in the fourth quarter of 2020.
  - *Institutional Credit Strategies.* A \$9.7 million increase in Institutional Credit Strategies due to the recovery of \$5.5 million of previously deferred subordinated management fees in the first nine months of 2021, compared to the deferral of \$8.3 million of subordinated management fees in the prior year period, as well as the launches of additional CLOs in 2021. These increases were partially offset by decreases driven by: (i) a reduction in assets under management in certain of our CLOs due to distributions; (ii) a decrease in the portfolio appraisal value for certain of our aircraft securitization vehicles; and (iii) the redemption of a CLO in the second quarter of 2021.
  - *Real Estate Funds.* A \$2.8 million decrease in real estate funds due to lower management fees from Real Estate Fund III and related co-investment vehicles due to lower average assets under management, driven by realizations, as well as lower management fees from Real Estate Fund IV as a result of management fees in the prior year including amounts retroactively applied to the initial commitment period for new commitments that came into the fund in 2020 upon final closing in the second quarter of 2020.

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 rates.

- A \$45.3 million increase in incentive income, primarily due to the following:
  - *Multi-strategy funds.* A \$39.1 million increase in incentive income from our multi-strategy funds, which was driven by strong fund performance, resulting in the following increases: (i) a \$22.4 million increase in incentive income from assets under management subject to a one-year measurement period; (ii) a \$9.7 million increase in tax distributions taken to cover tax liabilities on accrued unrecognized incentive income on longer-term assets under management; (iii) a \$6.0 million increase in incentive income from longer-term assets under management; and (iv) a \$1.0 million increase related to fund investor redemptions.
  - *Opportunistic credit funds.* A \$1.9 million decrease in incentive income from our opportunistic credit funds, primarily driven by a \$16.6 million decrease in incentive income from longer-term assets under management and a \$5.1 million decrease in tax distributions taken to cover tax liabilities on accrued unrecognized incentive income on longer-term assets under management. These decreases were partially offset by a \$10.2 million increase in incentive income related to fund investor redemptions and an \$8.8 million increase in incentive income from assets under management subject to a one-year measurement period.
  - *Real estate funds.* An \$8.1 million increase in incentive income from our real estate funds, due to a \$5.0 million increase in realizations, primarily from Sculptor Real Estate Fund II, and a \$3.2 million

increase in tax distributions taken to cover tax liabilities on accrued unrecognized incentive income on longer-term assets under management.

- A \$2.5 million decrease in other revenues driven by a decrease in interest income due to lower interest rates.

### Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
Compensation and benefits	\$ 53,078	\$ 65,030	\$ 201,759	\$ 197,739
Interest expense	3,277	4,488	12,280	14,944
General, administrative and other	39,672	26,465	92,070	203,786
Expenses of consolidated funds	—	34	2	53
<b>Total Expenses</b>	<b>\$ 96,027</b>	<b>\$ 96,017</b>	<b>\$ 306,111</b>	<b>\$ 416,522</b>

Total expenses for the quarter-to-date period were \$96.0 million, remaining relatively flat, primarily due to the following:

- A \$13.2 million increase in general, administrative and other expense primarily driven by a \$13.3 million increase in occupancy and equipment expense, driven by the recognition of an \$11.2 million impairment loss on a right-of-use asset and a \$2.3 million loss incurred on the write-off of leasehold improvements related to the sublease transaction described in Note 6. This increase was partially offset by \$2.0 million of legal provision accruals incurred in the prior year period.
- An offsetting \$12.0 million decrease in compensation and benefits expenses primarily driven by a \$6.8 million decrease in equity-based compensation due to: (i) a \$2.4 million decrease in RSUs amortization driven by the accelerated vesting of certain RSUs in the second quarter of 2021 as a result of separation-related compensation for a departing executive; (ii) a \$2.0 million decrease in amounts related to Group P Units as a result of the related service period ending during 2020; (iii) a \$1.4 million decrease in amounts related to Group E Units, as the remaining units are being amortized on an accelerated basis (i.e., each tranche is being amortized over its respective service period), resulting in decreasing expenses in each subsequent vesting year on these awards; and (iv) a \$976 thousand decrease in amounts related to PSUs, as a result of the departure of a former executive. In addition, bonus expense decreased by \$3.3 million due to lower guaranteed and discretionary bonus accruals, partially offset by higher deferred cash compensation grants. Lastly, salaries and benefits decreased by \$1.9 million, as our worldwide headcount decreased to 336 as of September 30, 2021, from 359 as of September 30, 2020.
- An offsetting \$1.2 million decrease in interest expense primarily due to lower average outstanding debt balance.

Total expenses for the year-to-date period were \$306.1 million, decreasing \$110.4 million, primarily due to the following:

- A \$111.7 million decrease in general, administrative and other expenses primarily driven by: (i) \$118.9 million of legal provision accruals in the prior year; (ii) a \$6.6 million decrease in professional services expenses, driven by lower legal and accounting fees; and (iii) reductions across various other operating expense categories, driven by travel restrictions and employees working from home.
- A \$2.7 million decrease in interest expense, primarily due to lower average outstanding debt balance.
- An offsetting \$4.0 million increase in compensation and benefits expenses primarily driven by a \$17.8 million increase in bonus expense due to: (i) separation-related compensation for a departing executive; (ii) an increase in deferred cash compensation grants; and (iii) higher real estate incentive income profit sharing expense driven by

realizations from Sculptor Real Estate Fund II. These increases were partially offset by lower guaranteed and discretionary bonus accruals. The increase in bonus expense was partially offset by a \$7.5 million decrease in salaries and benefits, as our worldwide headcount decreased to 336 as of September 30, 2021, from 359 as of September 30, 2020. Further, driving the decrease in salaries and benefits was the capitalization of \$1.9 million of certain internal software implementation costs, as we continue to invest in technology to enhance future operational efficiencies. In addition, equity-based compensation expense decreased by \$6.3 million primarily due to: (i) a \$10.2 million decrease in amounts related to Group E Units, as the remaining units are being amortized on an accelerated basis (i.e., each tranche is being amortized over its respective service period), resulting in decreasing expenses in each subsequent vesting year on these awards; and (ii) a \$6.4 million decrease in amounts related to Group P Units as a result of the related service period ending during 2020. These decreases were partially offset by an \$11.7 million increase in RSUs amortization primarily due to acceleration of the compensation cost as a result of separation-related compensation for a departing executive.

#### Other (Loss) Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
Changes in fair value of warrant liabilities	\$ (12,710)	\$ —	\$ (50,885)	\$ —
Changes in tax receivable agreement liability	(39)	—	(18)	278
Net losses on retirement of debt	—	—	(30,198)	(693)
Net gains on investments	5,068	8,157	16,685	3,266
<b>Total Other (Loss) Income</b>	<b>\$ (7,681)</b>	<b>\$ 8,157</b>	<b>\$ (64,416)</b>	<b>\$ 2,851</b>

Total other (loss) income for the quarter-to-date period was a loss of \$7.7 million, decreasing by \$15.8 million, and for the year-to-date period was a loss of \$64.4 million, decreasing \$67.3 million, which resulted from the following:

- *Changes in fair value of warrant liabilities.* The amounts in 2021 for both the quarter-to-date and year-to-date periods are the result of an increase in the fair value of warrants to purchase our Class A Shares that were issued in connection with the 2020 Credit Agreement. The change was primarily due to the increase in our Class A Share price, an adjustment to the exercise price due to dividends, and the change in risk-free rate from the issuance date of the warrants to September 30, 2021.
- *Changes in tax receivable agreement liability.* The amounts in 2021 and 2020 are both a result of changes in projected future tax rates impacting the anticipated liability under the tax receivable agreement.
- *Net losses on retirement of debt.* No losses on retirement of debt were incurred in the quarter-to-date periods in 2021 or 2020. The year-to-date amount in 2021 was primarily related to the \$224.4 million prepayment of amounts outstanding under the 2020 Term Loan and a \$19.9 million repayment of a CLO Investment Loan, while the amount in 2020 was primarily related to the \$36.5 million repayment of amounts outstanding under the 2018 Term Loan. These amounts were comprised of unamortized discounts and deferred financing costs that were proportionately written-off in connection with these repayments.
- *Net gains on investments.* For both the quarter-to-date and year-to-date periods, the amounts in 2021 and 2020 represent investment income on our equity method investments, risk retention investments in CLOs and U.S. government obligations. Investment income for the current quarter-to-date period decreased by \$3.1 million from the prior year quarter-to-date period, primarily due to lower investment income from equity method and CLOs investments, partially offset by higher income on treasuries. Investment income for the year-to-date period increased by \$13.4 million from the prior year-to-date period, due to higher gains across all of our investments categories.

### Income Taxes

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
Income taxes	\$ 8,653	\$ 9,397	\$ 19,985	\$ (17,971)

Income tax expense for the quarter-to-date period was \$8.7 million, decreasing by \$744 thousand, and for the year-to-date period was \$20.0 million, increasing by \$38.0 million. Income tax expense was lower for the quarter-to-date period primarily due to decreased profitability, and income tax expense was higher for the year-to-date period due to increased profitability and the change in fair value of warrant liabilities that is non-deductible for tax purposes.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
Group A Units	\$ (2,553)	\$ 4,494	\$ (22,416)	\$ (62,973)
Other	167	(101)	1,639	(579)
<b>Total</b>	<b>\$ (2,386)</b>	<b>\$ 4,393</b>	<b>\$ (20,777)</b>	<b>\$ (63,552)</b>

Net (loss) income attributable to noncontrolling interests for the quarter-to-date period was \$2.4 million, decreasing by \$6.8 million, and net loss allocated to noncontrolling interests was \$20.8 million, decreasing by \$42.8 million for the year-to-date period. During the Distribution Holiday, net income earned by any Sculptor Operating Partnership is allocated 100% to Sculptor Capital Management, Inc., while losses are allocated on a pro rata basis among the Group A Units (noncontrolling interests) and Sculptor Capital Management, Inc. as described in Note 3.

For the first nine months of 2021, Sculptor Capital LP, which earns most of our management fees and incurs most of our operating expenses, generated a lower loss than in the prior year period, as management fees were higher and operating expenses were lower in 2021 compared to 2020 for the year-to-date period. For the quarter-to-date period, Sculptor Capital LP, generated slightly lower net income allocated to the Group A Units compared to the prior year period. Sculptor Capital Advisors II LP, along with Sculptor Capital Advisors LP, earn most of our incentive income. For both the third quarter and the first nine months of 2021, Sculptor Capital Advisors LP generated losses that were allocated on a pro rata basis among the Group A Units (noncontrolling interests) and Sculptor Capital Management, Inc. For both the third quarter and the first nine months of 2021, Sculptor Capital Advisors II LP generated net income, and therefore we allocated 100% of its income to Sculptor Capital Management, Inc.

### Economic Income Analysis

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

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

- Income allocations to our executive managing directors on their direct interests in the Sculptor Operating Group. Management reviews operating performance at the Sculptor Operating Group level, where our operations are performed, prior to making any income allocations.

- Equity-based compensation expenses, depreciation and amortization expenses, changes in fair value of warrant liabilities, changes in the tax receivable agreement liability, net losses on retirement of debt, gains and losses on fixed assets, gains and losses on investments in funds, and impairment on right-of-use lease assets, as management does not consider these items to be reflective of operating performance. However, the fair value of RSUs that are settled in cash to employees or executive managing directors is included as an expense at the time of settlement.
- Amounts related to non-cash interest expense accretion on debt. The 2020 Term Loan and the Debt Securities were each recognized at a significant discount, as proceeds from each borrowing were allocated to warrant liabilities and the 2019 Preferred Units, respectively, resulting in non-cash accretion to par over time through interest expense for GAAP. Management excludes these non-cash expenses from Economic Income, as it does not consider them to be reflective of our economic borrowing costs.
- 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, interest expense, 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 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.

Three and Nine Months Ended September 30, 2021 Compared to Three and Nine Months Ended September 30, 2020

*Economic Income (Non-GAAP)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
Economic Income	\$ 44,049	\$ 42,428	\$ 160,096	\$ (39,514)

Refer below for the discussion of the contributing factors to changes in Economic Income from the prior year periods.

*Economic Income Revenues (Non-GAAP)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
<b>Economic Income Basis</b>				
Management fees	\$ 71,675	\$ 63,477	\$ 211,648	\$ 179,771
Incentive income	27,031	41,548	134,380	89,121
Other revenues	1,786	2,316	5,145	7,693
<b>Total Economic Income Revenues</b>	<b>\$ 100,492</b>	<b>\$ 107,341</b>	<b>\$ 351,173</b>	<b>\$ 276,585</b>

Economic Income revenues for the quarter-to-date period were \$100.5 million, decreasing \$6.8 million, primarily due to the following:

- An \$8.2 million increase in management fees, driven primarily by the following:
  - *Multi-strategy funds*. A \$5.7 million increase due to higher average assets under management.
  - *Institutional Credit Strategies*. A \$1.6 million increase due to the recovery of \$2.3 million of previously deferred subordinated management fees in the third quarter of 2021, compared to the deferral of \$1.7 million of subordinated management fees in the third quarter of 2020. This increase was partially offset by decreases driven by a reduction in assets under management in certain of our CLOs due to distributions, as well as the redemption of a CLO in the second quarter of 2021.

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 rates.

- A \$14.5 million decrease in incentive income, primarily due to the following:
  - *Multi-strategy funds*. A \$5.6 million decrease in incentive income from our multi-strategy funds, which was driven by a \$5.2 million decrease in incentive income from assets under management subject to a one-year measurement period.
  - *Opportunistic credit funds*. A \$6.8 million decrease in incentive income from our opportunistic credit funds, which was driven by a \$16.3 million decrease in incentive income from longer-term assets under management, partially offset by an \$8.3 million increase related to fund investor redemptions and a \$1.2 million increase in incentive income from assets under management subject to a one-year measurement period.

- *Real Estate funds.* A \$2.1 million decrease in incentive income from our real estate funds, which was driven by lower realizations, as these will vary from period to period based on exit opportunities.
- A \$530 thousand decrease in other revenues driven by a decrease in interest income due to lower interest rates.

Economic Income revenues for the year-to-date period were \$351.2 million, increasing \$74.6 million, primarily due to the following:

- A \$31.9 million increase in management fees, driven primarily by the following:
  - *Multi-strategy funds.* A \$16.8 million increase due to higher average assets under management.
  - *Opportunistic credit funds.* A \$5.8 million increase due to higher average assets under management in the Sculptor Credit Opportunities Master Fund, as well as higher average fee-paying assets under management in certain of our open-ended credit funds. These increases were partially offset due to the liquidation of one of our open-ended credit funds in the fourth quarter of 2020.
  - *Institutional Credit Strategies.* A \$9.6 million increase due to the recovery of \$5.5 million of previously deferred subordinated management fees in the first nine months of 2021, compared to the deferral of \$8.3 million of subordinated management fees in the prior year period, as well as the launches of additional CLOs in 2021. These increases were partially offset by decreases driven by: (i) a reduction in assets under management in certain of our CLOs due to distributions; (ii) a decrease in the portfolio appraisal value for certain of our aircraft securitization vehicles; and (iii) the redemption of a CLO in the second quarter of 2021.
- A \$45.3 million increase in incentive income, primarily due to the following:
  - *Multi-strategy funds.* A \$39.1 million increase in incentive income from our multi-strategy funds, which was driven by strong fund performance, resulting in the following increases: (i) a \$22.4 million increase in incentive income from assets under management subject to a one-year measurement period; (ii) a \$9.7 million increase in tax distributions taken to cover tax liabilities on accrued unrecognized incentive income on longer-term assets under management; (iii) a \$6.0 million increase in incentive income from longer-term assets under management; and (iv) a \$1.0 million increase related to fund investor redemptions.
  - *Opportunistic credit funds.* A \$1.9 million decrease in incentive income from our opportunistic credit funds, primarily driven by a \$16.6 million decrease in incentive income from longer-term assets under management and a \$5.1 million decrease in tax distributions taken to cover tax liabilities on accrued unrecognized incentive income on longer-term assets under management. These decreases were partially offset by a \$10.2 million increase in incentive income related to fund investor redemptions and an \$8.8 million increase in incentive income from assets under management subject to a one-year measurement period.
  - *Real estate funds.* An \$8.1 million increase in incentive income from our real estate funds, due to a \$5.0 million increase in realizations, primarily from Sculptor Real Estate Fund II, and a \$3.2 million increase in tax distributions taken to cover tax liabilities on accrued unrecognized incentive income on longer-term assets under management.

- A \$2.5 million decrease in other revenues driven by a decrease in interest income due to lower interest rates.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
<b>Economic Income Basis</b>				
Compensation and benefits	\$ 34,445	\$ 41,338	\$ 122,768	\$ 122,378
Interest expense	3,038	3,657	11,256	11,462
General, administrative and other expenses	18,960	19,917	57,053	182,259
<b>Total Economic Income Expenses</b>	<b>\$ 56,443</b>	<b>\$ 64,912</b>	<b>\$ 191,077</b>	<b>\$ 316,099</b>

Economic Income expenses for the quarter-to-date period were \$56.4 million, decreasing \$8.5 million, primarily due to the following:

- A \$6.9 million decrease in compensation and benefits expenses, driven by a \$5.0 million decrease in bonus expense, primarily due to lower guaranteed and discretionary bonus accruals, and a \$1.9 million decrease in salaries and benefits, as our worldwide headcount decreased to 336 as of September 30, 2021, from 359 as of September 30, 2020.
- A \$1.0 million decrease in general, administrative and other expenses primarily driven by \$2.0 million of legal provision accruals incurred in the prior year period, partially offset by a \$648 thousand increase in legal fees.
- A \$619 thousand decrease in interest expense primarily driven by lower average outstanding debt balance.

Economic Income expenses for the year-to-date period were \$191.1 million, decreasing \$125.0 million, primarily due to the following:

- A \$125.2 million decrease in general, administrative and other expenses primarily driven by: (i) \$118.9 million of legal provision accruals in the prior year; (ii) a \$6.6 million decrease in professional services expenses, driven by lower legal and accounting fees; and (iii) reductions across various other operating expense categories, driven by travel restrictions and employees working from home.
- Compensation and benefits expenses remained relatively flat year-over-year, driven by various offsetting items, including a \$7.9 million increase in bonus expense, primarily due to: (i) separation-related compensation for a departing executive; (ii) higher real estate incentive income profit sharing expense driven by realizations from Sculptor Real Estate Fund II; and (iii) an increase in deferred cash compensation grants. These increases were partially offset by lower guaranteed and discretionary bonus accruals. The increase in bonus expense was partially offset by a \$7.5 million decrease in salaries and benefits, as our worldwide headcount decreased to 336 as of September 30, 2021, from 359 as of September 30, 2020. Further, driving the decrease in salaries and benefits was the capitalization of \$1.9 million of certain internal software implementation costs, as we continue to invest in technology to enhance future operational efficiencies.
- Interest expense remained relatively flat year-over-year, primarily due to interest accruals on the 2020 Term Loan, partially offset by interest no longer accruing on the 2018 Term Loan or Debt Securities, as these were repaid in full in the fourth quarter of 2020 in connection with the closing of the 2020 Term Loan.

## **Liquidity and Capital Resources**

### ***Overview***

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 from our funds.

We ended the quarter with \$143.0 million of unrestricted cash and cash equivalents, \$241.6 million of longer-term U.S. government obligations (Treasury bills) and \$45.9 million of management fees and incentive income receivable (the majority of which will be collected in the fourth quarter of 2021). We also have access to an additional \$25.0 million through our undrawn 2020 Revolving Credit Facility.

Based on management's experience and our current level of assets under management, we believe that our current liquidity position, together with the cash generated from management fees will be sufficient to meet our anticipated fixed operating expenses (as defined below) and other working capital needs for at least the next 12 months. For our longer-term liquidity needs, we expect to continue to fund our fixed operating expenses through management fees and to fund discretionary cash bonuses and the repayment of our financing arrangements 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 use cash on hand, 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 amounts due under our debt obligations and repurchase agreements.
- Repurchase Class A Shares or Sculptor Operating Group Units.
- Pursue new investment opportunities.
- Develop new distribution channels.
- Pay dividends.

### ***Recent Developments***

In the nine months ended September 30, 2021, we repaid \$224.4 million of the 2020 Term Loan, leaving a balance of \$95.0 million.

In September 2021, we subleased a portion of our New York City office space. As a result of the sublease, we expect to save \$14.3 million of rent costs through the lease maturity in 2029.

### ***Liquidity Needs***

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

- Pay our operating expenses.
- Pay interest and principal on our financing arrangements.

- Provide capital to facilitate the growth of our business, including making risk retention investments in CLOs managed by us that are subject to EU and UK risk retention rules.
- Pay income taxes, RSU tax withholding obligations and amounts due under the tax receivable agreement.
- Make cash distributions in accordance with our distribution policy.

#### *Operating Expenses*

We generally rely on management fees to cover our “fixed” operating expenses, which we define as salaries, benefits, a minimum discretionary bonus and general, administrative and other expenses, including upcoming lease payments as presented in Note 6 to our consolidated financial statements, incurred in the ordinary course of business. No assurances can be given that our management fees will be sufficient to cover our fixed operating expenses in future periods. To the extent our management fees do not cover our fixed operating expenses, as well as to fund any other liabilities, we would rely on cash on hand and incentive income to cover any shortfall. 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.

Historically, we have determined the amount of discretionary cash bonuses during the fourth quarter of each year, based on our total annual revenues and fund performance. 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.

#### *Financing Arrangements*

We may use cash on hand to pay interest and principal due on our financing arrangements, including debt obligations and repurchase agreements, prior to their respective maturity or due dates, which would reduce amounts available to distribute to our Class A Shareholders. We may also refinance all or a portion of any borrowings outstanding on or 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 incurring new debt, which could result in higher borrowing costs, or by issuing equity or other securities, which would dilute existing shareholders. See Notes 7 and 8 to our consolidated financial statements for details on our debt obligations and repurchase agreements.

#### *CLO Risk Retention Investments*

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. Payments of interest and principal on these borrowings are generally due at such time interest and principal payments are received on our risk retention investments in the related CLOs; therefore, our CLO risk retention investments and related financings generally have a net positive impact on our liquidity at each CLO interest and principal payment date.

#### *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 September 30, 2021, 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 certain Sculptor Operating Group assets, we expected to pay our executive managing directors and the Ziffs approximately \$183.1 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 16 to our consolidated financial statements for additional details.

Payments under the tax receivable agreement are anticipated to increase the tax basis adjustment and, consequently, 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 Sculptor Corp, and any other corporate taxpaying entities that hold Group B Units, and not of the Sculptor Operating Group. We may need to incur debt to finance payments under the tax receivable agreement to the extent the Sculptor Operating Group does not distribute cash to Sculptor Corp in an amount sufficient to meet our obligations under the tax receivable agreement.

The actual increase in tax basis of the Sculptor 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 Sculptor 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 Sculptor 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 Sculptor 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 Sculptor 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 current and former 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 2021 and 2020. We did not declare a dividend in respect of the first three quarters of 2020 in respect of earnings for the first three quarters. Dividends are generally declared and paid in the quarter following the quarter to which they relate. For example, the dividend paid on November 22, 2021, was in respect of earnings for the third quarter of 2021. We paid no related cash distributions to our executive managing directors on their Sculptor Operating Group Units in the respective periods as a result of the Distribution Holiday.

Payment Date	Class A Shares	
	Record Date	Dividend per Share
August 24, 2021	August 17, 2021	\$ 0.54
May 25, 2021	May 18, 2021	\$ 0.30
March 4, 2021	February 25, 2021	\$ 2.35
March 3, 2020	February 25, 2020	\$ 0.53

On November 3, 2021, we announced a cash dividend of \$0.28 per Class A Share. The dividend is payable on November 22, 2021, to holders of record as of the close of business on November 15, 2021.

In connection with the Recapitalization, we and our executive managing directors agreed to a “Distribution Holiday” on the Group A 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 Distribution Holiday Economic Income is realized and (y) April 1, 2026. During the Distribution Holiday, dividends may continue to be paid on our Class A Shares. As of September 30, 2021, we have generated a total of \$510.4 million of Distribution Holiday Economic Income, compared to the target of \$600.0 million.

Distribution Holiday Economic Income is the cumulative amount of Economic Income earned since October 1, 2018, less any dividends paid to Class A Shareholders or on the now-retired Preferred Units. Distribution Holiday Economic Income is a non-GAAP measure that is defined in the agreements of limited partnership of the Sculptor Operating Partnerships and is being presented to provide an update on the progress made toward the \$600.0 million target required to exit the Distribution Holiday. Please see “—Distribution Holiday Economic Income Reconciliation” for a reconciliation of Distribution Holiday Economic Income to net income attributable to Class A Shareholders.

During the Distribution Holiday, we expect to pay dividends on our Class A Shares annually in an aggregate amount equal to not less than 20% or greater than 30% 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; 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). During the Distribution Holiday, (i) we will 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 certain executive managing directors, distributions on RSUs, as well as distributions counted in determining whether performance conditions of Group P Units and PSUs are met, are 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 declaration and payment of any distribution may be subject to legal, contractual or other restrictions. For example, as a Delaware corporation, the Registrant’s Board may only declare and pay dividends either out of its surplus (as defined in Delaware General Corporation Law) or in case there is no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. 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 Sculptor Operating Group, subject to the terms of the limited partnership agreements of the Sculptor Operating Partnerships; however, as part of the Recapitalization, the Sculptor Operating Partnerships initiated the Distribution Holiday. See Note 3 to our consolidated financial statements in our Annual 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.

#### ***Risks to Our Liquidity***

Net capital outflows from our multi-strategy funds over the last several years caused our management fees to decline for a period of time. While outflows have stabilized over the last couple of quarters and we continuously make every effort to scale our operations so that management fees are sufficient to cover our fixed operating expenses, our management fees may not always cover these expenses. Additionally, in the event that a future contingent liability were to arise that exceeded our liquidity resources, we would need to rely on new sources of liquidity such as issuing additional equity or borrowing additional funds.

Any new borrowing arrangement that we may 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. 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.

Adverse market conditions, including the COVID-19 pandemic, increase the risk that our management fees and incentive income may decline if net outflows increase or as a result of performance-related depreciation in our funds. Lower revenues and other factors may make it more difficult or costly to raise or borrow additional funds, and excessive borrowing costs or other significant market barriers may limit or prevent us from maximizing our growth potential and flexibility. We have also evaluated our financing arrangements in light of the COVID-19 pandemic to ensure compliance with debt covenants. Through the date of this filing, we remain in compliance with our debt covenants and expect to continue to be in compliance in the near term. Our ability to access financial markets, should it be necessary, may be limited because of the COVID-19 pandemic.

Our CLO risk retention financing arrangements are not subject to any financial maintenance covenants, but are subject to customary events of default and covenants included in financing arrangements of this type and also include terms that require our continued involvement with the CLOs. In addition to customary events of default included in financing arrangements of this type, the CLO Investments Loans may be accelerated to the extent there is an event of default ("EOD") at the CLO level. Prior to the relevant CLO's maturity date, this would include certain material covenant breaches, regulatory and insolvency events for the relevant CLO issuer, as well as a payment default where the relevant CLO is unable to make interest payments on the senior, non-deferrable interest notes issued by the CLO. For the repurchase agreements, in addition to customary events of default and covenants included in financing arrangements of this type, there are margin requirements that may cause us to post additional cash collateral; however, this is only triggered in the event of an EOD at the CLO level. Currently, we do not view any of the customary or CLO level EODs for these types of financing arrangements as a material risk. In particular, an EOD related to an

interest payment default on the senior, non-deferrable interest notes of the type of cash flow CLOs that we manage has been unprecedented even during the credit crisis in 2008 and 2009.

On March 5, 2021, the UK Financial Conduct Authority announced that it would phase out LIBOR as a benchmark immediately after December 31, 2021, for sterling, euro, Japanese yen, Swiss franc and 1-week and 2-month U.S. Dollar settings and immediately after June 30, 2023, the remaining U.S. Dollar settings. To address the transition away from LIBOR, the 2020 Credit Agreement provides for an agreed upon methodology to establish a new floating rate reference plus new applicable spreads. In the first quarter of 2020, we formed an internal LIBOR Transition Working Group to help effectuate an orderly transition from LIBOR. Our senior management has oversight of these transition efforts, and periodic updates are provided to the Audit Committee of our Board of Directors. 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.

#### ***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. Investors in our other funds are generally not allowed to redeem until the end of the life of the fund.

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

#### ***Cash Flows Analysis***

***Operating Activities.*** Net cash from operating activities for the nine months ended September 30, 2021 and 2020 was \$457.1 million and \$112.1 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.

Net cash flows from operating activities for the nine months ended September 30, 2021 increased from the prior year period due to higher year-end incentive income earned in 2020 than in 2019, a large portion of the 2020 incentive was collected in the beginning of 2021, as compared to year-end incentive income earned in 2019, a large portion of which was collected in the beginning of 2020. Additionally, in the current year period as compared to the prior year period, we collected more incentive income from our real estate funds. These increases in operating cash flows were partially offset by higher discretionary bonuses in 2020, which were paid in the first quarter of 2021, as compared to discretionary bonuses in 2019, which were paid in the first quarter of 2020.

**Investing Activities.** Net cash from investing activities for the nine months ended September 30, 2021 and 2020 was \$(214.8) million, and \$(20.1) million, respectively. Investing cash outflows in 2021 and 2020 primarily related to purchases of U.S. government obligations and investments made in our funds, partially offset by maturities and sales of U.S. government obligations.

**Financing Activities.** Net cash from financing activities for the nine months ended September 30, 2021 and 2020 was \$(283.8) million, and \$(43.6) 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 CLOs. 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 nine months ended September 30, 2021, we repaid \$224.4 million of the 2020 Term Loan and a \$19.9 million CLO Investment Loan. In the nine months ended September 30, 2020, we repaid \$36.5 million of the 2018 Term Loan. Additionally, in the nine months ended September 30, 2021, we entered into \$45.9 million of repurchase agreements to finance or refinance risk retention investments in our European CLOs.

We paid dividends of \$77.0 million to our Class A Shareholders in the nine months ended September 30, 2021, compared to dividends of \$11.6 million to our Class A Shareholders in the nine months ended September 30, 2020. No distributions were made to our executive managing directors in the nine months ended September 30, 2021 or September 30, 2020, as a result of the Distribution Holiday.

#### **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 in our Annual Report for a description of our accounting policies. Set forth below is a summary of what we believe to be our most critical accounting policies and estimates.

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

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

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

As of September 30, 2021, the absolute values of our funds' invested assets and liabilities (excluding the notes and loans payable of our securitization vehicles) were classified within the fair value hierarchy as follows: approximately 38% within Level I; approximately 44% within Level II; and approximately 18% within Level III. As of December 31, 2020, the absolute values of our funds' invested assets and liabilities (excluding the notes and loans payable of our securitization vehicles) were classified within the fair value hierarchy as follows: approximately 35% within Level I; approximately 48% within Level II; and approximately 17% 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 valuation of investments can be more difficult when severe economic and market shocks occur. The COVID-19 pandemic is an example of such a shock. 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 function. 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 provided by independent pricing service providers on a 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 function 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 function 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 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. See Note 11 for details on amounts recognized and deferred for incentive income.

#### ***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 Sculptor Corp that arose in connection with the purchase of Group A Units with proceeds from the 2007 Offerings, subsequent exchanges of Group A Units for Class A Shares and subsequent payments made under the tax receivable agreement, in addition to any related net operating loss carryforward. In accordance with relevant provisions of the 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 in 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.

Sculptor Corp generated taxable income of \$91.2 million for the nine months ended September 30, 2021, 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 \$848.8 million over the remaining two-year weighted-average amortization period, as well as an additional 20-year loss carryforward period available for expiring losses, 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 the deferred income tax assets.

To generate \$848.8 million in taxable income over the remaining amortization and loss carryforward periods available to us, we estimated that, based on estimated assets under management of \$36.9 billion as of October 1, 2021, 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 estimates, 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 under the tax receivable agreement equal to approximately 69% of such amount; therefore, our consolidated net income (loss) 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 September 30, 2021, we had \$243.1 million of net operating losses available to offset future taxable income for federal income tax purposes that will expire between 2030 and 2037, and \$153.5 million of net operating losses available to be carried forward without expiration. Additionally, \$173.6 million of net operating losses are available to offset future taxable income for state income tax purposes and \$169.8 million for local income tax purposes that will expire between 2035 and 2041.

Based on the analysis set forth above, as of September 30, 2021, 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 \$9.8 million has been established for these items.

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

No changes to GAAP that went into effect during the nine months ended September 30, 2021, are expected to substantively 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 substantively impact our future trends.

### Economic Income Reconciliations

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

	Three Months Ended September 30,	
	2021	2020
	(dollars in thousands)	
<b>Net (Loss) Income Attributable to Class A Shareholders—GAAP</b>	<b>\$ (4,338)</b>	<b>\$ 8,017</b>
Change in redemption value of Preferred Units	—	2,285
<b>Net (Loss) Income Allocated to Sculptor Capital Management, Inc.—GAAP</b>	<b>(4,338)</b>	<b>10,302</b>
Net (loss) income allocated to Group A Units	(2,553)	4,494
Equity-based compensation, net of RSUs settled in cash	11,170	17,972
Adjustment to recognize deferred cash compensation in the period of grant	6,493	4,996
2020 Term Loan and Debt Securities non-cash discount accretion	239	831
Income taxes	8,653	9,397
Changes in fair value of warrant liabilities	12,710	—
Net gains on investments	(5,068)	(8,158)
Impairment of right-of-use asset	11,240	—
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	970	724
Changes in tax receivable agreement liability	39	—
Depreciation, amortization and net gains and losses on fixed assets	4,130	1,442
Other adjustments	364	428
<b>Economic Income—Non-GAAP</b>	<b>\$ 44,049</b>	<b>\$ 42,428</b>

	Nine Months Ended September 30,	
	2021	2020
	(dollars in thousands)	
<b>Net Loss Attributable to Class A Shareholders—GAAP</b>	<b>\$ (2,817)</b>	<b>\$ (45,489)</b>
Change in redemption value of Preferred Units	—	5,598
<b>Net Loss Allocated to Sculptor Capital Management, Inc.—GAAP</b>	<b>(2,817)</b>	<b>(39,891)</b>
Net loss allocated to Group A Units	(22,416)	(62,973)
Equity-based compensation, net of RSUs settled in cash	53,394	60,011
Adjustment to recognize deferred cash compensation in the period of grant	21,230	13,109
2020 Term Loan and Debt Securities non-cash discount accretion	1,024	3,482
Income taxes	19,985	(17,971)
Changes in fair value of warrant liabilities	50,885	—
Net losses on retirement of debt	30,198	693
Net gains on investments	(16,685)	(3,266)
Impairment of right-of-use asset	11,240	—
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	4,367	2,241
Changes in tax receivable agreement liability	18	(278)
Depreciation, amortization and net gains and losses on fixed assets	7,439	5,379
Other adjustments	2,234	(50)
<b>Economic Income—Non-GAAP</b>	<b>\$ 160,096</b>	<b>\$ (39,514)</b>

#### *Economic Income Revenues*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
Management fees—GAAP	\$ 76,820	\$ 68,053	\$ 227,391	\$ 195,389
Adjustment to management fees <sup>(1)</sup>	(5,145)	(4,576)	(15,743)	(15,618)
<b>Management Fees—Economic Income Basis—Non-GAAP</b>	<b>71,675</b>	<b>63,477</b>	<b>211,648</b>	<b>179,771</b>
Incentive income—Economic Income Basis—GAAP	27,031	41,525	134,379	89,085
Adjustment to incentive income <sup>(2)</sup>	—	23	1	36
<b>Incentive Income—Economic Income Basis—GAAP and Non-GAAP</b>	<b>27,031</b>	<b>41,548</b>	<b>134,380</b>	<b>89,121</b>
<b>Other Revenues—Economic Income Basis—GAAP and Non-GAAP</b>	<b>1,786</b>	<b>2,316</b>	<b>5,145</b>	<b>7,693</b>
<b>Total Revenues—Economic Income Basis—Non-GAAP</b>	<b>\$ 100,492</b>	<b>\$ 107,341</b>	<b>\$ 351,173</b>	<b>\$ 276,585</b>

(1) Adjustment to present management fees net of recurring placement and related service fees, as management considers these fees a reduction in management fees, not an expense.

(2) Adjustment to exclude the impact of eliminations related to the consolidated funds.

*Economic Income Expenses*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(dollars in thousands)			
Compensation and benefits—GAAP	\$ 53,078	\$ 65,030	\$ 201,759	\$ 197,739
Adjustment to compensation and benefits <sup>(1)</sup>	(18,633)	(23,692)	(78,991)	(75,361)
<b>Compensation and Benefits—Economic Income Basis—Non-GAAP</b>	<b>\$ 34,445</b>	<b>\$ 41,338</b>	<b>\$ 122,768</b>	<b>\$ 122,378</b>
Interest expense—GAAP	\$ 3,277	\$ 4,488	\$ 12,280	\$ 14,944
Adjustment to interest expense <sup>(2)</sup>	(239)	(831)	(1,024)	(3,482)
<b>Interest Expense—Economic Income Basis—Non-GAAP</b>	<b>\$ 3,038</b>	<b>\$ 3,657</b>	<b>\$ 11,256</b>	<b>\$ 11,462</b>
General, administrative and other expenses—GAAP	\$ 39,672	\$ 26,465	\$ 92,070	\$ 203,786
Adjustment to general, administrative and other expenses <sup>(3)</sup>	(20,712)	(6,548)	(35,017)	(21,527)
<b>General, Administrative and Other Expenses—Economic Income Basis—Non-GAAP</b>	<b>\$ 18,960</b>	<b>\$ 19,917</b>	<b>\$ 57,053</b>	<b>\$ 182,259</b>

- (1) Adjustment to exclude equity-based compensation, as management does not consider these non-cash expenses to be reflective of our operating performance. However, the fair value of RSUs that are settled in cash to employees or executive managing directors is included as an expense at the time of settlement. 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.
- (2) Adjustment to exclude amounts related to non-cash interest expense accretion on debt. The 2020 Term Loan and the Debt Securities were each recognized at a significant discount, as proceeds from each borrowing were allocated to warrant liabilities and the 2019 Preferred Units, respectively, resulting in non-cash accretion to par over time through interest expense for GAAP. Management excludes these non-cash expenses from Economic Income, as it does not consider them to be reflective of our economic borrowing costs.
- (3) Adjustment to exclude depreciation, amortization, losses on fixed assets, and impairment of right-of-use lease 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.

### Distribution Holiday Economic Income Reconciliation

The table below presents the reconciliation of Distribution Holiday Economic Income to net income (loss) attributable to Class A Shareholders from October 1, 2018, to September 30, 2021.

	From October 1, 2018 to September 30, 2021	
	(dollars in thousands)	
Net income attributable to Class A shareholders	\$	218,302
Change in redemption value of Preferred Units		(37,412)
<b>Net Income Allocated to Sculptor Capital Management, Inc.</b>		<b>180,890</b>
Net loss allocated to Group A Units		(72,965)
Equity-based compensation, net of RSUs settled in cash		272,339
Adjustment to recognize deferred cash compensation in the period of grant		(13,792)
2020 Term Loan and Debt Securities non-cash discount accretion		19,746
Income taxes		142,241
Changes in fair value of warrant liabilities		58,433
Net losses on retirement of debt		41,584
Net gains on investments		(29,346)
Impairment of right-of-use asset		11,240
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance		(2,429)
Changes in tax receivable agreement liability		(4,422)
Depreciation, amortization and net gains and losses on fixed assets		25,611
Other adjustments		3,619
Less: Dividends paid on 2019 Preferred Units		(6,952)
Less: Dividends to Class A Shareholders declared with respect to such periods		(115,355)
<b>Distribution Holiday Economic Income—Non-GAAP</b>	<b>\$</b>	<b>510,442</b>

### 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.

The quantitative information provided in this section was prepared using estimates and assumptions that management believes are reasonable to provide an indication of the directional impact that a hypothetical adverse movement in certain risks would have on net income attributable to Class A Shareholders. The actual impact of a hypothetical adverse movement in these risks could be materially different from the amounts shown below.

**Management of Market Risk**

Risk management is highly integrated with our investment process and the operations of our business. Our approach to investing and managing risk is based on (i) proactive risk management, (ii) preservation of capital, (iii) dynamic capital allocation and (iv) expertise across strategies and geographies. We constantly monitor risk and have instituted a formal and consistent process to disseminate information, conduct informed debate, and take proactive or responsive action across our portfolios. In addition to our formalized process, we conduct custom studies and optimizations for various groups on an as-needed, ad hoc basis such as bespoke hedge solutions, pre-trade what-if analysis, and portfolio rebalance alternatives. Our goal is to preserve capital during periods of market decline and generate competitive investment performance in rising markets. We use sophisticated risk tools and active portfolio management to govern exposures to market and other risk factors. We adhere strictly to each fund's mandate and provisions with respect to leverage. We are knowledgeable about the risks of fund leverage, respectful of its limits, and judicious in our application. We allocate to individual investments based on a thorough analysis of the risk/reward for each opportunity under consideration and the investment objectives for each of our funds. When managing our funds' exposure to market risks, we may from time to time use hedging strategies and various forms of derivative instruments to limit the funds' exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates, currency exchange rates and commodity prices.

**Changes in Fair Value**

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

The amount of our assets under management in our multi-strategy and opportunistic credit funds is generally based on net asset value (plus unfunded commitments in certain cases). A 10% change in the fair value of the net assets held by our funds as of September 30, 2021 and December 31, 2020, would have resulted in a change of approximately \$1.7 billion and \$1.6 billion, respectively, in assets under management. Assets under management for our real estate funds and securitization vehicles are not based on net asset value.

**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 securitization vehicles are not based on net asset value; therefore, management fees are not directly impacted by changes in the fair value of investments held by those funds.

A hypothetical 10% decline in the fair value of the net assets held by our funds would have resulted in a reduction of management fees by approximately \$15.2 million in the nine months ended September 30, 2021 and \$12.7 million in nine months ended September 30, 2020.

**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 hurdle rates or high-water marks impact our ability to earn incentive income. Consequently, incentive income cannot be readily predicted or estimated.

A 10% change in the fair value of the net assets held by our funds as of the end of any year could significantly affect our incentive income. 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 until such investments are sold or otherwise realized.

#### **Exchange Rate Risk**

Changes in currency rates will impact the carrying value of financial instruments denominated in currencies other than the U.S. dollar. We hold certain cash and risk retention investments in the European CLOs as well as related financing (CLO Investments Loans and repurchase agreements) 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. Additionally, a portion of our operating expenses and management fees are denominated in non-U.S. dollar currencies. We manage our exposure to exchange rate risks through our regular operating activities, wherein we may align foreign currency payments and receipts, and when appropriate, through the use of derivative financial instruments to economically hedge certain foreign currency exposure, although the impact of these were not material in nine months ended September 30, 2021 and 2020.

We estimate that as of September 30, 2021 and 2020, a hypothetical 10% weakening or strengthening of the U.S. dollar against all foreign currency rates would not have a material direct impact on our revenues, net income attributable to Class A Shareholders or Economic Income. The impact on cash flows from financial instruments would be insignificant.

Our investment funds hold investments that are denominated in non-U.S. dollar currencies that may be affected by movement in the rate of exchange between the U.S. dollar and non-U.S. dollar currencies. The funds may seek to hedge resulting currency exposure through borrowings in foreign currencies or through the use of derivative financial instruments.

#### **Interest Rate Risk**

Borrowings under the 2020 Term Loan and our investments in CLOs accrue interest at variable rates. Interest rate changes may therefore affect the amount of our interest payments, future earnings and cash flows. We estimate that as of September 30, 2021 and 2020, a hypothetical one percentage increase or decrease in variable interest rates would not have a material direct impact 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.

Our investment funds hold investments that may be affected by changes in interest rates. A material increase in interest rates would be expected to negatively affect valuation of investments that accrue interest at fixed rates. The actual impact would be dependent upon the average duration of fixed income holdings at the time and may be partially offset by the use of derivative financial instruments and higher interest income on variable rate securities. For funds that pay management fees based on net asset value, we estimate that our management fees would change proportionally with such increases or decreases in net asset value.

#### **Credit Risk**

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

### **Item 4. Controls and Procedures**

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

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as

appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of September 30, 2021, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and were operating at a reasonable assurance level as of September 30, 2021.

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

There were no changes to our internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, that occurred in the third quarter of 2021 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 a 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 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 U.S. could adversely affect our business” in our Annual Report. See Note 16 to our consolidated financial statements included in this report for additional information.

### Item 1A. Risk Factors

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

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

None.

### Item 3. Defaults upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

None.

### Item 5. Other Information

#### Exchange of Group A Units for Class A Shares and Cash

On November 3, 2021 the Sculptor Operating Partnerships and Sculptor Corp exchanged 993,512 Group A Units held by certain former executive managing directors for a combination of \$11.1 million cash and 317,926 Class A shares, equating to an execution price of \$19.68 per Group A Unit. In addition, 534,969 Group A-1 Units held by such former executive managing directors were cancelled. The agreement to exchange such Group A Units was entered into on November 1, 2021 and was completed on November 3, 2021. The Class A Shares were issued in a transaction exempt from the registration requirement of the Securities Act of 1933, as amended, pursuant to Section 4(a)(2) thereof and Regulation D thereunder to accredited investors (as such term is defined in Regulation D).

**Item 6. Exhibits**

<a href="#">31.1*</a>	<a href="#">Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.</a>
<a href="#">31.2*</a>	<a href="#">Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.</a>
<a href="#">32.1*</a>	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101*	The following financial information from the Quarterly Report on Form 10-Q for the three months ended September 30, 2021, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Income (Loss); (iv) Consolidated Statements of Changes in Shareholders' Equity (Deficit); (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101)
*	Filed herewith
**	Certain schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K.
+	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: November 5, 2021

SCULPTOR CAPITAL MANAGEMENT, INC.

By: /s/ Dava Ritchea  
Dava Ritchea  
Chief Financial Officer and Executive Managing Director

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

I, James S. Levin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sculptor Capital Management, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ James S. Levin

Name: James S. Levin

Title: Chief Executive Officer and Executive Managing Director

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

I, Dava Ritchea, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sculptor Capital Management, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Dava Ritchea  
 Name: Dava Ritchea  
 Title: Chief Financial Officer and Executive Managing Director

Certification pursuant to 18 U.S.C. Section 1350,  
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and accompanies the Quarterly Report on Form 10-Q (the "Form 10-Q") for the quarter ended September 30, 2021, of Sculptor Capital Management, Inc. (the "Company").

We, James S. Levin and Dava Ritchea, the Chief Executive Officer and Chief Financial Officer, respectively, of the Company certify that, to the best of our knowledge:

- i. The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- ii. The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 5, 2021 \_\_\_\_\_

/s/ James S. Levin \_\_\_\_\_  
Name: James S. Levin  
Title: Chief Executive Officer and Executive Managing Director

November 5, 2021 \_\_\_\_\_

/s/ Dava Ritchea \_\_\_\_\_  
Name: Dava Ritchea  
Title: Chief Financial Officer and Executive Managing Director

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Form 10-Q or as a separate disclosure document.