Och-Ziff Capital Management Group LLC
Form 10-Q
August 05, 2015

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2015
Commission File Number 001-33805

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

Delaware (State of Incorporation)	26-0354783 (I.R.S. Employer Identification Number)

9 West 57th Street, New York, New York 10019
(Address of Principal Executive Offices)
Registrant's telephone number: (212) 790-0041

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 þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	þ	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ
As of July 31, 2015, there were 177,197,072 Class A Shares and 301,874,006 Class B Shares outstanding.

OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC
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Defined Terms	
2007 Offerings	Refers collectively to our IPO and the concurrent private offering of approximately 38.1 million Class A Shares to DIC Sahir Limited, a wholly owned indirect subsidiary of Dubai Holding LLC
2011 Offering	Our public offering of 33.3 million Class A Shares in November 2011
active executive managing directors	Executive managing directors who remain active in our business
Annual Report	Our annual report on Form 10-K for the year ended December 31, 2014, dated February 23, 2015 and filed with the SEC
Class A Shares	Our Class A Shares, representing Class A limited liability company interests of Och-Ziff Capital Management Group LLC, which are publicly traded and listed on the NYSE
Class B Shares	Class B Shares of Och-Ziff Capital Management Group LLC, which are not publicly traded, are currently held solely by our executive managing directors and have no economic rights but entitle the holders thereof to one vote per share together with the holders of our Class A Shares
CLOs	Collateralized loan obligations
Exchange Act	Securities Exchange Act of 1934, as amended
executive managing directors	The current limited partners of the Och-Ziff Operating Group entities other than our intermediate holding companies, including our founder, Daniel S. Och, and, except where the context requires otherwise, include certain limited partners who are no longer active in the business of the Company
GAAP	U.S. generally accepted accounting principles
intermediate holding companies	Refers collectively to Och-Ziff Corp and Och-Ziff Holding, both of which are wholly owned subsidiaries of Och-Ziff Capital Management Group LLC
Institutional Credit Strategies	Our asset management platform that invests in performing credits, including leveraged loans, high-yield bonds, private credit/bespoke financing and investment grade credit via CLOs and other customized solutions
IPO	Our initial public offering of 36.0 million Class A Shares that occurred in November 2007
NYSE	New York Stock Exchange
Och-Ziff, the Company, the firm, we, us, our	Refers, unless the context requires otherwise, to Och-Ziff Capital Management Group LLC, a Delaware limited liability company, and its consolidated subsidiaries, including the Och-Ziff Operating Group

Och-Ziff Corp	Och-Ziff Holding Corporation, a Delaware corporation
Och-Ziff funds, funds	The multi-strategy, opportunistic credit, real estate and equity funds, Institutional Credit Strategies products and other alternative investment vehicles for which we provide asset management services
Och-Ziff Holding	Och-Ziff Holding LLC, a Delaware limited liability company

Och-Ziff Operating Group	Refers collectively to OZ Management, OZ Advisors I and OZ Advisors II, and their consolidated subsidiaries
OZ Advisors I	OZ Advisors LP, a Delaware limited partnership
OZ Advisors II	OZ Advisors II LP, a Delaware limited partnership
OZ Management	OZ Management LP, a Delaware limited partnership
Registrant	Och-Ziff Capital Management Group LLC, a Delaware limited liability company
Reorganization	The reorganization of our business that took place prior to the 2007 Offerings
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Special Investments	Investments that we, as investment manager, believe lack a readily ascertainable market value, are illiquid or should be held until the resolution of a special event or circumstance
Ziffs	Refers collectively to Ziff Investors Partnership, L.P. II and certain of its affiliates and control persons

Available Information

Och-Ziff Capital Management Group LLC files 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.ozcap.com) our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and any amendments to those filings as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Also posted on our website in the “Public Investors – Corporate Governance” section are charters for our Audit Committee; Compensation Committee; and Nominating, Corporate Governance and Conflicts Committee, as well as our Corporate Governance Guidelines and Code of Business Conduct and Ethics governing our directors, officers and employees. Information on, or accessible through, our website is not a part of, and is not incorporated into, this report or any other SEC filing. Copies of our SEC filings or corporate governance materials are available without charge upon written request to Och-Ziff Capital Management Group LLC, 9 West 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) or may be read and copied at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

Forward-Looking Statements

Some of the statements under “Part I — Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” which we refer to as the “MD&A,” “Part I — Item 3. Quantitative and Qualitative Disclosures About Market Risk,” “Part II — Item 1A. Risk Factors” and elsewhere in this quarterly report may contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act that reflect our current views with respect to, among other things, future events and financial performance. We generally identify forward-looking statements by terminology such as “outlook,” “believe,” “expect,” “potential,” “continue,” “may,” “will,” “sho “could,” “seek,” “approximately,” “predict,” “intend,” “plan,” “estimate,” “anticipate,” “opportunity,” “comfortable,” “assume “maintain,” “sustain,” “achieve,” “see,” “think,” “position” or the negative version of those words or other comparable words. Any forward-looking statements contained herein are based upon historical information and on our current plans, estimates and expectations. The inclusion of this or other forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved.

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

If one or more of these or other risks or uncertainties materialize, or if our assumptions or estimates prove to be incorrect, our actual results may vary materially from those indicated in these statements. These factors are not and should not be construed as exhaustive and should be read in conjunction with the other cautionary statements and risks that are included in our filings with the SEC, including but not limited to our Annual Report.

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

PART I – FINANCIAL INFORMATION
Item 1. Financial Statements
OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC
CONSOLIDATED BALANCE SHEETS — UNAUDITED

	June 30, 2015	December 31, 2014
	(dollars in thousands)	
Assets		
Cash and cash equivalents	$279,357	$250,603
Income and fees receivable	41,205	440,327
Due from related parties	8,284	4,963
Deferred income tax assets	737,509	835,385
Other assets, net (includes assets measured at fair value of $36,998 and $36,969 as of June 30, 2015 and December 31, 2014, respectively)	213,246	212,428
Assets of consolidated Och-Ziff funds:		
Investments, at fair value	8,792,491	7,456,134
Other assets of Och-Ziff funds	174,135	103,046
Total Assets	$10,246,227	$9,302,886
Liabilities and Shareholders' Equity		
Liabilities		
Due to related parties	$654,504	$702,905
Debt obligations	450,427	447,887
Compensation payable	25,620	238,489
Other liabilities	87,593	95,747
Liabilities of consolidated Och-Ziff funds:		
Notes payable of consolidated CLOs, at fair value	6,328,081	5,227,411
Securities sold under agreements to repurchase	254,405	302,266
Other liabilities of Och-Ziff funds	40,550	50,333
Total Liabilities	7,841,180	7,065,038
Commitments and Contingencies (Note 14)		
Redeemable Noncontrolling Interests (Note 3)	884,042	545,771
Shareholders' Equity		
Class A Shares, no par value, 1,000,000,000 shares authorized, 177,195,620 and 175,946,555 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	—	—
Class B Shares, no par value, 750,000,000 shares authorized, 301,874,006 and 301,884,116 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	—	—
Paid-in capital	3,029,485	3,004,881
Appropriated retained deficit	(43,934)	(31,336)
Accumulated deficit	(3,358,510)	(3,264,304)
Shareholders' deficit attributable to Class A Shareholders	(372,959)	(290,759)
Shareholders' equity attributable to noncontrolling interests	1,893,964	1,982,836
Total Shareholders' Equity	1,521,005	1,692,077

Total Liabilities, Redeemable Noncontrolling Interests and Shareholders' Equity	$10,246,227	$9,302,886

See notes to consolidated financial statements.

OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME — UNAUDITED

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Revenues				
Management fees	$167,486	$164,031	$333,429	$322,801
Incentive income	28,537	10,918	85,647	63,011
Other revenues	508	201	969	647
Income of consolidated Och-Ziff funds	124,868	87,319	234,205	161,490
Total Revenues	321,399	262,469	654,250	547,949
Expenses				
Compensation and benefits	71,375	66,694	141,293	132,549
Reorganization expenses	4,017	4,021	8,034	8,042
Interest expense	5,405	1,693	10,650	3,359
General, administrative and other	12,013	43,231	61,848	79,143
Expenses of consolidated Och-Ziff funds	78,383	38,456	138,271	77,133
Total Expenses	171,193	154,095	360,096	300,226
Other Income (Loss)				
Net gains on investments in Och-Ziff funds and joint ventures	72	390	189	5,873
Net gains (losses) of consolidated Och-Ziff funds	(3,399)	65,768	42,486	120,267
Total Other Income (Loss)	(3,327)	66,158	42,675	126,140
Income Before Income Taxes	146,879	174,532	336,829	373,863
Income taxes	82,025	21,328	107,185	54,919
Consolidated and Comprehensive Net Income	$64,854	$153,204	$229,644	$318,944
Allocation of Consolidated and Comprehensive Net Income				
Class A Shareholders	$4,760	$10,716	$30,631	$34,568
Noncontrolling interests	58,022	128,596	191,375	260,661
Redeemable noncontrolling interests	2,072	13,892	7,638	23,715
	$64,854	$153,204	$229,644	$318,944
Earnings Per Class A Share				
Basic	$0.03	$0.06	$0.17	$0.20
Diluted	$0.03	$0.05	$0.17	$0.20
Weighted-Average Class A Shares Outstanding				
Basic	177,693,164	172,733,171	177,664,174	172,329,212
Diluted	182,095,697	479,894,909	181,126,383	176,821,370
Dividends Paid per Class A Share	$0.22	$0.23	$0.69	$1.35

See notes to consolidated financial statements.

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OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY — UNAUDITED

	Och-Ziff Capital Management Group LLC Shareholders							
	Number of Class A Shares	Number of Class B Shares	Paid-in Capital	Appropriated Retained Deficit	Accumulated Deficit	Shareholders' Deficit Attributable to Class A Shareholders	Shareholders' Equity Attributable to Noncontrolling Interests	Total Shareholders' Equity
			(dollars in thousands)					
As of December 31, 2014	175,946,555	301,884,116	$3,004,881	$(31,336)	$(3,264,304)	$(290,759)	$1,982,836	$1,692,077
Capital contributions	—	—	—	—	—	—	194,042	194,042
Capital distributions	—	—	—	—	—	—	(509,771)	(509,771)
Cash dividends declared on Class A Shares	—	—	—	—	(121,538)	(121,538)	—	(121,538)
Dividend equivalents on Class A restricted share units	—	—	3,299	—	(3,299)	—	—	—
Equity-based compensation	1,249,065	(10,110)	18,349	—	—	18,349	31,362	49,711
Impact of changes in Och-Ziff Operating Group ownership (See Note 3)	—	—	(10)	—	—	(10)	10	—
Initial consolidation of CLOs	—	—	—	(13,556)	—	(13,556)	—	(13,556)
Allocation of income of consolidated CLOs	—	—	—	958	—	958	(958)	—
Impact of amortization of Reorganization charges on capital	—	—	2,966	—	—	2,966	5,068	8,034
Total comprehensive	—	—	—	—	30,631	30,631	191,375	222,006

net income, excluding amounts allocated to redeemable noncontrolling interests								
As of June 30, 2015	177,195,620	301,874,006	$3,029,485	$(43,934)	$(3,358,510)	$(372,959)	$1,893,964	$1,521,005

See notes to consolidated financial statements.

OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED

	Six Months Ended June 30,	
	2015	2014
	(dollars in thousands)	
Cash Flows from Operating Activities		
Consolidated net income	$229,644	$318,944
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Reorganization expenses	8,034	8,042
Amortization of equity-based compensation	59,043	55,869
Depreciation and amortization	5,149	3,631
Deferred income taxes	98,071	37,166
Operating cash flows due to changes in:		
Income and fees receivable	399,122	910,381
Due from related parties	(3,321)	(1,673)
Other assets, net	21,166	(18,727)
Due to related parties	(48,401)	(3,797)
Compensation payable	(217,778)	(288,669)
Other liabilities	(4,489)	31,334
Consolidated Och-Ziff funds related items:		
Net gains of consolidated Och-Ziff funds	(42,486)	(120,267)
Purchases of investments	(2,411,545)	(2,775,985)
Proceeds from sale of investments	2,155,014	2,407,246
Other assets of consolidated Och-Ziff funds	(18,464)	103,864
Securities sold under agreements to repurchase	(47,861)	(30,431)
Other liabilities of consolidated Och-Ziff funds	(12,633)	6,708
Net Cash Provided by Operating Activities	168,265	643,636
Cash Flows from Investing Activities		
Purchases of fixed assets	(31,686)	(45,256)
Investment in Och-Ziff funds	(415)	(15,316)
Return of investment in Och-Ziff funds	167	15,836
Other, net	—	4,021
Net Cash Used in Investing Activities	(31,934)	(40,715)

OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED — (continued)

	Six Months Ended June 30,	
	2015	2014
	(dollars in thousands)	
Cash Flows from Financing Activities		
Contributions from noncontrolling and redeemable noncontrolling interests	524,675	459,694
Distributions to noncontrolling and redeemable noncontrolling interests	(509,771)	(711,394)
Dividends on Class A Shares	(121,538)	(229,472)
Proceeds from debt obligations	3,606	32,662
Other, net	(4,549)	(7,460)
Net Cash Used in Financing Activities	(107,577)	(455,970)
Net Change in Cash and Cash Equivalents	28,754	146,951
Cash and Cash Equivalents, Beginning of Period	250,603	189,974
Cash and Cash Equivalents, End of Period	$279,357	$336,925
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period:		
Interest	$9,593	$3,302
Income taxes	$10,894	$12,780
Non-cash transactions:		
Assets related to the initial consolidation of CLOs	$1,051,471	$1,405,840
Liabilities related to the initial consolidation of CLOs	$1,065,027	$1,426,194

See notes to consolidated financial statements.

OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — UNAUDITED
JUNE 30, 2015

1. OVERVIEW

Och-Ziff Capital Management Group LLC (the "Registrant"), a Delaware limited liability company, together with its consolidated subsidiaries (collectively, the "Company"), is a global alternative asset management firm with offices in New York, London, Hong Kong, Mumbai, Beijing, Dubai and Shanghai. The Company provides asset management services to its investment funds (the "Och-Ziff funds" or the "funds"), which pursue a broad range of global investment opportunities. The Company currently manages multi-strategy funds, dedicated credit funds, including opportunistic credit funds and Institutional Credit Strategies (as described below), real estate funds and other alternative investment vehicles.

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

The Company currently has two operating segments: the Och-Ziff Funds segment and the Company's real estate business. The Och-Ziff Funds segment is currently the Company's only reportable operating segment under U.S. generally accepted accounting principles ("GAAP") and provides asset management services to the Company's multi-strategy funds, dedicated credit funds and other alternative investment vehicles. Through Institutional Credit Strategies, the Company's asset management platform that invests in performing credits, the Och-Ziff Funds segment manages collateralized loan obligations ("CLOs") and other customized solutions for clients. The Company's real estate business, which provides asset management services to its real estate funds, is included within Other Operations as it does not meet the threshold of a reportable operating segment under GAAP.

The Company generates substantially all of its revenues in the United States. The liability of the Company's Class A Shareholders is limited to the extent of their capital contributions.

The Company conducts substantially all of its operations through OZ Management LP ("OZ Management"), OZ Advisors LP ("OZ Advisors I") and OZ Advisors II LP ("OZ Advisors II") and their consolidated subsidiaries (collectively, the "Och-Ziff Operating Group"). References to the Company's "executive managing directors" refer to the current limited partners of OZ Management, OZ Advisors and OZ Advisors II other than the Company's intermediate holding companies, including the Company's founder, Daniel S. Och, and, except where the context requires otherwise, include certain limited partners who are no longer active in the business of the Company. References to the Company's "active executive managing directors" refer to executive managing directors who remain active in the Company's business. References to the "Ziffs" refer collectively to Ziff Investors Partnership, L.P. II and certain of its affiliates and control persons. References to the Company's "intermediate holding companies" refer, collectively, to Och-Ziff Holding Corporation ("Och-Ziff Corp") and Och-Ziff Holding LLC, both of which are wholly owned subsidiaries of the Registrant.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These unaudited, interim, consolidated financial statements are prepared in accordance with GAAP as set forth in the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC"), and should be read in conjunction with the audited consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2014 (the "Annual Report"). In the opinion of management, all adjustments considered necessary for a fair presentation of the Company's unaudited, interim, consolidated financial statements have been included and are of a normal and recurring nature. The results of operations presented for the interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year, primarily because of the majority of incentive income and discretionary cash bonuses being recorded in the fourth quarter each year. All significant intercompany transactions and balances have been eliminated in consolidation.

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OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — UNAUDITED
JUNE 30, 2015

Recently Adopted Accounting Pronouncements

In June 2014, the FASB issued ASU 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. ASU 2014-11 amends ASC 860—Transfers and Servicing to address the accounting for certain secured financing transactions. ASU 2014-11 also requires additional disclosures about certain transferred financial assets accounted for as sales, as well as those accounted for as secured financing transactions. ASU 2014-11 was effective for the Company beginning in the second quarter of 2015. The impact of ASU 2014-11 to the Company's consolidated financial statements is limited to the additional disclosures for transferred financial assets accounted for as financing transactions, as disclosed in Note 5.

None of the other changes to GAAP that went into effect in the six months ended June 30, 2015 has had a material effect on the Company's consolidated financial statements.

Future Adoption of Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers. ASU 2014-09 supersedes the revenue recognition requirements in ASC 605—Revenue Recognition and most industry-specific revenue recognition guidance throughout the Codification. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Entities are permitted to apply the guidance in ASU 2014-09 using one of the following methods: (1) full retrospective application to each prior period presented, or (2) modified retrospective application with a cumulative effect adjustment to opening retained earnings in the annual reporting period that includes that date of initial application. The requirements of ASU 2014-09 were initially effective for the Company beginning in the first quarter of 2017; however, the FASB in April 2015 approved a deferral of the effective date to the first quarter of 2018. The Company is currently evaluating the impact, if any, that this update will have on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-13, Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity. ASU 2014-13 amends ASC 810—Consolidation to address the measurement difference that may occur between the fair value, as determined under GAAP, of the financial assets and financial liabilities of a consolidated collateralized financing entity, such as a CLO. The new guidance provides a measurement alternative which allows entities to measure both the financial assets and financial liabilities of the consolidated collateralized financing entity using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. The requirements of ASU 2014-13 are effective for the Company beginning in the first quarter of 2016 using a full retrospective or modified retrospective approach at adoption. The Company is currently evaluating the impact that this update will have on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis. ASU 2015-02 significantly changes the consolidation analysis required under GAAP. Key changes include the following:

- The indefinite deferral from ASU 2010-10, Amendments to Statement 167 for Certain Investment Funds is eliminated.
- The presumption that a general partner should consolidate a limited partnership is eliminated. Limited partners other than interests held by the Company and its related parties must now have either substantive kick-out or participating rights in order for a limited partnership to qualify as a voting interest entity.
- Management fees and incentive income earned by the Company will no longer be considered variable interests where such fees are customary and commensurate with the level of effort required for services provided and where the Company and its related parties do not hold other interests in the variable interest entity ("VIE") that would absorb more than an insignificant amount of the variability of the VIE.
- The requirement that fees paid to the Company that are both customary and commensurate with the level of effort required for services provided be included in the determination of whether the Company absorbs variability of a VIE when the Company also has a separate variable interest in that VIE is also eliminated.

- When determining the primary beneficiary of a VIE, the Company will only need to consider its share of the economic exposure in the VIE held by related parties, unless the related party is under common control, in which case the variable interest held by the related party will be considered in its entirety.

OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — UNAUDITED
JUNE 30, 2015

Entities are permitted to apply the guidance in ASU 2015-02 using one of the following methods: (1) full retrospective application to each prior period presented, or (2) modified retrospective application with a cumulative effect adjustment to opening retained earnings in the annual reporting period that includes that date of initial application. The requirements of ASU 2015-02 are effective for the Company beginning in the first quarter of 2016, with early adoption permitted in any interim period of 2015. The Company is currently evaluating the impact that this update will have on its consolidated financial statements.

ASU 2015-03, Simplifying the Presentation of Debt Issuance costs. ASU 2015-03 simplifies the presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The requirements of ASU 2015-03 are effective for the Company beginning in first quarter of 2016, with early adoption permitted. The impact on the Company will be limited to a reclassification of debt issuance costs from other assets to debt obligations in the Company's consolidated balance sheet. As of June 30, 2015, the amount of debt issuance costs within the scope of ASU 2015-03 and currently presented within other assets, net was $6.5 million.

In May 2015, the FASB issued ASU 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 will be effective for the Company beginning in the first quarter of 2016, with early adoption permitted, and will be applied retrospectively. The impact of ASU 2015-07 will be limited to disclosure of the level in the fair value hierarchy of investments held by the Company that are measured using net asset value per share during the periods presented.

None of the other changes to GAAP that are not yet effective are expected to have a material effect on the Company's consolidated financial statements.

3. NONCONTROLLING INTERESTS

Noncontrolling interests represent ownership interests in the Company's subsidiaries held by parties other than the Company, and primarily relate to the Och-Ziff Operating Group A Units held by the Company's executive managing directors and the Ziffs (until they exchanged their remaining interests during the 2014 second quarter) as well as fund investors' interests in the consolidated Och-Ziff funds. Net income allocated to the Och-Ziff Operating Group A Units is driven by the earnings of the Och-Ziff Operating Group. Net income allocated to fund investors' interests in consolidated Och-Ziff funds is driven by the earnings of those funds, including the net difference in the fair value of CLO assets and liabilities that are subsequently reclassified to appropriated retained earnings on the consolidated balance sheets.

The following table presents the components of the net income allocated to noncontrolling interests:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Och-Ziff Operating Group A Units	$50,802	$48,981	$131,734	$122,562
Consolidated Och-Ziff funds	7,105	79,715	59,457	137,956
Other	115	(100)	184	143
	$58,022	$128,596	$191,375	$260,661

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

	June 30, 2015	December 31, 2014
	(dollars in thousands)	
Och-Ziff Operating Group A Units	$497,029	$579,417
Consolidated Och-Ziff funds	1,393,623	1,401,495
Other	3,312	1,924
	$1,893,964	$1,982,836

The following table presents the activity in redeemable noncontrolling interests as presented in the consolidated balance sheets:

	Six Months Ended June 30, 2015
	(dollars in thousands)
Beginning balance	$545,771
Capital contributions	330,633
Total net income	7,638
Ending Balance	$884,042

Och-Ziff Operating Group Ownership

The Company's interest in the Och-Ziff Operating Group increased to 37.0% as of June 30, 2015, from 36.8% as of December 31, 2014. Changes in the Company's interest in the Och-Ziff Operating Group are generally driven by the following: (i) the exchange of Och-Ziff Operating Group A Units for an equal number of Class A Shares, at which time the related Class B Shares are also canceled; (ii) the issuance of Class A Shares under the Company's Amended and Restated 2007 Equity Incentive Plan and 2013 Incentive Plan, primarily related to the settlement of Class A restricted share units ("RSUs"); and (iii) the forfeiture of Och-Ziff Operating Group A Units and related Class B Shares by a departing executive managing director. The Company's interest in the Och-Ziff Operating Group is expected to continue to increase over time as additional Class A Shares are issued upon the exchange of Och-Ziff Operating Group A Units and settlement of RSUs. These increases will be offset upon any conversion by an executive managing director of Och-Ziff Operating Group D Units, which are not considered equity for GAAP purposes, into Och-Ziff Operating Group A Units, at which time an equal number of Class B Shares is also issued to the executive managing director.

4. FAIR VALUE DISCLOSURES

Fair value represents the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date (i.e., an exit price). Due to the inherent uncertainty of valuations of investments that are determined to be illiquid or do not have readily ascertainable fair values, the estimates of fair value may differ from the values ultimately realized, and those differences can be material.

GAAP prioritizes the level of market price observability used in measuring assets and liabilities at fair value. Market price observability is impacted by a number of factors, including the type of assets and liabilities and the specific characteristics of the assets and liabilities. Assets and liabilities with readily available, actively quoted prices or for which fair value can be measured from actively-quoted prices generally will have a higher degree of market price observability and lesser degree of judgment used in measuring fair value.

Assets and liabilities measured at fair value are classified into one of the following categories:

•

Level I – Fair value is determined using quoted prices that are available in active markets for identical assets or liabilities. The types of assets and liabilities that would generally be included in this category are certain listed equities, U.S. Treasury obligations and certain listed derivatives.

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- Level II – Fair value is determined using quotations received from dealers making a market for these assets or liabilities ("broker quotes"), valuations obtained from independent third-party pricing services, the use of models or other valuation methodologies based on pricing inputs that are either directly or indirectly market observable as of the measurement date. The types of assets and liabilities that would generally be included in this category are certain corporate bonds, certain credit default swap contracts, certain bank debt securities, certain commercial real estate debt, less liquid equity securities, forward contracts and certain over the-counter ("OTC") derivatives.
- Level III – Fair value is determined using pricing inputs that are unobservable in the market and includes situations where there is little, if any, market activity for the asset or liability. The fair value of assets and liabilities in this category may require significant judgment or estimation in determining fair value of the assets or liabilities. The fair value of these assets and liabilities may be estimated using a combination of observed transaction prices, independent pricing services, relevant broker quotes, models or other valuation methodologies based on pricing inputs that are neither directly or indirectly market observable. The types of assets and liabilities that would generally be included in this category include real estate investments, equity and debt securities issued by private entities, limited partnerships, certain corporate bonds, certain credit default swap contracts, certain bank debt securities, certain commercial real estate debt, certain OTC derivatives, residential and commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations, as well as the notes payable of consolidated CLOs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Fair Value Measurements Categorized within the Fair Value Hierarchy

The following table summarizes the Company's assets and liabilities (excluding the assets and liabilities of the consolidated funds) measured at fair value on a recurring basis within the fair value hierarchy as of June 30, 2015 and December 31, 2014:

	Fair Value		
	June 30, 2015	December 31, 2014	Fair Value Hierarchy
	(dollars in thousands)		
United States government obligations	$36,998	$36,969	Level 1
Financial Assets, at Fair Value, Included Within Other Assets, Net	$36,998	$36,969	

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Consolidated Funds

The assets and liabilities presented in the tables below belong to the investors in the consolidated funds. The Company has a minimal, if any, investment in these funds.

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis within the fair value hierarchy as of June 30, 2015:

	As of June 30, 2015				
	Level I	Level II	Level III	Counterparty Netting of Derivative Contracts	Total
	(dollars in thousands)				
Bank debt	$—	$4,433,139	$1,802,755	$—	$6,235,894
Real estate investments	—	—	737,478	—	737,478
Investments in affiliated credit funds	—	—	932,257	—	932,257
Residential mortgage-backed securities	—	—	414,331	—	414,331
Collateralized debt obligations	—	—	119,162	—	119,162
Energy and natural resources limited partnerships	—	—	168,374	—	168,374
Commercial real estate debt	—	—	61,267	—	61,267
Corporate bonds	—	78,930	14	—	78,944
United States government obligations	17,417	—	—	—	17,417
Asset-backed securities	—	—	23,259	—	23,259
Commercial mortgage-backed securities	—	—	679	—	679
Other investments	1,423	—	2,017	(11)	3,429
Financial Assets, at Fair Value, Included Within Investments, at Fair Value	$18,840	$4,512,069	$4,261,593	$(11)	$8,792,491
Senior secured notes payable of consolidated CLOs	$—	$—	$5,827,658	$—	$5,827,658
Subordinated notes payable of consolidated CLOs	—	—	500,423	—	500,423
Notes payable of consolidated CLOs, at fair value	—	—	6,328,081	—	6,328,081
Other liabilities, included within other liabilities of Och-Ziff funds	4,546	379	12	(11)	4,926
Financial Liabilities, at Fair Value	$4,546	$379	$6,328,093	$(11)	$6,333,007

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The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis within the fair value hierarchy as of December 31, 2014:

	As of December 31, 2014				
	Level I	Level II	Level III	Counterparty Netting of Derivative Contracts	Total
	(dollars in thousands)				
Bank debt	$—	$3,022,441	$2,224,032	$—	$5,246,473
Real estate investments	—	—	645,916	—	645,916
Investments in affiliated credit funds	—	—	628,913	—	628,913
Residential mortgage-backed securities	—	—	462,927	—	462,927
Collateralized debt obligations	—	—	173,746	—	173,746
Energy and natural resources limited partnerships	—	—	154,782	—	154,782
Commercial real estate debt	—	—	29,815	—	29,815
Corporate bonds	—	70,398	656	—	71,054
United States government obligations	15,000	—	—	—	15,000
Asset-backed securities	—	—	21,368	—	21,368
Commercial mortgage-backed securities	—	—	3,287	—	3,287
Other investments	2	705	2,151	(5)	2,853
Financial Assets, at Fair Value, Included Within Investments, at Fair Value	$15,002	$3,093,544	$4,347,593	$(5)	$7,456,134
Senior secured notes payable of consolidated CLOs	$—	$—	$4,784,134	$—	$4,784,134
Subordinated notes payable of consolidated CLOs	—	—	443,277	—	443,277
Notes payable of consolidated CLOs, at fair value	—	—	5,227,411	—	5,227,411
Other liabilities, included within other liabilities of Och-Ziff funds	5,716	—	7	(5)	5,718
Financial Liabilities, at Fair Value	$5,716	$—	$5,227,418	$(5)	$5,233,129

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Reconciliation of Fair Value Measurements Categorized within Level III

The Company assumes that any transfers between Level I, Level II or Level III occur at the beginning of the reporting period presented. Amounts related to the initial consolidation of the Company's CLOs are included within investment purchases in the tables below.

The following table summarizes the changes in the Company's Level III assets and liabilities (excluding notes payable of consolidated CLOs) for the three months ended June 30, 2015:

	March 31, 2015	Transfers In	Transfers Out	Investment Purchases	Investment Sales	Derivative Settlements	Net Gains (Losses) of Consolidated Och-Ziff Funds	June 30, 2015
	(dollars in thousands)							
Bank debt	$1,916,114	$245,374	$(477,882)	$387,905	$(265,141)	$—	$(3,615)	$1,802,755
Real estate investments	687,560	—	—	79,266	(64,227)	—	34,879	737,478
Investments in affiliated credit funds	764,993	—	—	201,191	(37,958)	—	4,031	932,257
Residential mortgage-backed securities	434,975	—	—	14,827	(31,109)	—	(4,362)	414,331
Collateralized debt obligations	150,963	—	—	3,105	(38,463)	—	3,557	119,162
Energy and natural resources limited partnerships	162,717	—	—	5,474	—	—	183	168,374
Commercial real estate debt	63,959	—	—	—	(3,156)	—	464	61,267
Corporate bonds	698	—	—	—	(522)	—	(162)	14
Asset-backed securities	22,545	—	—	1,532	(995)	—	177	23,259
Commercial mortgage-backed securities	2,996	—	—	—	(2,602)	—	285	679
Other investments (including derivatives, net)	2,120	—	—	—	(234)	(209)	328	2,005
	$4,209,640	$245,374	$(477,882)	$693,300	$(444,407)	$(209)	$35,765	$4,261,581

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The following table summarizes the changes in the Company's Level III assets and liabilities (excluding notes payable of consolidated CLOs) for the three months ended June 30, 2014:

	March 31, 2014	Transfers In	Transfers Out	Investment Purchases	Investment Sales	Derivative Settlements	Net Gains (Losses) of Consolidated Och-Ziff Funds	June 30, 2014
	(dollars in thousands)							
Bank debt	$1,323,441	$78,502	$(272,750)	$867,757	$(356,611)	$—	$1,461	$1,641,800
Real estate investments	620,036	—	—	3,177	(23,139)	—	9,249	609,323
Investments in affiliated credit funds	431,108	—	—	107,492	(22,303)	—	20,910	537,207
Residential mortgage-backed securities	399,791	—	—	46,706	(41,666)	—	16,577	421,408
Collateralized debt obligations	210,823	—	—	24,144	(50,755)	—	6,604	190,816
Energy and natural resources limited partnerships	146,509	—	—	17,606	(1,811)	—	9,211	171,515
Commercial real estate debt	132,537	—	—	65,102	(39,312)	—	4,604	162,931
Corporate bonds	849	—	—	18	—	—	(41)	826
Asset-backed securities	25,508	—	—	595	(1,567)	—	(1,144)	23,392
Commercial mortgage-backed securities	9,826	—	—	—	—	—	57	9,883
Other investments (including derivatives, net)	4,189	—	—	298	(2,527)	1,988	(76)	3,872
	$3,304,617	$78,502	$(272,750)	$1,132,895	$(539,691)	$1,988	$67,412	$3,772,973

The following table summarizes the changes in the Company's Level III assets and liabilities (excluding notes payable of consolidated CLOs) for the six months ended June 30, 2015:

	December 31, 2014	Transfers In	Transfers Out	Investment Purchases	Investment Sales	Derivative Settlements	Net Gains (Losses) of Consolidated Och-Ziff Funds	June 30, 2015
	(dollars in thousands)							

Bank debt	$2,224,032	$189,756	$(782,478)	$703,752	$(548,534)	$—	$16,227	$1,802,755
Real estate investments	645,916	—	—	138,514	(98,537)	—	51,585	737,478
Investments in affiliated credit funds	628,913	—	—	374,077	(85,612)	—	14,879	932,257
Residential mortgage-backed securities	462,927	—	—	26,615	(72,377)	—	(2,834)	414,331
Collateralized debt obligations	173,746	—	—	7,425	(73,916)	—	11,907	119,162
Energy and natural resources limited partnerships	154,782	—	—	17,870	(3,467)	—	(811)	168,374
Commercial real estate debt	29,815	—	—	33,892	(3,164)	—	724	61,267
Corporate bonds	656	—	—	146	(521)	—	(267)	14
Asset-backed securities	21,368	—	—	3,822	(1,969)	—	38	23,259
Commercial mortgage-backed securities	3,287	—	—	—	(2,904)	—	296	679
Other investments (including derivatives, net)	2,144	—	—	—	(234)	(371)	466	2,005
	$4,347,586	$189,756	$(782,478)	$1,306,113	$(891,235)	$(371)	$92,210	$4,261,581

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The following table summarizes the changes in the Company's Level III assets and liabilities (excluding notes payable of consolidated CLOs) for the six months ended June 30, 2014:

	December 31, 2013	Transfers In	Transfers Out	Investment Purchases	Investment Sales	Derivative Settlements	Net Gains (Losses) of Consolidated Och-Ziff Funds	June 30, 2014
	(dollars in thousands)							
Bank debt	$1,180,831	$86,579	$(276,178)	$1,202,450	$(557,214)	$—	$5,332	$1,641,800
Real estate investments	633,311	—	—	18,491	(71,727)	—	29,248	609,323
Investments in affiliated credit funds	188,454	—	—	347,597	(34,348)	—	35,504	537,207
Residential mortgage-backed securities	400,510	—	—	133,071	(146,532)	—	34,359	421,408
Collateralized debt obligations	205,026	—	—	75,450	(108,727)	—	19,067	190,816
Energy and natural resources limited partnerships	158,759	—	—	20,759	(16,002)	—	7,999	171,515
Commercial real estate debt	93,445	—	—	105,388	(40,805)	—	4,903	162,931
Corporate bonds	817	—	—	18	—	—	(9)	826
Asset-backed securities	34,627	—	—	595	(9,774)	—	(2,056)	23,392
Commercial mortgage-backed securities	20,530	—	—	—	(13,321)	—	2,674	9,883
Other investments (including derivatives, net)	2,492	69	—	1,753	(3,093)	2,421	230	3,872
	$2,918,802	$86,648	$(276,178)	$1,905,572	$(1,001,543)	$2,421	$137,251	$3,772,973

Transfers out of Level III presented in the tables above resulted from the fair values of certain securities becoming market observable, with fair value determined using independent pricing services. Transfers into Level III presented in the table above resulted from the valuation of certain investments with decreased market observability, with fair values determined using broker quotes or independent pricing services. There were no transfers between Levels I and II during the period presented above.

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The table below summarizes the net change in unrealized gains and losses on the Company's Level III assets and liabilities (excluding notes payable of consolidated CLOs) held as of the reporting date. These gains and losses are included within net gains (losses) of consolidated Och-Ziff funds in the Company's consolidated statements of comprehensive income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Bank debt	$(3,835)	$2,300	$11,453	$4,148
Real estate investments	22,612	6,560	31,067	23,443
Investments in affiliated credit funds	(12,297)	902	(33,702)	4,636
Residential mortgage-backed securities	(6,166)	13,275	(6,796)	23,225
Collateralized debt obligations	(1,125)	(2,422)	(1,028)	4,624
Energy and natural resources limited partnerships	183	9,938	(811)	8,548
Commercial real estate debt	657	1,614	907	1,840
Corporate bonds	(155)	(36)	(239)	(9)
Asset-backed securities	249	(1,198)	194	(2,288)
Commercial mortgage-backed securities	(290)	32	(303)	(3)
Other investments (including derivatives, net)	109	(197)	85	455
	$(58)	$30,768	$827	$68,619

The tables below summarize the changes in the notes payable of consolidated CLOs for the three and six months ended June 30, 2015 and 2014. The amounts presented within net gains (losses) of consolidated Och-Ziff funds represent the net change in unrealized gains (losses) on the notes payable of consolidated CLOs, as none of these notes have been repaid as of June 30, 2015. These amounts all relate to liabilities still in existence as of each respective balance sheet date. Amounts related to the initial consolidation of the Company's CLOs are included within issuances in the tables below.

	March 31, 2015	Issuances	Net (Gains) Losses of Consolidated Och-Ziff Funds	June 30, 2015
	(dollars in thousands)			
Senior secured notes payable of consolidated CLOs	$5,298,366	$511,166	$18,126	$5,827,658
Subordinated notes payable of consolidated CLOs	468,930	47,147	(15,654)	500,423
	$5,767,296	$558,313	$2,472	$6,328,081

	March 31, 2014	Issuances	Net Gains of Consolidated Och-Ziff Funds	June 30, 2014
	(dollars in thousands)			
Senior secured notes payable of consolidated CLOs	$2,515,873	$1,306,180	$(3,850)	$3,818,203
	256,582	120,014	(1,693)	374,903

Subordinated notes payable of consolidated CLOs	$2,772,455	$1,426,194	$(5,543)	$4,193,106

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	December 31, 2014	Issuances	Net (Gains) Losses of Consolidated Och-Ziff Funds	June 30, 2015
	(dollars in thousands)			
Senior secured notes payable of consolidated CLOs	$4,784,134	$975,543	$67,981	$5,827,658
Subordinated notes payable of consolidated CLOs	443,277	86,634	(29,488)	500,423
	$5,227,411	$1,062,177	$38,493	$6,328,081

	December 31, 2013	Issuances	Net (Gains) Losses of Consolidated Och-Ziff Funds	June 30, 2014
	(dollars in thousands)			
Senior secured notes payable of consolidated CLOs	$2,508,338	$1,306,180	$3,685	$3,818,203
Subordinated notes payable of consolidated CLOs	255,639	120,014	(750)	374,903
	$2,763,977	$1,426,194	$2,935	$4,193,106

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

Real Estate Investments

Real estate investments are generally structured as equity, preferred equity, mezzanine debt, and participating debt in entities domiciled primarily in the United States and include investments in lodging, gaming, multifamily properties, retail, healthcare, distressed residential, senior housing, golf, parking, office buildings and land. The fair values of these investments are generally based upon discounting the expected cash flows from the investment or a cash flow multiple. In reaching the determination of fair value for investments, the Company considers many factors including, but not limited to: the operating cash flows and financial performance of the real estate investments relative to budgets or projections; property types; geographic locations; the physical condition of the asset; prevailing market capitalization rates; prevailing market discount rates; general economic conditions; economic conditions specific to the market in which the assets are located; the prevailing interest rate environment; the prevailing state of the debt markets; comparable public company trading multiples; independent third-party appraisals; available pricing data on comparable properties in the specific market in which the asset is located; expected exit timing and strategy; and any specific rights or terms associated with the investment.

The significant unobservable inputs used in the fair value measurement of the Company’s real estate investments are discount rates, cash flow growth rates, capitalization rates, the price per square foot, the absorption percentage per year and exit multiples. Significant increases (decreases) in the discount rates and capitalization rates in isolation would be expected to result in a significantly lower (higher) fair value measurement. Significant increases (decreases) in the cash flow growth rates, the price per square foot, the absorption rate per year and exit multiples in isolation would be expected to result in a significantly higher (lower) fair value measurement. A change in the assumption used for price per square foot is generally accompanied by a directionally inverse change in the absorption percentage per year.

Bank Debt; Residential and Commercial Mortgage-Backed Securities; Collateralized Debt Obligations; Commercial Real Estate Debt; Corporate Bonds; Asset-Backed Securities; Notes Payable of Consolidated CLOs

The fair value of investments in bank debt, residential and commercial mortgage-backed securities, collateralized debt obligations, commercial real estate debt, corporate bonds, asset-backed securities and notes payable of consolidated CLOs that do not have readily ascertainable fair values is generally determined using broker quotes or independent pricing services. For month-end valuations, the Company generally receives one to four broker quotes for each security, depending on the type of security being valued. These broker quotes are generally non-binding or indicative in nature. The Company verifies that these broker quotes are reflective of fair value as defined in GAAP generally 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. Historically, the Company has only adjusted a small number of broker quotes when used in determining final valuations for securities as a result of these procedures.

To the extent broker quotes are not available or deemed unreliable, the methods and procedures to value these investments may include, but are not limited to: obtaining and using other additional broker quotes deemed reliable; using independent pricing services; 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 these investments that is an indication of their value; obtaining information provided by third parties; reviewing the amounts invested in these investments; and evaluating financial information provided by the management of these investments. Market data is used to the extent that it is observable and considered reliable.

The significant unobservable inputs used in the fair value measurement of the Company's bank debt, residential and commercial mortgage-backed securities, commercial real estate debt, corporate bonds and asset-backed securities that are not valued using broker quotes or independent pricing services are discount rates, credit spreads and yields. Significant increases (decreases) in the discount rates, credit spreads and yields in isolation would be expected to result in a significantly lower (higher) fair value measurement.

Energy and Natural Resources Limited Partnerships

The fair value of energy and natural resources limited partnerships is generally determined using discounted cash flows when assets are producing oil or gas, or when it is reasonably certain that an asset will be capable of producing oil or gas, or using recent financing for certain investments. Acreage with proven undeveloped, probable or possible reserves are valued using prevailing prices of comparable properties, and may include adjustments for other assets or liabilities such as seismic data, equipment, and cash held by the investee. Certain natural resource assets may also be valued using scenario analyses and sum of the parts analyses.

The fair value for certain energy and natural resources limited partnership investments is based on the net asset value of the underlying fund. This amount represents a certain consolidated fund's investment into another fund managed by the Company. The investee invests primarily in energy and natural resource investments. The fund may not redeem its investment into the investee prior to liquidation. The fund will receive distributions from the investee as investments are sold, the timing of which cannot be estimated. The consolidated fund has $43.7 million of unfunded commitments that will be funded by capital contributions from investors in the fund, as the Company is not an investor in the fund.

The significant unobservable inputs used in the fair value measurement of the Company's energy and natural resources limited partnerships that are not measured using net asset value are discount rates, EBITDA multiples, price per acre, and production multiples. Significant increases (decreases) in the discount rates in isolation would be expected to result in a lower (higher) fair value measurement. Significant increases (decreases) in the EBITDA multiples, price per acre, and production multiples in isolation would be expected to result in a significantly higher (lower) fair value measurement.

Investments in Affiliated Credit Funds

The fair value of investments in affiliated credit funds relates to consolidated feeder funds' investments into their related master funds. The fair value of these investments is based on the consolidated feeder funds' proportionate share of the respective master funds' net asset value. These master funds invest primarily in credit-related strategies. Approximately 86% of these investments can be redeemed and paid to investors in the feeder fund after an initial lock-up period of up to three years, after which the feeder fund may redeem its investment on a monthly or quarterly basis. The Company, as investment manager of the master fund, has the option (not exercised to date) to suspend redemptions in certain situations. An additional 4% of these investments can be redeemed and paid to investors in the feeder fund on a monthly basis. The remaining 10% relates to a feeder fund that is not able to redeem its investment in the master fund prior to liquidation, the timing of which cannot be estimated. The feeder fund will receive distributions from the master fund as investments are sold, the timing of which cannot be estimated due to the illiquid nature of the investments held by the master fund. The consolidated feeder funds have $52.4 million of unfunded commitments that will be funded by capital contributions from investors in the feeder funds, as the Company is not an

investor in the feeder funds or master funds.

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Information about Significant Inputs Used in Fair Value Measurements Categorized within Level III
The table below summarizes information about the significant unobservable inputs used in determining the fair value of the Level III assets and liabilities held by the consolidated funds as of June 30, 2015.

Type of Investment or Liability	Fair Value at June 30, 2015 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted-Average)	
Bank debt	$1,728,479	Independent pricing services	n/a		
	52,614	Yield analysis	Yield	11% to 16% (12%)	
	21,662	Broker quotes	n/a		
Real estate investments	$737,478	Discounted cash flow	Discount rate	5% to 30% (19%)	
			Cash flow growth rate	-48% to 62% (1%)	
			Capitalization rate	6% to 13% (7%)	
			Price per square foot	$51.90 to $187.00 ($155.47)	
			Absorption rate per year	0.3% to 31% (10%)	
			Exit multiple	6.2x	
Investments in affiliated credit funds	$932,257	Net asset value	n/a		
Residential mortgage-backed securities	$409,488	Broker quotes	n/a		
	4,843	Discounted cash flow	Discount rate	19	%
			Credit spread	1225 bps	
Collateralized debt obligations	$119,162	Broker quotes	n/a		
Energy and natural resources limited partnerships	$90,508	Net asset value	n/a		
	48,765	Scenario analysis	Discount rate	10% to 25% (19%)	
			EBITDA multiple	4.3x to 6.0x (5.1x)	
			Price per acre	$1,750	
			Production multiple (price per thousand cubic feet equivalent per day)	$6,750 to $9,167 ($7,704)	
	22,329	Sum of the parts	Discount rate	15	%
			Price per acre	$437	
	3,756	Discounted cash flow	Discount rate	15	%
	3,016	Last transaction price	Illiquidity discount	4	%
Commercial real estate debt	$50,682	Yield analysis	Yield	10% to 18% (12%)	
	10,585	Discounted cash flow	Discount rate	15	%
Corporate bonds	14	Broker quotes	n/a		
Asset-backed securities	$21,487	Broker quotes	n/a		
	1,772	Discounted cash flow	Discount rate	14	%

Commercial mortgaged-backed securities	$679	Broker quotes	n/a
Senior secured notes payable of consolidated CLOs	$5,827,658	Broker quotes	n/a
Subordinated notes payable of consolidated CLOs	$500,423	Broker quotes	n/a

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The table below summarizes information about the significant unobservable inputs used in determining the fair value of the Level III assets and liabilities held by the consolidated funds as of December 31, 2014.

Type of Investment or Liability	Fair Value at December 31, 2014 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted-Average)
Bank debt	$2,165,152	Independent pricing services	n/a	
	52,107	Yield analysis	Yield	11% to 15% (12%)
	6,773	Broker quotes	n/a	
Real estate investments	$638,896	Discounted cash flow	Discount rate	10% to 30% (20%)
			Cash flow growth rate	-48% to 39% (1%)
			Capitalization rate	5% to 13% (8%)
			Price per square foot	$55.22 to $400.00 ($151.33)
			Absorption rate per year	1% to 58% (13%)
			Exit multiple	6.4x
	7,020	Broker quotes	n/a	
Investments in affiliated credit funds	$628,913	Net asset value	n/a	
Residential mortgage-backed securities	$456,815	Broker quotes	n/a	
	6,112	Discounted cash flow	Discount rate	20 %
			Credit spread	1225 bps
Collateralized debt obligations	$173,746	Broker quotes	n/a	
Energy and natural resources limited partnerships	$88,873	Net asset value	n/a	
	40,350	Scenario analysis	Discount rate	10% to 25% (18%)
			EBITDA multiple	5.0x to 6.3x (5.6x)
			Price per acre	$1,750
			Production multiple (price per thousand cubic feet equivalent per day)	$6,500 to $10,000 ($8,252)
	20,925	Sum of the parts	Discount rate	15 %
			Price per acre	$425
	4,632	Discounted cash flow	Discount rate	15 %
	2	Broker quotes	n/a	
Commercial real estate debt	$29,815	Yield analysis	Yield	13% to 18% (14%)
Corporate bonds	$403	Yield analysis	Yield	13 %
	253	Broker quotes	n/a	
Asset-backed securities	$18,775	Broker quotes	n/a	

	2,593	Discounted cash flow	Discount rate	12	%
Commercial mortgaged-backed securities	$3,287	Broker quotes	n/a		
Senior secured notes payable of consolidated CLOs	$4,784,134	Broker quotes	n/a		
Subordinated notes payable of consolidated CLOs	$443,277	Broker quotes	n/a		

Valuation Process for Fair Value Measurements Categorized within Level III

The Company has established an internal control infrastructure over the valuation of financial instruments that includes ongoing oversight by its Financial Controls Group and Valuation Committee, as well as periodic audits by the Company's Internal Audit Group. These 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 valuation policy, ensuring that all of the funds' investments reflect fair values, as well as providing oversight of the valuation process. These valuation policies and procedures include, but are not limited to the following: determining the pricing sources used to value specific investment classes; the selection of independent pricing services; the periodic review of due diligence materials of independent pricing services; and the fair value hierarchy coding of the funds' investments. The Valuation Committee reviews a variety of reports on a monthly basis, which include, but are not limited to 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; and variance reports that compare the values of investments to independent pricing services. The Valuation Committee is comprised of non-investment professionals and may obtain input from investment professionals for consideration in carrying out its responsibilities.

The Financial Controls Group is responsible for compliance with the valuation policies, performing price verification and preparing the monthly valuation reports reviewed by the Valuation Committee. The Financial Controls Group's other responsibilities include, but are not limited to the following: preparation and distribution of daily profit and loss reports; overseeing the collection and evaluation of counterparty prices, broker-dealer quotations, exchange prices and third party pricing feeds; performing back testing by comparing prices observed in executed transactions to previous day valuations and/or pricing service providers on a weekly and monthly basis; performing due diligence reviews on independent pricing services on an annual or as needed basis; and assisting the Valuation Committee in developing valuation policies.

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

Monthly procedures have been established for Level III investments, which include comparing unobservable inputs to observable inputs for similar positions, reviewing subsequent market activities, performing comparisons of actual versus projected performance indicators, and discussing the valuation methodology, including pricing techniques when applicable, with investment professionals. Independent pricing services may be used to corroborate the Company's internal valuations. Investment professionals and members of the Financial 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.

Fair Value of Other Financial Instruments

Management estimates that the carrying value of the Company's other financial instruments, primarily its Notes and Aircraft Loan (as defined in Note 9), approximated their fair values as of June 30, 2015. These fair value measurements would be categorized as Level III within the fair value hierarchy.

5. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

In the ordinary course of business, certain consolidated funds have entered into certain repurchase agreements that are subject to master agreements that provide for payment netting and that, in the case of a default or similar event with respect to the counterparty to the master agreement, provide for netting across transactions. Generally, upon a counterparty default, the fund can terminate all transactions under the master agreement and set off amounts it owes across all transactions under a particular master agreement against collateral it has received under such master agreement; provided, however, that in the case of certain defaults, the fund may only be able to terminate and setoff solely with respect to the transactions affected by the default. Generally, the funds party to these agreements manage cash and securities collateral on a counterparty basis as permitted under each master agreement.

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

Securities Sold Under Agreements to Repurchase	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities in the Consolidated Balance Sheet	Securities Transferred	Net Amount
	(dollars in thousands)				
As of June 30, 2015	$254,405	$—	$254,405	$254,405	$—
As of December 31, 2014	$302,266	$—	$302,266	$302,266	$—

The table below presents the remaining contractual maturity of the repurchase agreements by class of collateral pledged.

	As of June 30, 2015				
Securities Sold Under Agreements to Repurchase	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater Than 90 Days	Total
	(dollars in thousands)				
Collateralized debt obligations	$—	$14,120	$—	$32,785	$46,905
Residential mortgage-backed securities	—	195,851	10,661	988	207,500
Total	$—	$209,971	$10,661	$33,773	$254,405

The repurchase agreements entered into by certain of the consolidated funds may result in credit exposure to those funds in the event the counterparty to the transaction is unable to fulfill its contractual obligations. The funds minimize the credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral where appropriate.

6. VARIABLE INTEREST ENTITIES

In the ordinary course of business, the Company sponsors the formation of funds that are considered VIEs. The Company generally serves as the general partner or the investment or collateral manager with decision-making rights for these entities. Substantially all of the funds that are VIEs managed by the Company qualify for the deferral granted under ASU 2010-10, Amendments to Statement 167 for Certain Investment Funds. Accordingly, the Company's determination of whether it is the primary beneficiary of a fund that is a VIE is generally based on identifying the variable interest holder that is exposed to the majority of the expected losses or receives a majority of the expected residual returns. Fund investors are entitled to substantially all of the economics of these VIEs with the exception of management fees and incentive income, if any, earned by the Company. Accordingly, the determination of whether the Company is the primary beneficiary of these entities is not impacted by changes in the underlying assumptions made regarding future results or expected cash flows of these VIEs.

The deferral granted in ASU 2010-10 does not apply to CLOs. Accordingly, the determination of whether the Company is the primary beneficiary that would consolidate a CLO is based on a qualitative assessment to determine whether the Company, as collateral manager, has (i) the power to direct the activities of the CLO that most significantly impact its economic performance, and (ii) the obligations to absorb losses or the right to receive benefits from the CLO that could potentially be significant to the CLO. The Company acts as collateral manager for CLOs that are VIEs. CLOs are entities that issue collateralized notes that offer investors the opportunity for returns that vary

commensurately with the risk they assume. The notes issued by the CLOs are generally backed by asset portfolios consisting of loans or other debt. The Company receives collateral management fees for acting as collateral manager to the CLOs, and may earn incentive income based on the performance of the CLOs, subject to hurdle rates.

After considering the purpose and design of the CLOs, the Company determined that when it launches its CLOs, it possesses the power to direct the activities of the CLOs that most significantly impact the CLOs' economic performance through its role in managing collateral and credit risk as the collateral manager. In addition, the Company determined that when it launches its CLOs, it has the right to receive benefits from the CLOs that could potentially be significant, on a quantitative and qualitative

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basis, because of the management fees and incentive income the Company could earn from the CLOs. As a result, the Company consolidates the CLOs it manages upon launch.

The following table presents the assets and liabilities of CLOs and other funds, such as certain of the Company's real estate and credit funds, that are VIEs and consolidated by the Company:

	June 30, 2015		December 31, 2014	
	CLOs	Other Funds	CLOs	Other Funds
	(dollars in thousands)			
Assets				
Assets of consolidated Och-Ziff funds:				
Investments, at fair value	$6,180,314	$1,345,251	$5,190,994	$944,997
Other assets of Och-Ziff funds	138,673	11,626	45,166	14,041
Total Assets	$6,318,987	$1,356,877	$5,236,160	$959,038
Liabilities				
Liabilities of consolidated Och-Ziff funds:				
Notes payable of consolidated CLOs, at fair value	$6,328,081	$—	$5,227,411	$—
Securities sold under agreements to repurchase	—	5,427	—	7,646
Other liabilities of Och-Ziff funds	28,708	6,412	33,813	9,146
Total Liabilities	$6,356,789	$11,839	$5,261,224	$16,792

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

The Company's involvement with funds that are VIEs and not consolidated by the Company is generally limited to providing asset management services. The Company's exposure to loss from these entities is limited to a decrease in the management fees and incentive income that may be earned in future periods, as well as the loss of investments in these entities, if any. The net assets of these VIEs were $36.5 billion and $37.1 billion as of June 30, 2015 and December 31, 2014, respectively. The Company does not provide, nor is it required to provide, any type of financial or other support to these entities. The Company's variable interests related to these VIEs relate primarily to management fees and incentive income earned from these entities, as well as investments in these entities, if any. As of June 30, 2015 and December 31, 2014, the only assets arising from these variable interests related to income and fees receivable of $28.8 million and $271.0 million, respectively. The Company has not recorded any liabilities with respect to VIEs that are not consolidated.

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7. OTHER ASSETS, NET

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

	June 30, 2015	December 31, 2014
	(dollars in thousands)	
Fixed Assets:		
Corporate aircraft	$85,394	$22,600
Leasehold improvements	52,565	40,084
Computer hardware and software	29,870	27,079
Furniture, fixtures and equipment	8,270	6,533
Accumulated depreciation and amortization	(61,515)	(56,736)
Fixed assets, net	114,584	39,560
United States government obligations, at fair value	36,998	36,969
Goodwill	22,691	22,691
Prepaid expenses	12,812	20,435
Receivables	12,658	25,867
Deposit on new corporate aircraft	—	52,662
Other[1]	13,503	14,244
Total Other Assets, Net	$213,246	$212,428

(1) Includes investments in Och-Ziff funds of $4.1 million and $3.6 million as of June 30, 2015 and December 31, 2014, respectively.

In February 2015, the Company received delivery of its corporate aircraft. Amounts previously reported within deposit on new aircraft were transferred to corporate aircraft in the table above.

8. OTHER LIABILITIES

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

	June 30, 2015	December 31, 2014
	(dollars in thousands)	
Accrued expenses	$56,916	$63,983
Deferred rent credit	18,763	18,219
Other	11,914	13,545
Total Other Liabilities	$87,593	$95,747

9. DEBT OBLIGATIONS

As of June 30, 2015, the Company's outstanding indebtedness was primarily comprised of Senior Notes (the “Notes”) and a secured term loan to finance the purchase of a new corporate aircraft (the “Aircraft Loan”), as well as notes payable of the consolidated CLOs. During the six months ended June 30, 2015, the Company took a final draw down on the Aircraft Loan and recorded additional notes payable of the newly consolidated CLOs. There have been no other material changes to the Company’s debt obligations as reported in the Annual Report.

Aircraft Loan

On February 14, 2014, the Company entered into the Aircraft Loan to finance installment payments towards the purchase of a new corporate aircraft that was delivered to the Company in February 2015. The Aircraft Loan is guaranteed by OZ Management, OZ Advisors I and OZ Advisors II. As of June 30, 2015, $51.4 million was

outstanding under the Aircraft Loan.

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Outstanding borrowings bear interest at a rate of 3.22% per annum, and the balance is payable in equal monthly installments of principal and interest over the term of the facility beginning on the aircraft delivery date, with a balloon payment of $30.8 million due upon maturity on February 4, 2022. There are no financial covenants associated with the Aircraft Loan. The Aircraft Loan includes other customary terms and conditions, including customary events of default and covenants.

Notes Payable of Consolidated CLOs

The Company consolidates the CLOs it manages. As a result, the senior and subordinated notes issued by the CLOs are included in the Company's consolidated balance sheets. Notes payable of the consolidated CLOs are collateralized by the assets held by the CLOs and the assets of one CLO may not be used to satisfy the liabilities of another. This collateral generally consists of corporate loans, corporate bonds and other securities. As of June 30, 2015 and December 31, 2014, the fair value of the CLO assets was $6.3 billion and $5.2 billion, respectively. The stated maturity dates for the notes issued by the CLOs range from 2023 to 2027.

The Company has elected to carry these notes at fair value in its consolidated balance sheets to mitigate the accounting mismatch between the carrying values of the assets and liabilities of the consolidated CLOs. The Company recorded unrealized gains (losses) of $(2.5) million and $5.5 million for the three months ended June 30, 2015 and 2014, respectively, and $(38.5) million and $(2.9) million for the six months ended June 30, 2015 and 2014, respectively. These amounts are included within net gains (losses) of consolidated Och-Ziff funds in the statements of comprehensive income. The majority of these changes relate to changes in instrument specific credit risk, as the majority of these are floating-rate instruments.

The tables below present information related to the CLO notes outstanding. The subordinated notes have no stated interest rate, and are entitled to any excess cash flows after contractual payments are made to the senior secured notes.

	As of June 30, 2015			
	Borrowings Outstanding	Fair Value	Weighted-Average Interest Rate	Weighted-Average Maturity in Years
	(dollars in thousands)			
Senior secured notes payable of consolidated CLOs	$5,879,750	$5,827,658	2.39%	10.5
Subordinated notes payable of consolidated CLOs	600,158	500,423	N/A	10.4
Total Notes Payable of Consolidated CLOs	$6,479,908	$6,328,081		

	As of December 31, 2014			
	Borrowings Outstanding	Fair Value	Weighted-Average Interest Rate	Weighted-Average Maturity in Years
	(dollars in thousands)			
Senior secured notes payable of consolidated CLOs	$4,892,750	$4,784,134	2.34%	10.7
Subordinated notes payable of consolidated CLOs	511,008	443,277	N/A	10.6
Total Notes Payable of Consolidated CLOs	$5,403,758	$5,227,411		

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10. GENERAL, ADMINISTRATIVE AND OTHER

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Professional services	$20,771	$7,679	$28,258	$15,102
Recurring placement and related service fees	12,227	12,017	24,874	22,734
Occupancy and equipment	8,543	7,401	16,919	15,446
Information processing and communications	7,202	5,873	14,117	10,711
Insurance	4,209	4,011	8,373	7,979
Business development	4,127	2,950	7,316	5,741
Other expenses	3,335	3,304	10,417	5,249
	60,414	43,235	110,274	82,962
Changes in tax receivable agreement liability	(48,401)	(4)	(48,426)	(3,819)
Total General, Administrative and Other	$12,013	$43,231	$61,848	$79,143

11. INCOME TAXES

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

The Registrant and each of the Och-Ziff Operating Group entities are partnerships for U.S. federal income tax purposes. Due to the Company's legal structure, only a portion of the income earned by the Company is subject to corporate-level tax rates in the United States and in foreign jurisdictions.

The provision for income taxes includes federal, state and local taxes in the United States and foreign taxes at an approximate effective tax rate of 55.8% and 12.2% for the three months ended June 30, 2015 and 2014, respectively, and 31.8% and 14.7% for the six months ended June 30, 2015 and 2014, respectively. The reconciling items from the Company's statutory rate to the effective tax rate were driven primarily by the following: (i) a portion of the income earned by the Company is not subject to federal, state and local corporate income taxes in the United States; (ii) a portion of the income earned by the Company is subject to the New York City unincorporated business tax; (iii) certain foreign subsidiaries are subject to foreign corporate income taxes; and (iv) the Reorganization expenses related to the reclassification of the executive managing directors' and the Ziffs' interests as Och-Ziff Operating Group A Units are not deductible for tax purposes.

During the second quarter of 2015, the Company's effective tax rate was impacted by an enacted change in tax law that changed the methodology used for local income tax apportionment. As a result, the Company revalued its deferred income tax assets, which increased the Company's effective income tax rate by 42.5 percentage points and 18.7 percentage points for the three and six months ended June 30, 2015, respectively.

In accordance with GAAP, the Company recognizes tax benefits for amounts that are "more likely than not" to be sustained upon examination by tax authorities. For uncertain tax positions in which the benefit to be realized does not meet the "more likely than not" threshold, the Company establishes a liability, which is included within other liabilities

in the consolidated balance sheets.

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As of June 30, 2015 and December 31, 2014, the Company had a liability for unrecognized tax benefits of $7.0 million. As of and for the three and six months ended June 30, 2015, the Company did not accrue interest or penalties related to uncertain tax positions. As of June 30, 2015, the Company does not believe that there will be a significant change to the uncertain tax positions during the next 12 months. The Company's total unrecognized tax benefits that, if recognized, would affect its effective tax rate was $4.4 million as of June 30, 2015.

12. EARNINGS PER CLASS A SHARE

Basic earnings per Class A Share is computed by dividing the net income allocated to Class A Shareholders by the weighted-average number of Class A Shares outstanding for the period. For the three months ended June 30, 2015 and 2014, the Company included, respectively, 1,160,179 and 1,669,751 RSUs that have vested but have not been settled in Class A Shares in the weighted-average Class A Shares outstanding used in the calculation of basic and diluted earnings per Class A Share. For the six months ended June 30, 2015 and 2014, the Company included, respectively, 1,346,295 and 1,726,737 RSUs that have vested but have not been settled in Class A Shares in the weighted-average Class A Shares outstanding used in the calculation of basic and diluted earnings per Class A Share.

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

Three Months Ended June 30, 2015	Net Income Allocated 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	$4,760	177,693,164	$0.03	
Effect of dilutive securities:				
Och-Ziff Operating Group A Units	—	—		301,874,006
RSUs	—	4,402,533		—
Diluted	$4,760	182,095,697	$0.03	

Three Months Ended June 30, 2014	Net Income Allocated 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	$10,716	172,733,171	$0.06	
Effect of dilutive securities:				
Och-Ziff Operating Group A Units	12,023	302,182,026		—
RSUs	—	4,979,712		—
Diluted	$22,739	479,894,909	$0.05	

Six Months Ended June 30, 2015	Net Income Allocated 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	$30,631	177,664,174	$0.17	
Effect of dilutive securities:				
Och-Ziff Operating Group A Units	—	—		301,877,014
RSUs	—	3,462,209		—
Diluted	$30,631	181,126,383	$0.17	

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Six Months Ended June 30, 2014	Net Income Allocated 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	$34,568	172,329,212	$0.20	
Effect of dilutive securities:				
Och-Ziff Operating Group A Units	—	—		301,884,116
RSUs	—	4,492,158		—
Diluted	$34,568	176,821,370	$0.20	

13. RELATED PARTY TRANSACTIONS

Due from Related Parties

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

Due to Related Parties

Amounts due to related parties relate primarily to future payments owed to the Company's executive managing directors and the Ziffs under the tax receivable agreement, as discussed further in Note 14.

Notes Payable of Consolidated CLOs

A portion of the notes payable of consolidated CLOs is held by certain funds managed by the Company. As of June 30, 2015 and December 31, 2014, these amounts totaled $137.9 million and $175.7 million, respectively.

Management Fees and Incentive Income Earned from the Och-Ziff Funds

The Company earns substantially all of its management fees and incentive income from the Och-Ziff funds, which are considered related parties as the Company manages the operations of and makes investment decisions for these funds.

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

Prior to the 2007 Offerings, the Company did not charge management fees or earn incentive income on investments made by the Company's executive managing directors, employees and other related parties. Following the 2007 Offerings, the Company began charging management fees and earning incentive income on new investments made in the funds by executive managing directors and certain other related parties, including the reinvestment by executive managing directors of the after-tax proceeds from the 2007 Offerings. However, in January 2015, the Company began to waive management fees and incentive income on new investments by its executive managing directors and certain other related parties. The Company continues to waive fees for employee investments in the funds.

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The following table presents management fees and incentive income charged on investments held by related parties and amounts waived by the Company for related parties before the impact of eliminations related to the consolidated funds:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Fees charged on investments held by related parties:				
Management fees	$4,987	$5,750	$10,020	$11,643
Incentive income	$255	$868	$1,709	$3,358
Fees waived on investments held by related parties:				
Management fees	$4,308	$3,923	$8,390	$7,860
Incentive income	$349	$—	$584	$—

Corporate Aircraft

The Company's corporate aircraft are used primarily for business purposes. From time to time, Mr. Och uses the aircraft for personal use. For the three months ended June 30, 2015 and 2014, the Company charged Mr. Och $212 thousand and $50 thousand, respectively, for his personal use of the aircraft. For the six months ended June 30, 2015 and 2014, the Company charged Mr. Och $568 thousand and $349 thousand, respectively, for his personal use of the aircraft.

14. COMMITMENTS AND CONTINGENCIES

Tax Receivable Agreement

The purchase of Och-Ziff Operating Group A Units from the executive managing directors and the Ziffs with the proceeds from the 2007 Offerings, and subsequent taxable exchanges by them of Och-Ziff Operating Group A Units for Class A Shares on a one-for-one basis (or, at the Company's option, a cash equivalent), resulted, and, in the case of future exchanges, are anticipated to result, in an increase in the tax basis of the tangible and intangible assets of the Och-Ziff Operating Group that would not otherwise have been available. As a result, the Company expects that its future tax liability will be reduced. Pursuant to the tax receivable agreement entered into among the Company, the executive managing directors and the Ziffs, the Company has agreed to pay to the executive managing directors and the Ziffs 85% of the amount of tax savings, if any, actually realized by the Company.

The Company recorded its initial estimate of future payments under the tax receivable agreement as a decrease to paid-in capital and an increase in amounts due to related parties in the consolidated financial statements. Subsequent adjustments to the liability for future payments under the tax receivable agreement related to changes in estimated future tax rates or state income tax apportionment are recognized through current period earnings within general, administrative and other expenses in the consolidated statements of comprehensive income.

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 Och-Ziff Operating Group. As a result, the Company now expects to pay to the remaining executive managing directors and the Ziffs approximately 78% (from 85% at the time of the 2007 Offerings) of the amount of cash savings, if any, in federal, state and local income taxes in the United States that the Company actually realizes as a result of the increases in tax basis.

The estimate of the timing and the amount of future payments under the tax receivable agreement involves several assumptions that do not account for the significant uncertainties associated with these potential payments, including an assumption that Och-Ziff 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 discussed in Note 11, during the second quarter of 2015, the Company's effective tax rate was impacted by an enacted change in tax law that changed the methodology used for local income tax apportionment. As a result, the Company revalued its deferred income tax assets, which reduced the amount of cash savings the Company expects to ultimately realize, and therefore the Company reduced its tax receivable agreement liability.

Lease Obligations

The Company has non-cancelable operating leases for its headquarters in New York expiring in 2029 and various other operating leases for its offices in London, Hong Kong, Mumbai, Beijing, Dubai and Shanghai expiring on various dates through 2024. The Company also has operating leases for other locations, as well as operating leases on computer hardware. Certain operating leases allow for rent holiday periods. The Company recognizes expense related to its operating leases on a straight-line basis over the lease term taking into account these rent holiday periods. The related lease commitments have not changed materially since December 31, 2014.

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.

Since 2011, the Company has been investigated by the Securities and Exchange Commission (the "SEC") and the U.S. Department of Justice (the "DOJ") concerning possible violations of the Foreign Corrupt Practices Act (the "FCPA") and other laws. The investigation concerns an investment by a foreign sovereign wealth fund in some of the Och-Ziff funds in 2007 and investments by some of the funds, both directly and indirectly, in a number of companies in Africa. While the Company is unable to predict the full scope, duration or outcome of the SEC and DOJ investigation, it believes that it is reasonably likely that the outcome would include the government pursuing remedies. The Company expects to enter into discussions to resolve any actions that may arise out of the investigation at the appropriate time in the future. The SEC and DOJ have a broad range of civil and criminal sanctions available to them under the FCPA and other laws. While the ultimate impact of any sanctions that may arise cannot be estimated at this time, any such resolution could have a material adverse effect on the Company's business and its consolidated financial statements.

On May 5, 2014, a purported class of shareholders filed a lawsuit against the Company in the U.S. District Court for the Southern District of New York (Menaldi v. Och-Ziff Capital Mgmt., et al.). The amended complaint asserts claims on behalf of all purchasers of Company securities from February 9, 2012 to August 22, 2014, and asserts claims under the Securities Exchange Act of 1934. Daniel Och, Joel Frank and Michael Cohen are also named defendants. The amended complaint alleges, among other things, breaches of certain disclosure obligations with respect to matters under investigation by the SEC and the DOJ. On May 30, 2014, a shareholder derivative action was filed against the Company in the Supreme Court of the State of New York, County of New York (Stokes v. Och, et al.). The amended complaint asserts claims derivatively on behalf of the Company against all of the Company's directors and alleges that the directors breached their fiduciary duties and other disclosure obligations with respect to the matters described above. On July 27, 2015, the Supreme Court of the State of New York ruled from the bench that it was granting defendants' motion to dismiss the amended complaint for failure to plead demand futility. The Company expects that a written judgment dismissing the action will be entered. The Company believes these cases are without merit and intends to defend them vigorously.

Investment Commitments

From time to time, certain funds consolidated by the Company may have commitments to fund investments. These commitments are funded through contributions from investors in those funds, including the Company if it is an investor in the relevant fund. The Company manages these funds and generally only has a minimal investment, if any, in these funds.

The Company has committed to fund a portion of the operating budget for a joint venture. The amount of the commitment will be equal to the actual costs incurred in the projects the joint venture manages, as determined by the Company

and its joint venture partner. The joint venture periodically returns substantially all of the cash that is contributed by the Company, as expenses incurred by the joint venture are generally reimbursed by the projects it manages.

Certain of the Company's executive managing directors, collectively, have capital commitments to a fund managed by the Company of up to $30.0 million. The Company has guaranteed these commitments in the event any executive managing director fails to fund any portion when called by the fund. The Company has historically not funded any of these commitments and does not expect to in the future, as these commitments are expected to be funded by the Company's executive managing directors individually.

Other Contingencies

In the normal course of business, the Company enters into contracts that provide a variety of general indemnifications. Such contracts include those with certain service providers, brokers and trading counterparties. Any exposure to the Company under these arrangements could involve future claims that may be made against the Company. Currently, no such claims exist or are expected to arise and, accordingly, the Company has not accrued any liability in connection with such indemnifications.

15. SEGMENT INFORMATION

The Company's operating segments are the Och-Ziff Funds segment and the Company's real estate business. The Och-Ziff Funds, which provides asset management services to the Company's multi-strategy funds, dedicated credit funds and other alternative investment vehicles, is currently the Company's only reportable operating segment under GAAP. The Company's real estate business, which provides asset management services to its real estate funds, is included in the Other Operations as it does not meet the threshold of a reportable operating segment under GAAP.

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

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

- Income allocations to the Company's executive managing directors and the Ziffs (until they exchanged their remaining interests during the 2014 second quarter) on their direct interests in the Och-Ziff Operating Group. Management reviews operating performance at the Och-Ziff Operating Group level, where substantially all of the Company's operations are performed, prior to making any income allocations.
- Reorganization expenses related to the 2007 Offerings, equity-based compensation expenses and depreciation and amortization expenses, as management does not consider these non-cash expenses to be reflective of operating performance. However, the fair value of RSUs that are settled in cash to employees or executive managing directors is included as an expense at the time of settlement.
- Changes in the tax receivable agreement liability and net gains (losses) on investments in Och-Ziff funds, as management does not consider these to be reflective of operating performance.
- Amounts related to the consolidated Och-Ziff 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. The Company also defers the recognition of incentive income allocations from the consolidated Och-Ziff funds until all clawback contingencies are resolved, consistent with the revenue recognition policy for the funds the Company does not consolidate.

In addition, expenses related to compensation and profit-sharing arrangements based on fund investment performance are recognized at the end of the relevant commitment period, as management reviews the total compensation expense related to these arrangements in relation to any incentive income earned by the relevant fund.

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Finally, management reviews Economic Income revenues by presenting management fees net of recurring placement and related service fees, rather than considering these fees an expense, and by excluding the impact of eliminations related to the consolidated Och-Ziff funds.

Management does not regularly review assets by operating segment in assessing operating segment performance and the allocation of company resources; therefore, the Company does not present total assets by operating segment. All interest expense related to outstanding indebtedness is allocated to the Och-Ziff Funds segment.

Och-Ziff Funds Segment Results

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Och-Ziff Funds Segment:				
Economic Income Revenues	$191,977	$171,659	$415,267	$382,992
Economic Income	$110,511	$112,809	$263,174	$271,407

Reconciliation of Och-Ziff Funds Segment Revenues to Consolidated Revenues

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Total consolidated revenues	$321,399	$262,469	$654,250	$547,949
Adjustment to management fees[1]	(477)	(4,377)	(2,577)	(8,587)
Adjustment to incentive income[2]	3,000	3,461	11,173	10,376
Other Operations revenues	(7,077)	(2,575)	(13,374)	(5,256)
Income of consolidated Och-Ziff funds	(124,868)	(87,319)	(234,205)	(161,490)
Economic Income Revenues - Och-Ziff Funds Segment	$191,977	$171,659	$415,267	$382,992

(1) Adjustment to present management fees net of recurring placement and related service fees, as management considers these fees a reduction in management fees, not an expense. The impact of eliminations related to the consolidated Och-Ziff funds is also removed.

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

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Reconciliation of Och-Ziff Funds Economic Income to Net Income Allocated to Class A Shareholders

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Net income allocated to Class A Shareholders—GAAP	$4,760	$10,716	$30,631	$34,568
Net income allocated to the Och-Ziff Operating Group A Units	50,802	48,981	131,734	122,562
Equity-based compensation	30,247	28,739	59,043	55,869
Income taxes	82,025	21,328	107,185	54,919
Adjustment for incentive income allocations from consolidated funds subject to clawback	(18,805)	(9,806)	(37,278)	(18,123)
Allocations to Och-Ziff Operating Group D Units	5,414	4,317	11,449	9,474
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	2,175	3,863	3,594	8,229
Reorganization expenses	4,017	4,021	8,034	8,042
Changes in tax receivable agreement liability	(48,401)	(4)	(48,426)	(3,819)
Depreciation and amortization	3,000	1,803	5,149	3,631
Other adjustments	43	(607)	110	(1,161)
Other Operations	(4,766)	(542)	(8,051)	(2,784)
Economic Income - Och-Ziff Funds Segment	$110,511	$112,809	$263,174	$271,407

16. SUBSEQUENT EVENTS

Dividend

On August 4, 2015, the Company announced a cash dividend of $0.14 per Class A Share. The dividend is payable on August 21, 2015 to holders of record as of the close of business on August 14, 2015.

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

This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in "Part II—Item 1A. Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015. Actual results may differ materially from those contained in any forward-looking statements. This MD&A should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this quarterly report. An investment in our Class A Shares is not an investment in any of our funds.

Overview

Overview of Our Financial Results

For the second quarter of 2015, we reported GAAP net income allocated to Class A Shareholders of $4.8 million, compared to $10.7 million for the second quarter of 2014, and net income of $30.6 million for the first half of 2015, compared to net income of $34.6 million for the first half of 2014. The decrease for both the quarter-to-date and year-to-date period was primarily driven by higher income taxes (net of a corresponding reduction in our tax receivable agreement liability) and other operating expenses, partially offset by higher management fees and incentive income. In addition, contributing to the year-to-date period decrease was a gain on the sale of an investment held by a joint venture in the first quarter of 2014 that did not reoccur in 2015.

For the second quarter of 2015, we reported Economic Income for the Company of $115.3 million, compared to $113.4 million for the second quarter of 2014, and $271.2 million for the first half of 2015, compared to $274.2 million for the first half of 2014. The increase for the quarter-to-date period was principally due to higher management fees and incentive income, partially offset by higher operating expenses. The decrease for the year-to-date period was driven by higher operating expenses and a gain on the sale of an investment held by a joint venture in the first quarter of 2014 that did not reoccur in 2015, partially offset by higher management fees and incentive income. Economic Income for the Company 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 $48.0 billion as of June 30, 2015. Longer-dated assets under management, which are those subject to initial commitment periods of three years or longer, were $16.5 billion, or 34% of our total assets under management as of June 30, 2015. Assets under management in our dedicated credit, real estate and other strategy-specific funds were $15.0 billion, comprising 31% of assets under management as of June 30, 2015.

Assets under management in our multi-strategy products totaled $33.0 billion as of June 30, 2015. OZ Master Fund, our global multi-strategy fund, generated a net return of 4.1% for the six months ended June 30, 2015, and an annualized net return since inception of 12.7%. Year-to-date net returns reflect strong performance of the fund's long/short equity special situations strategies globally. Assets under management for the fund were $27.0 billion as of June 30, 2015. Please see "—Assets Under Management and Fund Performance—Multi-Strategy Funds" for additional information regarding the returns of the OZ Master Fund.

Assets under management in our dedicated credit products totaled $11.7 billion as of June 30, 2015. Assets under management in our opportunistic credit funds were $5.1 billion as of June 30, 2015. OZ Credit Opportunities Master Fund, our global opportunistic credit fund, generated a net return of 1.1% for the six months ended June 30, 2015, and an annualized net return since inception of 15.7%. Assets under management for the fund were $1.6 billion as of June 30, 2015. Assets under management in Institutional Credit Strategies, our asset management platform that invests in performing credits, were $6.6 billion as of June 30, 2015.

Assets under management in our real estate funds totaled $2.0 billion as of June 30, 2015. Since inception, Och-Ziff Real Estate Fund II, which finished its investment period in 2014, has generated a net internal rate of return ("IRR") of 22.9% through June 30, 2015 and a gross multiple of invested capital ("MOIC") of 1.7x.

Market Environment

Our ability to successfully generate consistent, positive, absolute returns is dependent on our ability to execute each fund's investment strategy or strategies. Each strategy may be materially affected by conditions in the global markets.

Most global equity markets recorded slight gains during the second quarter of 2015, although volatility increased towards the end of the quarter. Investor concerns about the Greek debt crisis accelerated in June, as it became clear that Greece would miss its payment to the International Monetary Fund and might eventually withdraw from the Eurozone. Central bank monetary policies continued to diverge globally during the quarter. The U.S. moved towards a more normalized interest rate policy in light of stronger economic fundamentals, while Europe and Japan continued with their quantitative easing programs and many emerging markets lowered interest rates to stimulate economic growth.

In the U.S., the economy appeared to recover from a weak first quarter. Quarterly corporate earnings were not as negatively impacted by falling energy prices and the strong U.S. dollar as originally anticipated. U.S. economic growth also showed signs of reaccelerating after a winter slowdown, due in part to severe weather throughout much of the U.S. and a strike at West Coast ports. Job growth increased in April and May, with weekly jobless claims reaching fifteen-year lows. The tighter labor market was reflected in wage gains and a pick-up in consumer spending, and single-family housing sales reached their best levels in eight years. Economic weakness in the first quarter pushed back expectations by the U.S. Federal Reserve for an increase in short-term interest rates in June.

In Europe, consumer prices increased slightly during the second quarter of 2015, reducing investor concerns about Eurozone deflation. The quantitative easing program initiated in March by the European Central Bank (“ECB”) had a positive effect, and ECB President Mario Draghi indicated that the ECB will continue the program well into 2016. Toward the end of the quarter, markets fell. The Greek government temporarily closed its banks and stock market ahead of a referendum in early July on the terms of the proposed debt relief package offered to Greece by the European Union.

In Asia, country-specific performance varied during the second quarter of 2015. In Japan, equity markets increased during the quarter as first quarter economic growth was revised upward, reflecting higher than estimated capital spending. Consumer spending also increased and exports were helped by the weaker yen. In China, market volatility prompted the People's Bank of China to reduce its benchmark interest rate to a record low and reduce reserve requirement ratios for certain lenders for the fourth time since November 2014.

Assets Under Management and Fund Performance

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

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

With respect to investors with quarterly redemption rights, requests for redemptions submitted during a quarter generally are paid 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 decrease assets under management as of the first day of the following quarter, which reduces management fees for that 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.

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. Prior to our IPO, we did

not charge management fees or earn incentive income on these investments. Following our IPO, we began charging management fees and earning incentive income on new investments made in our funds by our executive managing directors and certain other related parties, including the reinvestment by our executive managing directors of their after-tax proceeds from the 2007 Offerings. However, in January 2015, we began to waive management fees and incentive income on new investments by our executive managing directors and certain other related parties. As of June 30, 2015, approximately 6% 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 47% 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 an Och-Ziff fund is an investor in another Och-Ziff fund, we waive or rebate a corresponding portion of the management fees charged to the fund.

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

Summary of Changes in Assets Under Management

The tables below present the changes to our assets under management for the respective periods based on the type of funds or investment vehicles we manage.

	Three Months Ended June 30, 2015				
	March 31, 2015	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	June 30, 2015
	(dollars in thousands)				
Multi-strategy funds	$33,872,642	$(1,139,366)	$—	$257,182	$32,990,458
Credit					
Opportunistic credit funds	5,191,989	18,201	(174,260)	48,681	5,084,611
Institutional Credit Strategies	5,857,399	707,095	—	3,486	6,567,980
Real estate funds	2,058,366	9,488	(68,649)	4,347	2,003,552
Other	1,329,831	(22,800)	—	16,282	1,323,313
Total	$48,310,227	$(427,382)	$(242,909)	$329,978	$47,969,914

	Three Months Ended June 30, 2014				
	March 31, 2014	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	June 30, 2014
	(dollars in thousands)				
Multi-strategy funds	$32,539,862	$957,224	$—	$471,829	$33,968,915
Credit					
Opportunistic credit funds	4,760,825	92,336	(50,788)	171,694	4,974,067
Institutional Credit Strategies	2,636,458	1,387,838	—	3,614	4,027,910
Real estate funds	1,733,042	434,324	(337,951)	4,056	1,833,471
Other	956,205	101,828	—	21,808	1,079,841
Total	$42,626,392	$2,973,550	$(388,739)	$673,001	$45,884,204

	Six Months Ended June 30, 2015				
	December 31, 2014	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	June 30, 2015
	(dollars in thousands)				
Multi-strategy funds	$34,100,390	$(2,600,685)	$—	$1,490,753	$32,990,458
Credit					
Opportunistic credit funds	5,098,600	416,454	(537,190)	106,747	5,084,611
Institutional Credit Strategies	5,166,734	1,395,147	—	6,099	6,567,980
Real estate funds	2,022,399	64,001	(82,941)	93	2,003,552
Other	1,146,292	91,132	(1)	85,890	1,323,313
Total	$47,534,415	$(633,951)	$(620,132)	$1,689,582	$47,969,914

	Six Months Ended June 30, 2014				
	December 31, 2013	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	June 30, 2014
	(dollars in thousands)				
Multi-strategy funds	$31,768,578	$1,738,393	$—	$461,944	$33,968,915
Credit					
Opportunistic credit funds	4,305,438	531,787	(229,865)	366,707	4,974,067
Institutional Credit Strategies	2,605,628	1,422,838	—	(556)	4,027,910
Real estate funds	970,568	1,203,740	(345,425)	4,588	1,833,471
Other	588,600	474,134	—	17,107	1,079,841
Total	$40,238,812	$5,370,892	$(575,290)	$849,790	$45,884,204

In the six months ended June 30, 2015, our funds experienced performance-related appreciation of $1.7 billion and net outflows of $634.0 million, which was comprised of $3.0 billion of gross inflows and $3.6 billion of gross outflows due to redemptions. Distributions and other reductions were $620.1 million, which was driven by $467.7 million in distributions to investors in our closed-end opportunistic credit and real estate funds, and a $152.4 million reduction in the OZ European Credit Opportunities Fund as a result of the expiration of the fund's investment period. Our gross inflows included $1.0 billion within Institutional Credit Strategies related to two CLOs that closed during the first half of 2015. Excluding CLOs, pension funds were the largest source of our gross inflows during the first half of 2015, while private banks were the largest source of our gross outflows.

In the six months ended June 30, 2014, our funds experienced performance-related appreciation of $849.8 million, net inflows of $5.4 billion, which was comprised of $7.9 billion of gross inflows and $2.5 billion of gross outflows due to redemptions. Distributions and other reductions of $575.3 million primarily related to distributions to investors in our closed-end opportunistic credit and real estate funds. Direct allocations from pension funds and private banks were the largest drivers of our gross inflows, while redemptions from fund-of-funds were the largest driver of our gross outflows.

Weighted-Average Assets Under Management and Average Management Fee Rate

The table below presents our weighted-average assets under management and the average management fee rate. Weighted-average assets under management exclude the impact of second quarter investment performance for the periods presented, as these amounts do not impact management fees calculated for the periods presented.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Weighted-average assets under management	$47,248,867	$44,278,998	$46,846,825	$42,875,261

Average management fee rate	1.42 %	1.45 %	1.42 %	1.48 %

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The decline in our average management fee rate for both the quarter-to-date and year-to-date periods occurred because the increase in our total assets under management during these periods were primarily driven by growth in our opportunistic credit funds and our Institutional Credit Strategies products, which earn lower management fee rates than our multi-strategy funds, consistent with market convention for these products. Our average management fee will vary from quarter to quarter based on the mix of products that comprise our assets under management.

Fund Performance Information

The tables below present performance information for the funds we manage. All of our funds are managed by the Och-Ziff Funds segment with the exception of Och-Ziff Real Estate Funds I, II and III, and certain other real estate funds, which are managed by the real estate management business included in Other Operations.

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

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

Multi-Strategy Funds

The table below presents assets under management and investment performance for our multi-strategy funds. Assets under management are generally based on the net asset value of these products. Management fees typically generally range from 1.00% to 2.75% of assets under management.

We generally crystallize incentive income from the majority of our multi-strategy funds on an annual basis. Incentive income is generally equal to 20% of the realized and unrealized profits attributable to each investor. A portion of the assets under management in each of the OZ Master Fund and our other multi-strategy funds is subject to initial commitment periods of three years, and certain of these assets are subject to hurdle rates (generally equal to the 3-month T-bill or LIBOR rate). However, once the investment performance has exceeded the hurdle rate for a portion of these assets, we may receive a preferential “catch-up” allocation, resulting in a potential recognition by us of a full 20% of the net profits attributable to investors in these assets. See “—Understanding Our Results—Incentive Income” for additional information.

	Assets Under Management as of June 30,		Returns for the Six Months Ended June 30,				Annualized Returns Since Inception Through June 30, 2015	
			2015		2014			
	2015	2014	Gross	Net	Gross	Net	Gross	Net
Fund	(dollars in thousands)							
OZ Master Fund[1]	$27,046,091	$27,136,636	6.1 %	4.1 %	3.5 %	2.1 %	18.0 %[1]	12.7 %[1]
OZ Asia Master Fund	1,272,444	1,377,662	15.7 %	12.0 %	-5.7 %	-6.7 %	10.9 %	6.5 %
OZ Europe Master Fund	918,757	1,302,832	7.3 %	5.2 %	-1.0 %	-1.9 %	12.4 %	8.2 %
OZ Enhanced Master Fund	1,262,828	997,022	9.8 %	7.0 %	3.8 %	2.3 %	20.1 %	14.1 %
Och-Ziff European Multi-Strategy UCITS Fund	302,105	612,146	8.0 %	5.9 %	-4.5 %	-5.6 %	6.4 %	3.4 %
Other funds	2,188,233	2,542,617	n/m	n/m	n/m	n/m	n/m	n/m
	$32,990,458	$33,968,915						

n/m not meaningful

(1) The annualized returns since inception are those of the Och-Ziff Multi-Strategy Composite, which represents the composite performance of all accounts that were managed in accordance with our broad multi-strategy mandate that were not subject to portfolio investment restrictions or other factors that limited our investment discretion since inception on April 1, 1994. Performance is calculated using the total return of all such accounts net of all investment fees and expenses of such accounts, except incentive income on unrealized gains attributable to Special Investments that could reduce returns in these investments at the time of realization, and the returns include the reinvestment of all dividends and other income. For the period from April 1, 1994 through December 31, 1997, the returns are gross of certain overhead expenses that were reimbursed by the accounts. Such reimbursement arrangements were terminated at the inception of the OZ Master Fund on January 1, 1998. The size of the accounts comprising the composite during the time period shown vary materially. Such differences impacted our investment decisions and the diversity of the investment strategies followed. Furthermore, the composition of the investment strategies we follow is subject to its discretion and have varied materially since inception and are expected to vary materially in the future. As of June 30, 2015, the gross and net annualized returns since the OZ Master Fund's inception on January 1, 1998 were 14.1% and 9.6%, respectively.

The $1.0 billion, or 3%, year-over-year decrease in assets under management in our multi-strategy funds was primarily due to capital net outflows of $3.5 billion across various multi-strategy funds. Offsetting the decrease was $2.5 billion of performance-related appreciation, driven by the performance of the OZ Master Fund, our global multi-strategy fund. For the six months ended June 30, 2015, the OZ Master Fund generated a net return of 4.1%, driven by its long/short equity special situations strategy globally. For the six months ended June 30, 2014, the OZ Master Fund generated a net return of 2.1%, driven primarily by performance in credit-related strategies and merger arbitrage.

Credit

	Assets Under Management as of June 30,	
	2015	2014
	(dollars in thousands)	
Opportunistic credit funds	$5,084,611	$4,974,067
Institutional Credit Strategies	6,567,980	4,027,910
	$11,652,591	$9,001,977

Opportunistic Credit Funds

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

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

Assets under management for our opportunistic credit funds are generally based on the net asset value of those funds plus any unfunded commitments. Management fees for our opportunistic credit funds generally range from 0.75% to 1.75% of

the net asset value of these funds. See "—Understanding Our Results—Incentive Income" for additional information, including the recognition of incentive income for funds that we consolidate.

The table below presents assets under management and investment performance information for certain of our opportunistic credit funds. Incentive income related to these funds 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 (generally 5% to 8%). However, once the investment performance has exceeded the hurdle rate, we may receive a preferential "catch-up" allocation, resulting in a potential recognition by us of a full 20% of the net profits attributable to investors in these funds. The measurement periods for these assets under management generally range from one to five years.

	Assets Under Management as of June 30,		Returns for the Six Months Ended June 30,				Annualized Returns Since Inception Through June 30, 2015	
	2015	2014	2015		2014			
			Gross	Net	Gross	Net	Gross	Net
Fund	(dollars in thousands)							
OZ Credit Opportunities Master Fund	$1,573,470	$992,645	1.5 %	1.1 %	9.4 %	6.9 %	21.1 %	15.7 %
Customized Credit Focused Platform	1,814,973	1,712,405	3.7 %	2.7 %	11.8 %	9.0 %	22.0 %	16.7 %
Closed-end opportunistic credit funds	1,130,221	1,795,291	See below for return information on our closed-end opportunistic credit funds.					
Other funds	565,947	473,726	n/m	n/m	n/m	n/m	n/m	n/m
	$5,084,611	$4,974,067						

n/m not meaningful

The $110.5 million, or 2%, year-over-year increase in our opportunistic credit funds was due to $286.0 million of performance-related appreciation, capital net inflows of $633.8 million, and distributions and other reductions of $809.3 million related to our closed-end opportunistic credit funds. The capital net inflows were driven primarily by capital net inflows into the OZ Credit Opportunities Master Fund, our global opportunistic credit fund.

The table below presents assets under management, investment performance and other information for our closed-end opportunistic credit funds. Incentive income related to these funds is generally equal to 20% of the cumulative realized profits attributable to each investor over the life of the fund, subject to hurdle rates (generally 5% to 6%), and is recognized at or near the end of the life of the fund when it is no longer subject to clawback. However, once the investment performance has exceeded the hurdle rate, we may receive a preferential "catch-up" allocation, resulting in a potential recognition by us of a full 20% of the net profits attributable to investors in these funds. The investment periods for these funds may generally be extended for an additional one to two years.

	Assets Under Management as of June 30,		Inception to Date as of June 30, 2015				
					IRR		
	2015	2014	Total Commitments	Total Invested Capital[1]	Gross[2]	Net[3]	Gross MOIC[4]
Fund (Investment Period)	(dollars in thousands)						
OZ European Credit Opportunities Fund (2012-2015)	$312,700	$554,853	$459,600	$305,487	18.6 %	14.1 %	1.4x
	349,142	490,591	326,850	326,850	22.8 %	17.7 %	1.8x

OZ Structured Products Domestic Fund II (2011-2014)[5]									
OZ Structured Products Offshore Fund II (2011-2014)[5]	301,982	418,592	304,531	304,531	20.3	%	15.6	%	1.7x
OZ Structured Products Offshore Fund I (2010-2013)[5]	25,089	38,784	155,098	155,098	24.0	%	19.4	%	2.1x
OZ Structured Products Domestic Fund I (2010-2013)[5]	15,425	32,562	99,986	99,986	23.1	%	18.3	%	2.0x
Other funds	125,883	259,909	298,250	268,250	n/m		n/m		n/m
	$1,130,221	$1,795,291	$1,644,315	$1,460,202					

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n/m not meaningful

(1) Represents funded capital commitments net of recallable distributions to investors.

(2) Gross IRR for our closed-end opportunistic credit funds represents the estimated, unaudited, annualized return based on the timing of cash inflows and outflows for the fund as of June 30, 2015, including the fair value of unrealized investments as of such date, together with any appreciation or depreciation from related hedging activity. Gross IRR does not include the effects of management fees or incentive income, which would reduce the return, and includes the reinvestment of all fund income.

(3) Net IRR is calculated as described in footnote (2), but is reduced by all management fees, as well as paid incentive and accrued incentive income that will be payable upon the distribution of each fund's capital in accordance with the terms of the relevant fund. Accrued incentive income may be higher or lower at such time. The net IRR represents a composite rate of return for a fund and does not reflect the net IRR specific to any individual investor.

(4) Gross MOIC for our closed-end opportunistic credit funds is calculated by dividing the sum of the net asset value of the fund, accrued incentive income, life-to-date incentive income and management fees paid and any non-recallable distributions made from the fund by the invested capital.

(5) These funds have concluded their investment periods, and therefore we expect assets under management for these funds to decrease as investments are sold and the related proceeds are distributed to the investors in these funds.

Institutional Credit Strategies

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

			Assets Under Management as of June 30,	
	Closing Date	Initial Deal Size	2015	2014
		(dollars in thousands)		
CLOs:				
OZLM I	July 19, 2012	$510,700	$505,682	$466,691
OZLM II	November 1, 2012	560,100	518,066	515,616
OZLM III	February 20, 2013	653,250	614,041	611,665
OZLM IV	June 27, 2013	600,000	543,525	541,287
OZLM V	December 17, 2013	501,250	471,074	469,813
OZLM VI	April 16, 2014	621,250	593,269	591,865
OZLM VII	June 26, 2014	824,750	796,434	795,973
OZLM VIII	September 9, 2014	622,250	596,239	—
OZLM IX	December 22, 2014	510,208	495,667	—
OZLM XI	March 12, 2015	510,500	490,977	—
OZLM XII	May 28, 2015	565,650	546,435	—
		6,479,908	6,171,409	3,992,910
Other funds	n/a	n/a	396,571	35,000
		$6,479,908	$6,567,980	$4,027,910

Assets under management for our CLOs are generally based on the par value of the collateral and cash held in the CLOs. However, assets under management are reduced for any investments in our CLOs held by our other funds in order to avoid double counting these assets. Management fees for the CLOs are generally 0.50% of assets under management. Incentive income from our CLOs is equal to 20% of the excess cash flows due to the holders of the subordinated notes issued by the CLOs, subject to a 12% hurdle rate. We consolidate our CLOs, and therefore the management fees and incentive income from these entities is eliminated in consolidation. See "—Understanding Our Results—Incentive Income" for additional information. Because of the hurdle rate and structure of our CLOs, we do not expect to earn a meaningful amount of incentive income from these entities, and therefore no return information is presented for these vehicles.

The $2.5 billion year-over-year increase in assets under management was driven primarily by the launch of four additional CLOs.

Real Estate Funds

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

Assets under management for our real estate funds are generally based on the amount of capital committed by our fund investors during the investment period and the amount of actual capital invested for periods following the investment period. However, assets under management are reduced for unfunded commitments by our executive managing directors that will be funded through transfers from other funds in order to avoid double counting these assets. Management fees for our real estate funds generally range from 0.65% to 1.50% of assets under management. The tables below present assets under management, investment performance and other information for our real estate funds. Incentive income related to these funds is equal to 20% of the cumulative realized profits attributable to each investor over the life of the fund, subject to hurdle rates (generally 6% to 10%). However, once the investment performance has exceeded the hurdle rate, we may receive a preferential "catch-up" allocation, resulting in a potential recognition by us of a full 20% of the net profits attributable to investors in these funds. We consolidate most of our real estate funds, and therefore incentive income from these funds is eliminated in consolidation. See "—Understanding Our Results—Incentive Income" for additional information, including the recognition of incentive income for funds we consolidate. Management fees from the real estate funds are generally paid to us directly by the investors in those funds, and therefore those amounts are not eliminated in consolidation.

	Assets Under Management as of June 30,	
	2015	2014
Fund	(dollars in thousands)	
Och-Ziff Real Estate Fund I	$39,368	$61,881
Och-Ziff Real Estate Fund II	393,876	453,304
Och-Ziff Real Estate Fund III	1,445,391	1,176,671
Other funds	124,917	141,615
	$2,003,552	$1,833,471

	Inception to Date as of June 30, 2015									
		Total Investments					Realized/Partially Realized Investments[1]			
	Total Commitments	Invested Capital[2]	Total Value[3]	Gross IRR[4]	Net IRR[5]	Gross MOIC[6]	Invested Capital	Total Value	Gross IRR[4]	Gross MOIC[6]
Fund (Investment Period)	(dollars in thousands)									
Och-Ziff Real Estate Fund I[7] (2005-2010)	$408,081	$384,603	$767,722	25.1%	15.4%	2.0x	$359,360	$760,491	28.0%	2.1x
Och-Ziff Real Estate Fund II[7] (2011-2014)	839,508	712,495	1,199,285	36.1%	22.9%	1.7x	462,955	844,377	43.7%	1.8x
Och-Ziff Real Estate Fund III[8] (2014-2019)	1,500,000	171,000	175,152	n/m	n/m	n/m	—	—	n/m	n/m
Other funds	232,701	118,283	151,975	n/m	n/m	n/m	—	—	n/m	n/m
	$2,980,290	$1,386,381	$2,294,134				$822,315	$1,604,868		

	Unrealized Investments as of June 30, 2015		
	Invested Capital	Total Value	Gross MOIC[6]

Fund (Investment Period)	(dollars in thousands)		
Och-Ziff Real Estate Fund I (2005-2010)[7]	$25,243	$7,231	0.3x
Och-Ziff Real Estate Fund II (2011-2014)[7]	249,540	354,908	1.4x
Och-Ziff Real Estate Fund III (2014-2019)[8]	171,000	175,152	n/m
Other funds	118,283	151,975	n/m
	$564,066	$689,266	

n/m not meaningful

(1) An investment is considered partially realized when the total amount of proceeds received, including dividends, interest or other distributions of income and return of capital, represents at least 50% of invested capital.

(2) Invested capital represents total aggregate contributions made for investments by the fund.

(3) Total value represents the sum of realized distributions and the fair value of unrealized and partially realized investments as of June 30, 2015. Total value will be impacted (either positively or negatively) by future economic and other factors. Accordingly, the total value ultimately realized will likely be higher or lower than the amounts presented as of June 30, 2015.

(4) Gross IRR for our real estate funds represents the estimated, unaudited, annualized return based on the timing of cash inflows and outflows for the aggregated investments as of June 30, 2015, including the fair value of unrealized and partially realized investments as of such date, together with any unrealized appreciation or depreciation from related hedging activity. Gross IRR is not adjusted for estimated management fees, incentive income or other fees or expenses to be paid by the fund, which would reduce the return.

(5) Net IRR is calculated as described in footnote (4), but is reduced by all management fees and other fund-level fees and expenses not adjusted for in the calculation of gross IRR. Net IRR is further reduced by paid incentive and accrued incentive income that will be payable upon the distribution of each fund's capital in accordance with the terms of the relevant fund. Accrued incentive income may be higher or lower at such time. The net IRR represents a composite rate of return for a fund and does not reflect the net IRR specific to any individual investor.

(6) Gross MOIC for our real estate funds is calculated by dividing the value of a fund's investments by the invested capital, prior to adjustments for incentive income, management fees or other expenses to be paid by the fund.

(7) These funds have concluded their investment periods, and therefore we expect assets under management for these funds to decrease as investments are sold and the related proceeds are distributed to the investors in these funds.

(8) This fund recently launched and has only invested a small portion of its committed capital; therefore, IRR and MOIC information is not presented, as it is not meaningful.

The $170.1 million year-over-year increase in assets under management in our real estate funds was driven by additional commitments to Och-Ziff Real Estate Fund III, partially offset by distributions and other reductions related to certain real estate funds, including Och-Ziff Real Estate Funds I and II.

Other

Our other assets under management are comprised of funds that are generally strategy-specific, including our equity, Africa and energy funds. Management fees for these funds range from 1.00% to 1.75% of assets under management, generally based on the amount of capital committed to these platforms by our fund investors. Incentive income for our equity funds is generally 20% of realized and unrealized annual profits attributable to each investor. Incentive income related to the Africa and energy funds is generally 20% of cumulative realized profits attributable to each investor, and is subject to hurdle rates (generally 8%). Incentive income for the Africa and energy funds is generally not recognized as revenue until at or near the end of the life of the fund when it is no longer subject to clawback. See "—Understanding Our Results—Incentive Income" for additional information.

Longer-Term Assets Under Management

As of June 30, 2015, approximately 34% of our assets under management were subject to initial commitment periods of three years or longer. We earn incentive income on these assets based on the cumulative investment performance generated over this commitment period. The table below presents the amount of these assets under management, as well as the gross amount of incentive income accrued at the fund level but for which the commitment period has not concluded. These amounts have not yet been recognized in our revenues, as we recognize incentive income at the end of the commitment period when amounts are no longer subject to clawback. Further, these amounts may ultimately not be recognized as revenue by us in the event of future losses in the respective funds. See "—Understanding Our Results—Incentive Income" for additional information.

	June 30, 2015	
	Longer-Term Assets Under Management	Accrued Unrecognized Incentive Income
	(dollars in thousands)	
Multi-strategy funds	$3,857,901	$96,643
Credit		

Opportunistic credit funds	3,862,268	150,924
Institutional Credit Strategies	6,532,775	—
Real estate funds	2,003,552	105,486
Other	283,901	—
	$16,540,397	$353,053

We recognize incentive income on our longer-term assets under management in our multi-strategy funds and open-end opportunistic credit funds at the end of their respective commitment periods, which are generally three to five years. We expect the commitment period with respect to approximately 6% and 17% of the longer-term assets under management in our multi-strategy funds to mature during the third quarter of 2015 and remainder of 2015, respectively. We do not expect the initial commitment periods for a significant amount of longer-term assets under management in our open-end opportunistic credit funds to expire in 2015. Incentive income related to assets under management in our closed-end opportunistic credit funds and our real estate funds is generally recognized at or near the end of the life of each fund. These funds generally begin to make distributions after the conclusion of their respective investment period, as presented in the tables above. However, these investment periods may generally be extended for an additional one to two years.

Understanding Our Results

Revenues

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

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

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

Management Fees. Management fees are generally calculated and paid to us on a quarterly basis in advance, based on the amount of assets under management at the beginning of the quarter. Management fees are prorated for capital inflows and redemptions during the quarter. Accordingly, changes in our management fee revenues from quarter to quarter are driven by changes in the quarterly opening balances of assets under management, the relative magnitude and timing of inflows and redemptions during the respective quarter, as well as the impact of differing management fee rates charged on those inflows and redemptions. Our average management fee rate for the second quarter of 2015 was approximately 1.42%. This average rate takes into account the effect of non-fee paying assets under management, as well as our opportunistic credit funds, Institutional Credit Strategies products, real estate funds and the other alternative investment vehicles we manage, which generally pay lower management fees than our multi-strategy products, consistent with the market convention for these asset classes.

Incentive Income. We earn incentive income based on the cumulative performance of our funds over a commitment period. Incentive income is typically equal to 20% of the net realized and unrealized profits attributable to each fund investor in our multi-strategy funds, open-end opportunistic credit funds and certain other funds, but it excludes unrealized gains and losses attributable to Special Investments. For our closed-end opportunistic credit funds, real estate funds and certain other funds, incentive income is typically equal to 20% of the realized profits attributable to each fund investor. For our CLOs within Institutional Credit Strategies, incentive income is typically 20% of the

excess cash flows available to the holders of the subordinated notes. Our ability to earn incentive income from some of our funds may be impacted by hurdle rates as further discussed below.

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

For funds that we do not consolidate, incentive income is not recognized until the end of the applicable commitment period when the amounts are contractually payable, or "crystallized." Additionally, all of our multi-strategy funds and open-end opportunistic credit funds are subject to a perpetual loss carry forward, or perpetual "high-water mark," meaning we will not be able to earn incentive income with respect to positive investment performance we generate for a fund investor in any year following negative investment performance until that loss is recouped, at which point a fund investor's investment surpasses the high-water mark. We earn incentive income on any net profits in excess of the high-water mark.

The commitment period for most of our assets under management is for a period of one year on a calendar-year basis, and therefore we generally crystallize incentive income annually on December 31. We may also recognize incentive income related to fund investor redemptions at other times during the year. Additionally, we may recognize a material amount of incentive income during the year related to assets subject to three-year commitment periods for which such period has expired (including the rollover of a portion of these assets into one-year commitment periods upon the conclusion of the initial three-year period), as well as assets in certain of our opportunistic credit funds, real estate funds and certain other funds we manage, which typically have commitment periods of three years or longer. We may also recognize incentive income for tax distributions related to these assets. Tax distributions are amounts distributed to us to cover tax liabilities related to incentive income that has been accrued at the fund level but will not be recognized by us until the end of the relevant commitment period (if at all).

In addition to assets under management subject to one-year commitment periods, approximately $16.5 billion, or 34%, of our assets under management as of June 30, 2015 were subject to initial commitment periods of three years or longer. These assets under management include assets subject to three-year commitment periods in the OZ Master Fund and certain other multi-strategy funds, as well as assets in our opportunistic credit funds, Institutional Credit Strategies products, real estate funds and other alternative investment vehicles we manage. Incentive income related to these assets is based on the cumulative investment performance over a specified commitment period (in the case of CLOs within Institutional Credit Strategies, based on the excess cash flows available to the holders of the subordinated notes), and, to the extent a fund is not consolidated, is not earned until it is no longer subject to repayment to the respective fund. Our ability to earn incentive income on these longer-term assets is also subject to hurdle rates whereby we do not earn any incentive income until the investment returns exceed an agreed upon benchmark. However, for a portion of these assets subject to hurdle rates, once the investment performance has exceeded the hurdle rate, we may receive a preferential "catch-up" allocation, resulting in a potential recognition by us of a full 20% of the net profits attributable to investors in these assets.

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

Expenses

Compensation and Benefits. Compensation and benefits is comprised of salaries, benefits, payroll taxes, and discretionary and guaranteed cash bonus expense. On an annual basis, compensation and benefits comprise a significant portion of total expenses, with discretionary cash bonuses generally comprising a significant portion of total compensation and benefits. These cash bonuses are based on total annual revenues, which are significantly influenced by the amount of incentive income we earn in the year. Annual discretionary cash bonuses are generally determined and expensed in the fourth quarter each year. Compensation and benefits also includes equity-based compensation expense, which is primarily in the form of RSUs granted to our independent board members, employees

and executive managing directors, as well as Och-Ziff Operating Group A Units granted to executive managing directors subsequent to the 2007 Offerings.

Subsequent to the 2007 Offerings, we have issued Och-Ziff Operating Group D Units to certain executive managing directors. The Och-Ziff Operating Group D Units are not considered equity under GAAP and no equity-based compensation

expense is recognized related to these units when they are granted. Distributions made to holders of these units are recognized within compensation and benefits in the consolidated statements of comprehensive income, and are done on a pro rata basis with the Och-Ziff Operating Group A Units (held by our executive managing directors and the Ziffs, until they exchanged their remaining units during the 2014 second quarter) and the Och-Ziff Operating Group B Units (held by our intermediate holding companies). An Och-Ziff Operating Group D Unit converts into an Och-Ziff Operating Group A Unit to the extent the Company determines that it has become economically equivalent to an Och-Ziff Operating Group A Unit, at which point it is considered a grant of equity-based compensation for GAAP purposes. Upon the conversion of Och-Ziff Operating Group D Units into Och-Ziff Operating Group A Units, we recognize a one-time charge for the grant-date fair value of the vested units and begin to amortize the grant-date fair value of the unvested units over the vesting period. As additional Och-Ziff Operating Group D Units are converted into Och-Ziff Operating Group A Units in the future, we may see increasing non-cash equity-based compensation expense related to these units.

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

In August 2012, we adopted the Och-Ziff Capital Management Group LLC 2012 Partner Incentive Plan, which we refer to as the PIP, under which certain of our executive managing directors at the time of the IPO may be eligible to receive discretionary cash awards and discretionary grants of Och-Ziff Operating Group D Units over a five-year period that commenced in 2013. Each year, an aggregate of up to 2,770,749 Och-Ziff Operating Group D Units may be granted under the PIP to the participating executive managing directors. Aggregate discretionary cash awards for each year under the PIP will be capped at 10% of our incentive income earned during such year, up to a maximum of $39.6 million. In addition to awards under the PIP, we may also issue additional performance-related Och-Ziff Operating Group D Units or make discretionary performance cash payments to our executive managing directors.

Reorganization Expenses. As part of the Reorganization, interests in the Och-Ziff Operating Group held by our executive managing directors and the Ziffs were reclassified as Och-Ziff Operating Group A Units, resulting in significant non-cash Reorganization expenses. Substantially all of those Och-Ziff Operating Group A Units were expensed on a straight-line basis over a five-year vesting period following the 2007 Offerings, which concluded in November 2012. However, certain of these units have vesting periods through 2015.

Interest Expense. Amounts included within interest expense relate primarily to indebtedness outstanding under the 4.50% Senior Notes issued in November 2014 (the “Notes”) and, prior to repayment in November 2014, interest on our delayed draw term loan agreement entered into in November 2011 (the “Delayed Draw Term Loan”). We also have indebtedness outstanding under a secured multiple draw term loan agreement entered into in February 2014 to finance installment payments made toward the purchase of a new corporate aircraft that was delivered to us in February 2015 (the “Aircraft Loan”). Interest expense related to the Aircraft Loan was capitalized and, therefore, not included in interest expense prior to aircraft delivery. Following aircraft delivery in 2015, interest on the Aircraft Loan is fixed at 3.22% per annum. See “—Liquidity and Capital Resources—Debt Obligations” for additional information.

General, Administrative and Other. General, administrative and other expenses are related to recurring placement and related service fees, occupancy and equipment, professional services, information processing and communications, insurance, business development, changes in our tax receivable agreement liability and other miscellaneous expenses.

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

Other Income (Loss)

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

Net Gains (Losses) of Consolidated Och-Ziff Funds. Net gains (losses) of consolidated Och-Ziff funds consist of net realized and unrealized gains and losses on investments held by the consolidated Och-Ziff funds.

Income Taxes

Income taxes consist of our provision for federal, state and local income taxes in the United States and foreign income taxes, including provisions for deferred income taxes resulting from temporary differences between the tax and GAAP basis. 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 basis and the likelihood of being able to fully utilize deferred income tax assets existing as of the end of the period.

The Registrant and the Och-Ziff Operating Group entities are partnerships for U.S. federal income tax purposes. Due to our legal structure, only a portion of the income we earn is subject to corporate-level income taxes in the United States and foreign jurisdictions. The amount of incentive income we earn in a given year, the resultant flow of revenues and expenses through our legal entity structure, the effect that changes in our Class A Share price may have on the ultimate deduction we are able to take related to the settlement of RSUs, and any changes in future enacted income tax rates may have a significant impact on our income tax provision and effective income tax rate.

Net Income Allocated to Noncontrolling Interests

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

Our interest in the Och-Ziff Operating Group is expected to continue to increase over time as additional Class A Shares are issued upon the exchange of Och-Ziff Operating Group A Units and settlement of RSUs. These increases will be offset upon the conversion of Och-Ziff Operating Group D Units, which are not considered equity for GAAP purposes, into Och-Ziff Operating Group A Units.

Additionally, we consolidate certain of our credit funds, wherein investors are able to redeem their interests after an initial lock-up period of up to three years. Allocations of earnings to these interests are reflected within net income allocated to redeemable noncontrolling interests in the consolidated statements of comprehensive income.

Results of Operations

Revenues

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Management fees	$167,486	$164,031	$333,429	$322,801
Incentive income	28,537	10,918	85,647	63,011
Other revenues	508	201	969	647
Income of consolidated Och-Ziff funds	124,868	87,319	234,205	161,490
Total Revenues	$321,399	$262,469	$654,250	$547,949

Total revenues for the quarter-to-date period increased by $58.9 million, primarily due to the following:

- A $37.5 million increase in income of consolidated Och-Ziff funds. Substantially all of this income is allocated to noncontrolling interests, as we only have a minimal ownership interest, if any, in each of these funds. We may, however, be allocated a portion of these earnings through our incentive income allocation as general partner of these funds.

- A $17.6 million increase in incentive income, primarily due to the following:
  - Multi-strategy funds. A $14.9 million increase in incentive income from our multi-strategy funds, which driven by an increase of $11.4 million related to fund investor redemptions and an increase of $3.9 million related to longer-term assets under management.
  - Opportunistic credit funds. A $1.1 million decrease from our opportunistic credit funds, which was driven primarily by a decrease of $3.5 million earned from certain of our closed-end opportunistic credit funds. Partially offsetting this decrease was an increase in incentive income from our open-end opportunistic credit funds.
  - Real estate funds. A $3.3 million increase due to incentive income recognized during the second quarter of 2015 related to certain real estate funds.
- A $3.5 million increase in management fees, primarily due to the year-over-year growth in assets under management, as discussed in "Assets Under Management and Fund Performance." See "Assets Under Management and Fund Performance—Weighted-Average Assets Under Management and Average Management Fee Rate" for information regarding our average management fee rate.

Total revenues for the year-to-date period increased by $106.3 million, primarily due to the following:

- A $72.7 million increase in income of consolidated Och-Ziff funds. Substantially all of this income is allocated to noncontrolling interests, as we only have a minimal ownership interest, if any, in each of these funds. We may, however, be allocated a portion of these earnings through our incentive income allocation as general partner of these funds.
- A $22.6 million increase in incentive income, primarily due to the following:
  - Multi-strategy funds. A $14.0 million increase in incentive income from our multi-strategy funds, which driven by an increase of $11.4 million related to fund investor redemptions and an increase of $3.9 million related to longer-term assets under management. These increases were partially offset by lower tax distributions taken to cover tax liabilities on incentive income that has been accrued on certain longer-term assets under management, but that will not be realized until the end of the relevant commitment period.
  - Opportunistic credit funds. A $4.7 million increase from our opportunistic credit funds, which was driven primarily by an increase of $14.9 million in tax distributions on certain longer-term assets under management. Partially offsetting the higher tax distributions was a decrease of $12.6 million earned from certain of our closed-end opportunistic credit funds. The remaining increase was driven by higher incentive income from our open-end opportunistic credit funds.
  - Real estate funds. A $3.3 million increase due to incentive income recognized during the first half of 2015 related to certain real estate funds.
- A $10.6 million increase in management fees, primarily due to the year-over-year growth in assets under management, as discussed in "Assets Under Management and Fund Performance." See "Assets Under Management and Fund Performance—Weighted-Average Assets Under Management and Average Management Fee Rate" above for information regarding our average management fee rate.

Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Compensation and benefits	$71,375	$66,694	$141,293	$132,549
Reorganization expenses	4,017	4,021	8,034	8,042
Interest expense	5,405	1,693	10,650	3,359
General, administrative and other	12,013	43,231	61,848	79,143
Expenses of consolidated Och-Ziff funds	78,383	38,456	138,271	77,133
Total Expenses	$171,193	$154,095	$360,096	$300,226

Total expenses for the quarter-to-date period increased by $17.1 million, primarily due to the following:

- A $39.9 million increase in expenses of consolidated Och-Ziff funds. Substantially all of these expenses are allocated to noncontrolling interests, as we only have a minimal ownership interest, if any, in each of these funds. These expenses, however, may reduce the amount of earnings from the consolidated funds allocated to us through our incentive income allocation as general partner of these funds.
- A $4.7 million increase in compensation and benefits expenses, driven by a $2.6 million increase in salaries and benefits and a $1.5 million increase in equity based compensation. Our worldwide headcount increased to 612 as of June 30, 2015 compared to 556 as of June 30, 2014.
- A $3.7 million increase in interest expense, which was driven by the issuance of our Notes in the fourth quarter of 2014.
- A $31.2 million offsetting decrease in general, administrative and other expenses, driven by a decrease of $48.4 million due to a change in tax receivable agreement liability as a result of updated estimated future income tax savings at the state and local level (see income tax discussion below). This decrease was partially offset by a $13.1 million increase in professional fees primarily driven by increased legal expenses relating to certain regulatory and legal matters.

Total expenses for the year-to-date period increased by $59.9 million, primarily due to the following:

- A $61.1 million increase in expenses of consolidated Och-Ziff funds. Substantially all of these expenses are allocated to noncontrolling interests, as we only have a minimal ownership interest, if any, in each of these funds. These expenses, however, may reduce the amount of earnings from the consolidated funds allocated to us through our incentive income allocation as general partner of these funds.
- An $8.7 million increase in compensation and benefits expenses, driven by a $4.8 million increase in salaries and benefits, due to an increase in our headcount globally. In addition, equity based compensation increased $3.2 million, primarily related to the amortization of RSUs, and the allocation to Och-Ziff Operating Group D Units increased $2.0 million. Offsetting the increases was a decrease in bonus expense of $1.2 million.
- A $7.3 million increase in interest expense, which was driven by the issuance of our Notes in the fourth quarter of 2014.
- A $17.3 million offsetting decrease in general, administrative and other expenses, driven by a decrease of $44.6 million due to a change in tax receivable agreement liability as a result of updated estimated future income tax savings at the state and local level (see income tax discussion below). This decrease was offset by the following: (i) a $13.2 million increase in professional fees primarily driven by increased legal expenses relating to certain regulatory and legal matters; (ii) a $4.5 million increase related to the settlement of a certain regulatory matter; (iii) a $3.4 million increase in information processing and communication fees; and (iv) a $2.1 million increase in recurring placement and related service fees.

Other Income (Loss)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Net gains on investments in Och-Ziff funds and joint ventures	$72	$390	$189	$5,873
Net gains (losses) of consolidated Och-Ziff funds	(3,399)	65,768	42,486	120,267
Total Other Income (Loss)	$(3,327)	$66,158	$42,675	$126,140

Total other income for the quarter-to-date period decreased by $69.5 million and $83.5 million for the year-to-date period, primarily due to a decrease in net gains of consolidated Och-Ziff funds. Substantially all of these net gains are allocated to noncontrolling interests, as we only have a minimal ownership interest, if any, in each of these funds. We may, however, be allocated a portion of these earnings through our incentive income allocation as general partner of these funds. Also contributing to the year-to-date decrease was a $5.7 million decrease in net gains on investments in Och-Ziff funds and joint ventures driven by the sale of an investment held by a joint venture during the first quarter of 2014.

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Income Taxes

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Income taxes	$82,025	$21,328	$107,185	$54,919

Income tax expense increased by $60.7 million for the quarter-to-date period and by $52.3 million for the year-to-date period, primarily due to higher deferred income tax expense related to an enacted change in tax law that changed the methodology used for local income tax apportionment. As a result, we revalued our deferred income tax assets, which increased our effective income tax rate by 42.5 percentage points and 18.7 percentage points for the three and six months ended June 30, 2015, respectively.

Net Income Allocated to Noncontrolling Interests

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Och-Ziff Operating Group A Units	$50,802	$48,981	$131,734	$122,562
Consolidated Och-Ziff funds	7,105	79,715	59,457	137,956
Other	115	(100)	184	143
Total	$58,022	$128,596	$191,375	$260,661
Redeemable noncontrolling interests	$2,072	$13,892	$7,638	$23,715

Net income allocated to noncontrolling interests for the quarter-to-date period decreased $70.6 million, primarily due to the following:

- A $72.6 million decrease in the net income allocated to the consolidated Och-Ziff funds primarily driven by the decrease in net gains of consolidated Och-Ziff funds and higher expenses in those funds, partially offset by higher income in the consolidated funds.
- A $1.8 million offsetting increase in the net income allocated to the Och-Ziff Operating Group A Units driven primarily by higher management fees and incentive income, offset by higher operating expenses at the Och-Ziff Operating Group (i.e., excluding the change in tax receivable agreement liability included within general, administrative and other expenses).

Net income allocated to noncontrolling interests for the year-to-date period decreased $69.3 million, primarily due to the following:

- A $78.5 million decrease in the net income allocated to the consolidated Och-Ziff funds driven primarily by the decrease in net gains of consolidated Och-Ziff funds and higher expenses in those funds, partially offset by higher income in the consolidated funds.
- A $9.2 million offsetting increase in the net income allocated to the Och-Ziff Operating Group A Units driven primarily by higher management fees and incentive income, offset by higher operating expenses at the Och-Ziff Operating Group.

Net Income Allocated to Class A Shareholders

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Net income allocated to Class A Shareholders	$4,760	$10,716	$30,631	$34,568

Net income allocated to Class A Shareholders for the quarter-to-date period decreased by $6.0 million and by $3.9 million for the year-to-date period. The decrease for both the quarter-to-date and year-to-date period was primarily driven by higher income taxes (net of a corresponding reduction in our tax receivable agreement liability) and other operating expenses, partially offset by higher management fees and incentive income.

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 and the Ziffs (until they exchanged their remaining interests during the 2014 second quarter) on their direct interests in the Och-Ziff Operating Group. Management reviews operating performance at the Och-Ziff Operating Group level, where substantially all of our operations are performed, prior to making any income allocations.
- Reorganization expenses related to the 2007 Offerings, equity-based compensation expenses and depreciation and amortization expenses, as management does not consider these non-cash expenses to be reflective of operating performance. However, the fair value of RSUs that are settled in cash to employees or executive managing directors is included as an expense at the time of settlement.
- Changes in the tax receivable agreement liability and net gains (losses) on investments in Och-Ziff funds, as management does not consider these items to be reflective of operating performance.
- Amounts related to the consolidated Och-Ziff funds, including the related eliminations of management fees and incentive income, as management reviews the total amount of management fees and incentive income earned in relation to total assets under management and fund performance. We also defer the recognition of incentive income allocations from the consolidated Och-Ziff funds until all clawback contingencies are resolved, consistent with the revenue recognition policy for the funds we do not consolidate.

In addition, expenses related to compensation and profit-sharing arrangements based on fund investment performance are recognized at the end of the relevant commitment period, as management reviews the total compensation expense related to these arrangements in relation to any incentive income earned by the relevant fund.

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, compensation and benefits, non-compensation expenses and net income (loss) allocated to noncontrolling interests as presented on an Economic Income basis are also non-GAAP measures. No adjustments to the GAAP basis have been made for other revenues and net gains (losses) on joint ventures. For reconciliations of our non-GAAP measures to the respective GAAP measures, please see "—Economic Income Reconciliations" at the end of this MD&A.

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

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

Economic Income Revenues (Non-GAAP)

	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
	Och-Ziff Funds Segment	Other Operations	Total Company	Och-Ziff Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Economic Income Basis						
Management fees	$162,183	$4,826	$167,009	$157,086	$2,568	$159,654
Incentive income	29,295	2,242	31,537	14,379	—	14,379
Other revenues	499	9	508	194	7	201
Total Economic Income Revenues	$191,977	$7,077	$199,054	$171,659	$2,575	$174,234

Economic Income revenues for the quarter-to-date period increased by $24.8 million, primarily due to the following:

- A $17.2 million increase in incentive income, primarily due to the following:

Multi-strategy funds. A $14.9 million increase in incentive income from our multi-strategy funds, which driven by an increase of $11.4 million related to fund investor redemptions and an increase of $3.9 million related to longer-term assets under management.

Opportunistic credit funds. A $3.8 million decrease from our opportunistic credit funds, which was driven primarily by a decrease of $6.9 million earned from certain of our closed-end opportunistic credit funds. Partially offsetting this decrease was an increase in incentive income from our open-end opportunistic credit funds.

Real estate funds. A $5.5 million increase due to incentive income recognized during the second quarter of 2015 related to certain real estate funds within the Och-Ziff funds segment and Other Operations.

- A $7.4 million increase in management fees, primarily due to the year-over-year growth in assets under management, as discussed above in “Assets Under Management and Fund Performance.” See “Assets Under Management and Fund Performance—Weighted-Average Assets Under Management and Average Management Fee Rate” above for information regarding our average management fee rate.

	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
	Och-Ziff Funds Segment	Other Operations	Total Company	Och-Ziff Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Economic Income Basis						
Management fees	$321,251	$9,601	$330,852	$308,972	$5,242	$314,214
Incentive income	93,065	3,755	96,820	73,387	—	73,387
Other revenues	951	18	969	633	14	647
Total Economic Income Revenues	$415,267	$13,374	$428,641	$382,992	$5,256	$388,248

Economic Income revenues for the year-to-date period increased by $40.4 million, primarily due to the following:

- A $23.4 million increase in incentive income, primarily due to the following:

Multi-strategy funds. A $14.0 million increase in incentive income from our multi-strategy funds, which driven by an increase of $11.4 million related to fund investor redemptions and an increase of $3.9 million related to longer-term assets under management. These increases were partially offset by lower tax distributions taken to cover tax liabilities on incentive income that has been accrued on certain longer-term assets under management, but that will not be realized until the end of the relevant commitment period.

Opportunistic credit funds. A $1.7 million increase from our opportunistic credit funds, which was driven primarily by an increase of $16.4 million in tax distributions on certain longer-term assets under management. Partially offsetting the higher tax distributions was a decrease of $17.8 million earned from certain of our closed-end opportunistic credit funds. The remaining increase was driven by higher incentive income from our open-end opportunistic credit funds.

Real estate funds. A $7.0 million increase due to incentive income recognized during the first half of 2015 related to certain real estate funds within the Och-Ziff funds segment and Other Operations.

- A $16.6 million increase in management fees, primarily due to the year-over-year growth in assets under management, as discussed above in “Assets Under Management and Fund Performance.” See “Assets Under Management and Fund Performance—Weighted-Average Assets Under Management and Average Management Fee Rate” above for information regarding our average management fee rate.

Economic Income Expenses (Non-GAAP)

	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
	Och-Ziff Funds Segment	Other Operations	Total Company	Och-Ziff Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Economic Income Basis						
Compensation and benefits	$31,289	$1,788	$33,077	$28,711	$1,065	$29,776
Non-compensation expenses	50,176	523	50,699	30,139	968	31,107
Total Economic Income Expenses	$81,465	$2,311	$83,776	$58,850	$2,033	$60,883

Economic Income expenses for the quarter-to-date period increased by $22.9 million, primarily due to the following:

- A $19.6 million increase in non-compensation expenses, primarily driven by a $13.1 million increase in professional fees primarily due to increased legal expenses relating to certain regulatory and legal matters, as well as a $3.7 million increase in interest expense related to the issuance of our Notes in the fourth quarter of 2014. The remaining variance was driven by a combination of various other operating expenses. The ratio of non-compensation expense to management fees was 30% for the second quarter of 2015, compared to 19% for the second quarter of 2014. We expect this ratio to increase to a range of 35% to 37% in the third quarter of 2015 as a result of legal expenses relating to regulatory and legal matters.
- A $3.3 million increase in compensation and benefits expenses, primarily due to a $2.6 million increase in salaries and benefits driven by an increase in our worldwide headcount. The remaining increase was driven by bonus expense. The ratio of salaries and benefits to management fees was 17% for the second quarter of 2015, compared to 16% for the second quarter of 2014.

	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
	Och-Ziff Funds Segment	Other Operations	Total Company	Och-Ziff Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Economic Income Basis						
Compensation and benefits	$62,071	$4,348	$66,419	$56,835	$2,142	$58,977
Non-compensation expenses	90,029	975	91,004	59,625	330	59,955
Total Economic Income Expenses	$152,100	$5,323	$157,423	$116,460	$2,472	$118,932

Economic Income expenses for the year-to-date period increased by $38.5 million, primarily due to the following:

- A $31.0 million increase in non-compensation expenses, primarily driven by the following: (i) a 13.2 million increase in professional fees primarily due to increased legal expenses relating to certain regulatory and legal matters; (ii) a $7.3 million increase in interest expense related to the issuance of our Notes in the fourth quarter of 2014; and (iii) a $4.5 increase related to the settlement of a certain regulatory matters. The remaining variance was driven by a combination of various other operating expenses. The ratio of non-compensation expense to management fees was

28% for the first half of 2015, compared to 19% for the first half of 2014. We expect this ratio to increase to a range of 35% to 37% for the third quarter of 2015 as a result of legal expenses relating to regulatory and legal matters.

- A $7.4 million increase in compensation and benefit expenses due to a $4.8 million increase in salaries and benefits driven by an increase in our worldwide headcount. The remaining increase was driven by bonus expense. The ratio of salaries and benefits to management fees was 17% for the first half of 2015, compared to 16% for the first half of 2014.

Other Economic Income Items (Non-GAAP)

	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
	Och-Ziff Funds Segment	Other Operations	Total Company	Och-Ziff Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Economic Income Basis						
Net loss allocated to noncontrolling interests	$1	$—	$1	$—	$—	$—

	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
	Och-Ziff Funds Segment	Other Operations	Total Company	Och-Ziff Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Economic Income Basis						
Net gains on joint ventures	$—	$—	$—	$4,874	$—	$4,874
Net loss allocated to noncontrolling interests	$(7)	$—	$(7)	$(1)	$—	$(1)

Net gains on joint ventures represent the net gains on joint ventures established to expand certain of our private investments platforms. Net loss allocated to noncontrolling interests represents the amount of loss that was reduced from Economic Income and allocated to residual interests in certain businesses not owned by us. The decrease in net gains on joint ventures for the year-to-date period was due to the sale of an investment held by a joint venture in 2014.

Economic Income (Non-GAAP)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Economic Income:				
Och-Ziff Funds segment	$110,511	$112,809	$263,174	$271,407
Other Operations	4,766	542	8,051	2,784
Total Company	$115,277	$113,351	$271,225	$274,191

Economic Income for the quarter-to-date period increased $1.9 million, driven by higher management fees and incentive income, partially offset by higher operating expenses. Economic Income for the year-to-date period decreased by $3.0 million, primarily due to higher operating expenses and a gain on the sale of an investment held by a joint venture in 2014 that did not reoccur in 2015, offset by higher management fees and incentive income.

Liquidity and Capital Resources

The working capital needs of our business have historically been met, and we anticipate will continue to be met, through cash generated from management fees and incentive income earned by the Och-Ziff Operating Group from our funds.

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

- Pay our operating expenses, primarily consisting of compensation and benefits, as well as any related tax withholding obligations, and non-compensation expenses.
- Pay interest on our debt obligations.
- Provide capital to facilitate the growth of our business.
- Pay income taxes and amounts to our executive managing directors and the Ziffs with respect to the tax receivable agreement as discussed below under “—Tax Receivable Agreement.”
- Make cash distributions in accordance with our distribution policy as discussed below under “—Dividends and Distributions.”

Historically, management fees have been more than sufficient to cover all of our “fixed” operating expenses, which we define as salaries and benefits and our non-compensation costs. We cannot predict the amount of incentive income, if any, which we may earn in any given year. Accordingly, we do not rely on incentive income to meet our fixed operating expenses. Total annual revenues, which are heavily influenced by the amount of annual incentive income we earn, historically have been sufficient to fund 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.

Executive managing directors participating in the PIP may be eligible to receive discretionary annual cash awards each year for a five-year period that commenced in 2013, if we earn incentive income in the relevant year. The maximum aggregate amount of cash that may be awarded for each year under the PIP to the participating executive managing directors, collectively, will be capped at 10% of our incentive income earned during that year, up to a maximum aggregate amount of $39.6 million. Whether any cash is awarded under the PIP in a particular year, and the amount of such awards, will be determined by the Compensation Committee of the Board in its sole discretion, based on recommendations from Mr. Och for that year.

Based on our past results, management’s experience and our current level of assets under management, we believe that our existing cash resources, together with the cash generated from management fees, will be sufficient to meet our anticipated fixed operating expenses and other working capital needs for at least the next 12 months. As we have done historically, we will determine the amount of discretionary cash bonuses, including discretionary annual cash awards under the PIP described above, during the fourth quarter of each year, based on our total annual revenues. We intend to fund this amount 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. Although we cannot predict the amount, if any, of incentive income we may earn, we are able to regularly monitor expected management fees and we believe that we will be able to adjust our expense infrastructure, including discretionary cash bonuses, as needed to meet the requirements of our business and in order to maintain positive operating cash flows. Nevertheless, if we generate insufficient cash flows from operations to meet our short-term liquidity needs, we may have to borrow funds or sell assets, subject to existing contractual arrangements.

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

For our other longer-term liquidity requirements, we expect to continue to fund our fixed operating expenses through management fees and to fund discretionary cash bonuses and the repayment of our debt obligations through a combination of management fees and incentive income. We may also decide to meet these requirements by issuing additional debt, equity or other securities. Over the long term, we believe we will be able to grow our assets under management and generate positive investment performance in our funds, which we expect will allow us to grow our management fees and incentive income in amounts sufficient to cover our long-term liquidity requirements.

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

- Support the future growth in our business.
- Create new or enhance existing products and investment platforms.

- Repay borrowings.
- Pursue new investment opportunities.

- Develop new distribution channels.

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

Debt Obligations

Senior Notes

On November 20, 2014, we issued $400.0 million of 4.50% Senior Notes due November 20, 2019, unless earlier redeemed or repurchased. A portion of the proceeds from the Notes issuance was used to repay in full outstanding borrowings under the Delayed Draw Term Loan. The Notes were issued at a price equal to 99.417% of the aggregate principal amount and bear interest at a rate per annum of 4.50% payable semiannually in arrears. The Notes are unsecured and unsubordinated obligations of the issuer, Och-Ziff Finance, and are fully and unconditionally guaranteed, jointly and severally, on an unsecured and unsubordinated basis by the Och-Ziff Operating Group entities. Please see Note 9 to our consolidated financial statements included in our Annual Report for a description of the redemption provisions and restrictions under the Notes.

Revolving Credit Facility

On November 20, 2014, we entered into a $150.0 million, 5-year unsecured revolving credit facility (the "Revolving Credit Facility"), the proceeds of which may be used for working capital and general corporate purposes. The borrower under the Revolving Credit Facility is OZ Management and the facility is guaranteed by OZ Advisors I, OZ Advisors II and Och-Ziff Finance. We are able to increase the maximum amount of credit available under the facility to $225.0 million if certain conditions are satisfied. As of June 30, 2015, there were no outstanding borrowings under the facility.

We are subject to a fee of 0.10% to 0.25% per annum on undrawn commitments during the term of the Revolving Credit Facility. Outstanding borrowings will bear interest at a rate per annum of LIBOR plus 1.00% to 2.00%, or a base rate plus zero to 1.00%. The commitment fees and the spreads over LIBOR or the base rate are based on OZ Management's credit rating throughout the term of the facility.

Please see Note 9 to our consolidated financial statements included in our Annual Report for a description of the financial covenants and restrictions under the Revolving Credit Facility.

Aircraft Loan

On February 14, 2014, we entered into the Aircraft Loan to finance installment payments towards the purchase of a new corporate aircraft that was delivered to us in February 2015. The Aircraft Loan is guaranteed by OZ Management, OZ Advisors I and OZ Advisors II. As of June 30, 2015, $51.4 million was outstanding under the Aircraft Loan. Outstanding borrowings bear interest at a rate of 3.22% per annum, and the balance is payable in equal monthly installments of principal and interest over the term of the facility beginning on the aircraft delivery date, with a balloon payment of $30.8 million due upon maturity on February 4, 2022. There are no financial covenants associated with the Aircraft Loan. The Aircraft Loan includes other customary terms and conditions, including customary events of default and covenants.

Tax Receivable Agreement

We have made, and may in the future be required to make, payments under the tax receivable agreement that we entered into with our executive managing directors and the Ziffs. The purchase by the Och-Ziff Operating Group of Och-Ziff Operating Group A Units from our executive managing directors and the Ziffs with proceeds from the 2007 Offerings, and subsequent taxable exchanges by them of Och-Ziff Operating Group A Units for our Class A Shares on a one-for-one basis (or, at our option, a cash equivalent), resulted, and, in the case of future exchanges, are anticipated to result, in an increase in the tax basis of the assets of the Och-Ziff Operating Group that would not otherwise have been available. We anticipate that any such tax basis adjustment resulting from an exchange will be allocated principally to certain intangible assets of the Och-Ziff Operating Group, and we will derive our tax benefits principally through amortization of these intangibles over a 15-year period. Consequently,

these tax basis adjustments will increase, for tax purposes, our depreciation and amortization expenses and will therefore reduce the amount of tax that Och-Ziff Corp and any other corporate taxpaying entities that hold Och-Ziff Operating Group B Units in connection with an exchange, if any, would otherwise be required to pay in the future. Accordingly, pursuant to the tax receivable agreement, such corporate taxpaying entities (including Och-Ziff Capital Management Group LLC if it is treated as a corporate taxpayer) have agreed to pay our executive managing directors and the Ziffs 85% of the amount of cash savings, if any, in federal, state and local income taxes in the United States that these entities actually realize related to their units as a result of such increases in tax basis.

In connection with the departure of certain former executive managing directors since the 2007 Offerings, the right to receive payments under the tax receivable agreement by those former executive managing directors was contributed to the Och-Ziff Operating Group. As a result, we expect to pay to the other executive managing directors and the Ziffs approximately 78% (from 85% at the time of the 2007 Offerings) of the amount of cash savings, if any, in federal, state and local income taxes in the United States that we actually realize as a result of such increases in tax basis. To the extent that we do not realize any cash savings, we would not be required to make corresponding payments under the tax receivable agreement.

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

As of June 30, 2015, assuming no material changes in the relevant tax law and that we generate sufficient taxable income to realize the full tax benefit of the increased amortization resulting from the increase in tax basis of our assets, we expect to pay our executive managing directors and the Ziffs approximately $652.7 million over the next 15 years as a result of the cash savings to our intermediate holding companies from the purchase of Och-Ziff Operating Group A Units from our executive managing directors and the Ziffs with proceeds from the 2007 Offerings and the exchange of Och-Ziff Operating Group A Units for Class A Shares. Future cash savings and related payments to our executive managing directors under the tax receivable agreement in respect of subsequent exchanges would be in addition to these amounts. The obligation to make payments under the tax receivable agreement is an obligation of Och-Ziff Corp, and any other corporate taxpaying entities that hold Och-Ziff Operating Group B Units, and not of the Och-Ziff Operating Group entities. We may need to incur debt to finance payments under the tax receivable agreement to the extent the entities within the Och-Ziff Operating Group do not distribute cash to our intermediate corporate tax paying entities in an amount sufficient to meet our obligations under the tax receivable agreement.

The actual increase in tax basis of the Och-Ziff 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 the income of Och-Ziff Corp will impact the payments to be made under the tax receivable agreement. To the extent that Och-Ziff Corp does not have sufficient taxable income to utilize the amortization deductions available as a result of the increased tax basis in the Och-Ziff Operating Group 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 Och-Ziff Operating Group 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 Och-Ziff Operating Group's assets at the time of any exchange will determine the extent to which Och-Ziff Corp may benefit from amortizing its increased tax basis in such assets and thus will impact the amount of future payments under the tax receivable agreement resulting from any future exchanges.
- The extent to which future exchanges are taxable will impact the extent to which Och-Ziff Corp will receive an increase in tax basis of the Och-Ziff Operating Group assets as a result of such exchanges, and thus will impact the benefit derived by Och-Ziff Corp and the resulting payments, if any, to be made under the tax receivable agreement.

- The tax rates in effect at the time any potential tax savings are realized, which would affect the amount of any future payments under the tax receivable agreement.

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

Dividends and Distributions

The following table presents the cash dividends declared on our Class A Shares in 2015 and the related cash distributions to our executive managing directors on their Och-Ziff Operating Group A Units and Och-Ziff Operating Group D Units:

	Class A Shares		
Payment Date	Record Date	Dividend per Share	Related Distributions to Executive Managing Directors (dollars in thousands)
August 21, 2015	August 14, 2015	$0.14	$58,412
May 22, 2015	May 15, 2015	$0.22	$87,615
February 24, 2015	February 17, 2015	$0.47	$181,714

We intend to distribute to our Class A Shareholders substantially all of their pro rata share of our annual Economic Income (as described above under "—Economic Income Analysis") in excess of amounts determined by us to be necessary or appropriate to provide for the conduct of our business, to pay income taxes, to pay any amounts owed under the tax receivable agreement, to make appropriate investments in our business and our funds, and to make payments on any of our other obligations.

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

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

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

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

In accordance with the Och-Ziff Operating Group entities' limited partnership agreements, we may cause the applicable Och-Ziff Operating Group entities to distribute cash to the intermediate holding companies and our executive managing directors in an amount at least equal to the presumed maximum tax liabilities arising from their

direct ownership in these entities.

The presumed maximum tax liabilities are based upon the presumed maximum income allocable to any such unit holder at the maximum combined U.S. federal, New York State and New York City tax rates. Holders of our Class A Shares may not always receive distributions at a time when our intermediate holding companies and our executive managing directors are receiving distributions on their interests, as distributions to our intermediate holding companies may be used to settle tax liabilities, if any, or other obligations. Such tax distributions will take into account the disproportionate income allocation (but not a disproportionate cash allocation) to the unit holders with respect to "built-in gain assets," if any, at the time of the 2007 Offerings. Consequently, Och-Ziff Operating Group tax distributions may be greater than if such assets had a tax basis equal to their value at the time of the 2007 Offerings.
Our cash distribution policy has certain risks and limitations, particularly with respect to our liquidity. Although we expect to pay distributions according to our policy, we may not make distributions according to our policy, or at all, if, among other things, we do not have the cash necessary to pay the distribution. Moreover, if the Och-Ziff Operating Group's cash flows from operations are insufficient to enable it to make required minimum tax distributions discussed above, the Och-Ziff Operating Group may have to borrow funds or sell assets, and thus our liquidity and financial condition could be materially adversely affected. Furthermore, by paying cash distributions rather than investing that cash in our businesses, we might risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our obligations, operations, new investments or unanticipated capital expenditures, should the need arise. In such event, we may not be able to execute our business and growth strategy to the extent intended.

Our Funds' Liquidity and Capital Resources

Our funds have access to liquidity from our prime brokers and other counterparties. Additionally, our funds may have committed facilities in addition to regular financing from our counterparties. These sources of liquidity provide our funds with additional financing resources, allowing them to take advantage of opportunities in the global marketplace. Our funds' current liquidity position could be adversely impacted by any substantial, unanticipated investor redemptions from our funds that are made within a short time period. As discussed above in "—Assets Under Management and Fund Performance," capital contributions from investors in our multi-strategy and open-end opportunistic credit funds generally are subject to initial lock-up periods of one to three years. Following the expiration of these lock-up periods, subject to certain limitations, investors may redeem capital generally on a quarterly or annual basis upon giving 30 to 90 days' prior written notice. These lock-ups and redemption notice periods help us to manage our liquidity position. However, upon the payment of a redemption fee to the applicable fund and upon giving 30 days' prior written notice, certain investors may redeem capital during the lock-up period. Investors in our other funds are generally not allowed to redeem until the end of the life of the fund.
We also follow a rigorous risk management process and regularly monitor the liquidity of our funds' portfolios in relation to economic and market factors and the timing of potential investor redemptions. As a result of this process, we may determine to reduce exposure or increase the liquidity of our funds' portfolios at any time, whether in response to global economic and market conditions, redemption requests or otherwise. For these reasons, we believe we will be well prepared to address market conditions and redemption requests, as well as any other events, with limited impact on our funds' liquidity position. Nevertheless, significant redemptions made during a single quarter could adversely affect our funds' liquidity position, as we may meet redemptions by using our funds' available cash or selling assets (possibly at a loss). Such actions would result in lower assets under management, which would reduce the amount of management fees and incentive income we may earn. Our funds could also meet redemption requests by increasing leverage, provided we are able to obtain financing on reasonable terms, if at all. We believe our funds have sufficient liquidity to meet any anticipated redemptions for the foreseeable future.

Cash Flows Analysis

Operating Activities. Net cash provided by operating activities for the six months ended June 30, 2015 and 2014 was $168.3 million and $643.6 million, respectively. Our net cash flows from operating activities are generally comprised of current-year management fees, the collection of incentive income earned during the fourth quarter of the previous year, less cash operating expenses. Additionally, net cash from operating activities also includes the investment activities of the funds we consolidate. These investment-related cash flows are of the consolidated funds and do not directly impact the cash flows related to our Class A Shareholders.

The decrease in net cash provided by operating activities was primarily due to lower incentive income earned in 2014 compared to 2013, partially offset by lower discretionary bonuses in 2014 compared to 2013. The majority of our incentive income is generally collected and the related bonus payments are paid out during the first quarter of the following year.

Investing Activities. Net cash used in investing activities for the six months ended June 30, 2015 and 2014 was $31.9 million and $40.7 million, respectively. Investing cash flows in 2015 primarily related to the final installment payment paid upon delivery of our new corporate aircraft in February. The remaining investing-related cash flows relate to other fixed asset purchases, primarily related to leasehold improvements in our New York headquarters. Investing cash flows in 2014 primarily related to installment payments paid towards our new corporate aircraft, as well as investments made in and returned from the Och-Ziff funds. Investment-related cash flows of the consolidated Och-Ziff funds are classified within operating activities.

Financing Activities. Net cash used in financing activities for the six months ended June 30, 2015 and 2014 was $107.6 million and $456.0 million, respectively. Our net cash from financing activities are generally comprised of dividends paid to our Class A Shareholders and borrowings and repayments related to our debt obligations. Contributions from noncontrolling interests, which relate to fund investor contributions into the consolidated funds, and distributions to noncontrolling interests, which relate to fund investor redemptions and distributions to our executive managing directors and the Ziffs (until they exchanged their remaining interests during the 2014 second quarter) on their Och-Ziff Operating Group A Units, are also included in net cash from financing activities.

We paid dividends to our Class A Shareholders of $121.5 million and $229.5 million and paid distributions to our executive managing directors and the Ziffs on the Och-Ziff Operating Group A Units of $250.6 million and $494.1 million for the six months ended June 30, 2015 and 2014, respectively.

The decrease in net cash used in financing activities was primarily due to lower distributions on the Och-Ziff Operating Group A Units and dividends to Class A Shareholders as a result of the lower incentive income earned in 2014 compared to 2013 as discussed above.

Contractual Obligations

During the six months ended June 30, 2015, we closed additional CLOs resulting in an increase in the notes payable of consolidated CLOs. The table below presents the contractual cash obligation related to our CLOs as of June 30, 2015.

	Remainder of 2015	2016 - 2017	2018 - 2019	2020 - Thereafter	Total
	(dollars in thousands)				
Notes payable of consolidated CLO[1]	$—	$—	$—	$6,479,908	$6,479,908
Estimated interest on notes payable of consolidated CLO[2]	71,911	282,145	282,145	838,695	1,474,896
Total Contractual Obligation of Consolidated CLO	$71,911	$282,145	$282,145	$7,318,603	$7,954,804

(1) Represents the obligation of our consolidated CLOs, which has no recourse to the Och-Ziff Operating Group.

(2) Represents the expected future interest payments on the notes payable of our consolidated CLOs, assuming no prepayments will be made and that debt will be outstanding until its final stated maturity date. For notes with variable interest rates, the amounts presented are based on the LIBOR rate in effect as of June 30, 2015.

Off-Balance Sheet Arrangements

As of June 30, 2015, we did not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Critical accounting policies are those that require us to make significant judgments, estimates or assumptions that affect amounts reported in our financial statements or the notes thereto. We base our judgments, estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable and prudent. Actual results may differ materially from these estimates. See Note 2 to our consolidated financial statements

included in 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 Och-Ziff 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 June 30, 2015, the absolute values of our funds' invested assets and liabilities (excluding the notes payable of our CLOs) were classified within the fair value hierarchy as follows: approximately 57% within Level I; approximately 21% within Level II; and approximately 22% within Level III. As of December 31, 2014, the absolute values of our funds' invested assets and liabilities (excluding the notes payable of our CLOs) were classified within the fair value hierarchy as follows: approximately 59% within Level I; approximately 19% within Level II; and approximately 22% within Level III. The percentage of our funds' assets and liabilities within the fair value hierarchy will fluctuate based on the investments made at any given time and such fluctuations could be significant. A portion of our funds' Level III assets relate to Special Investments or other investments on which we do not earn any incentive income until such investments are sold or otherwise realized. Upon the sale or realization event of these assets, any realized profits are included in the calculation of incentive income for such year. Accordingly, the estimated fair value of our funds' Level III assets may not have any relation to the amount of incentive income actually earned with respect to such assets.

Valuation of Investments. Fair value represents the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants as of the measurement date. The fair value of our funds' investments is based on observable market prices when available. Such values are generally based on the last sales price. We, as the investment manager of the Och-Ziff 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, but are not limited to: (i) performing comparisons with prices of comparable or similar securities; (ii) obtaining valuation-related information from the issuers; (iii) calculating the present value of future cash flows; (iv) assessing other analytical data and information relating to the investment that is an indication of value; (v) obtaining information provided by third parties; and (vi) evaluating financial information provided by the management of these investments. See Note 4 to our consolidated financial statements included in this report for additional information.

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

We have established an internal control infrastructure over the valuation of financial instruments that includes ongoing oversight by our Financial Controls Group and Valuation Committee, as well as periodic audits by our Internal Audit Group. These management control functions are segregated from the trading and investing functions. See Note 4 to our consolidated financial statements included in this report for a additional information regarding our valuation procedures and related oversight and controls.

As of June 30, 2015, the only assets and liabilities carried at fair value in our consolidated balance sheet were U.S. government obligations held by us (Level I in the fair value hierarchy) and the investment holdings of the consolidated Och-Ziff funds and the related debt obligations of our consolidated CLOs. The majority of these assets and liabilities of the consolidated Och-Ziff funds are valued using sources other than observable market data, which are considered to be within Level III of the fair value hierarchy. However, substantially all of these fair value changes are absorbed by the investors of these funds (noncontrolling interests).

The following table presents our net economic exposure to loss related to these Level III investments (assets and liabilities excluding notes payable of consolidated CLOs):

	June 30, 2015 (dollars in thousands)
Level III investments (net) of consolidated Och-Ziff funds	$4,261,581
Less: Level III investments (net) for which we do not bear direct economic exposure to loss	(4,235,954)
Economic Exposure to Loss Related to Level III Investments (net)	$25,627

Impact of Fair Value Measurement on Our Results. A 10% change in the estimate of fair value of the investments held by our funds would generally have a 10% change in management fees in the period subsequent to the change in fair value, as management fees are charged based on the assets under management at the beginning of the period. For our real estate funds and certain other funds, there would be no impact as management fees are generally charged based on committed capital during the original investment period and invested capital thereafter. The impact of a 10% change in the estimate of fair value of the investments held by our funds would generally have an immediate 10% impact on our incentive income if the change in fair value continues at the end of the commitment period, at which time incentive income is recognized, and assuming no high-water marks from any prior-year losses. For certain opportunistic credit, real estate and certain other funds that are not consolidated, there would be no impact, as incentive income is recognized based on realized profits and when no longer subject to clawback.

For additional information regarding the impact that the fair value measurement of assets under management has on our results, please see “Part I—Item 3. Quantitative and Qualitative Disclosures about Market Risk.”

Variable Interest Entities

The determination of whether or not to consolidate a variable interest entity under GAAP requires a significant amount of judgment concerning the degree of control over an entity by its holders of variable interests. To make these judgments, management has conducted an analysis, on a case-by-case basis, of the relationship of the holders of variable interests to each other, the design of the entity, the expected operations of the entity, which holder of variable interests within a related party group is most “closely associated” to the entity and which holder of variable interests is the primary beneficiary required to consolidate the entity. Upon the occurrence of certain events, such as redemptions by all unaffiliated investors in any fund and modifications to fund organizational documents and investment management agreements, management reviews and reconsiders its previous conclusion regarding the status of an entity as a variable interest entity. Additionally, management continually reconsiders whether we should consolidate 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 Och-Ziff Corp that arose in connection with the purchase of Och-Ziff Operating Group A Units from our executive managing directors and the Ziffs with proceeds from the 2007 Offerings, subsequent exchanges of Och-Ziff Operating Group A Units for Class A Shares and subsequent payments to our executive managing directors and the Ziffs made under the tax receivable agreement, in addition to any related net operating loss carryforward. In accordance with relevant provisions of the Internal Revenue Code, we expect to take these goodwill and other

intangible deductions over the 15-year period following the

2007 Offerings, as well as an additional 20-year loss carryforward period available to us in any year a net operating loss is generated as a result. Our analysis of whether we expect to have sufficient future taxable income to realize these deductions is based solely on estimates over this period.

Och-Ziff Corp generated taxable income of $101.9 million for the six months ended June 30, 2015, before taking into account deductions related to the amortization of the goodwill and other intangible assets. We determined that we would need to generate taxable income of at least $1.8 billion over the remaining 8-year weighted-average amortization period, as well as an additional 20-year loss carryforward period available to us if a net operating loss is generated, in order to fully realize the deferred income tax assets. In this regard, Reorganization expenses and certain other expenses are considered permanent book to tax differences, and therefore do not impact taxable income. Accordingly, while we reported annual net losses on a GAAP basis from 2007 through 2012, we generated income before the amortization of goodwill and other intangible assets on a tax basis over these same periods. Using the estimates and assumptions discussed below, we expect to generate sufficient taxable income over the remaining amortization and loss carryforward periods available to us in order to fully realize these deferred income tax assets.

To generate $1.8 billion in taxable income over the remaining amortization and loss carryforward periods available to us, we estimated that, based on assets under management of $46.8 billion as of July 1, 2015, we would need to generate a minimum compound annual growth rate in assets under management of less than 1% over the period for which the taxable income estimate relates to fully realize the deferred income tax assets, assuming no performance-related growth, and therefore no incentive income. The assumed nature and amount of this estimated growth rate are not based on historical results or current expectations of future growth; however, the other assumptions underlying the taxable income estimate, such as general maintenance of current expense ratios and cost allocation percentages among the Och-Ziff Operating Group entities, which impact the amount of taxable income flowing through our legal structure, are based on our near-term operating budget. If our actual growth rate in assets under management falls below this minimum threshold for any extended time during the period for which these estimates relate and we do not otherwise experience offsetting growth rates in other periods, we may not generate taxable income sufficient to realize the deferred income tax assets and may need to record a valuation allowance. Management regularly reviews the model used to generate the estimates, including the underlying assumptions. If it determines that a valuation allowance is required for any reason, the amount would be determined based on the relevant circumstances at that time. To the extent we record a valuation allowance against our deferred income tax assets related to the goodwill and other intangible assets, we would record a corresponding decrease in the liability to our executive managing directors and the Ziffs under the tax receivable agreement equal to approximately 78% of such amount; therefore, our net income allocated to Class A Shareholders would only be impacted by 22% of any valuation allowance recorded against the deferred income tax assets.

Actual taxable income may differ from the estimate described above, which was prepared solely for determining whether we currently expect to have sufficient future taxable income to realize the deferred income tax assets. Furthermore, actual or estimated future taxable income may be materially impacted by significant changes in assets under management, whether as a result of fund investment performance or fund investor contributions or redemptions, significant changes to the assumptions underlying our estimates, future changes in income tax law, state income tax apportionment or other factors.

As of June 30, 2015, we had $51.8 million of net operating losses available to offset future taxable income for federal income tax purposes that will expire between 2029 and 2032, and $96.0 million of net operating losses available to offset future taxable income for state income tax purposes and $91.5 million for local income tax purposes that will expire between 2028 and 2032. Based on the analysis set forth above, as of June 30, 2015, 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 deferred state income tax credits. Accordingly, a valuation allowance for $15.1 million has been established for these credits.

Impact of Recently Adopted Accounting Pronouncements on Recent and Future Trends

None of the changes to GAAP that went into effect during the six months ended June 30, 2015 is expected to have an impact on our future trends.

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

The FASB has issued various Accounting Standards Updates ("ASUs") that could have an impact on our future trends. For additional details regarding these ASUs, including allowable methods of adoption (e.g., full retrospective or modified retrospective), see Note 2 to our consolidated financial statements included in this report. Below is a summary of the expected impact on our future trends from the adoption of these ASUs.

ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 supersedes the revenue recognition requirements in ASC 605—Revenue Recognition and most industry-specific guidance throughout the Codification. The requirements of ASU 2014-09 were initially effective for us beginning in the first quarter of 2017; however, the FASB in April 2015 approved a deferral of the effective date to the first quarter of 2018. We are currently evaluating the impact, if any, that this update will have on our future trends.

ASU 2014-13, Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity. ASU 2014-13 amends ASC 810—Consolidation to address the measurement difference that may occur between the fair value, as determined under GAAP, of the financial assets and financial liabilities of a consolidated collateralized financing entity, such as a CLO. The requirements of ASU 2014-13 are effective for us beginning in the first quarter of 2016. We are currently evaluating the impact, if any, that this update will have on our future trends.

ASU 2015-02, Amendments to the Consolidation Analysis. ASU 2015-02 significantly changes the consolidation analysis required under GAAP, and may result in the deconsolidation of many of the funds we currently consolidate. The requirements of ASU 2015-02 are effective for us beginning in the first quarter of 2016, with early adoption permitted in any interim period of 2015. We are currently evaluating the impact that this update will have on our future trends.

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

Economic Income Reconciliations

Economic Income

The following tables present the reconciliations of Economic Income to our GAAP net income allocated to Class A Shareholders for the periods presented in this MD&A:

	Three Months Ended June 30, 2015		
	Och-Ziff Funds Segment	Other Operations	Total Company
	(dollars in thousands)		
Net income (loss) allocated to Class A Shareholders—GAAP	$(12,328)	$17,088	$4,760
Net income allocated to the Och-Ziff Operating Group A Units	50,802	—	50,802
Equity-based compensation	29,269	978	30,247
Income taxes	82,025	—	82,025
Adjustment for incentive income allocations from consolidated funds subject to clawback	(3,066)	(15,739)	(18,805)
Allocations to Och-Ziff Operating Group D Units	5,189	225	5,414
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	—	2,175	2,175
Reorganization expenses	4,017	—	4,017
Changes in tax receivable agreement liability	(48,401)	—	(48,401)
Depreciation and amortization	2,814	186	3,000
Other adjustments	190	(147)	43
Economic Income—Non-GAAP	$110,511	$4,766	$115,277

	Three Months Ended June 30, 2014		
	Och-Ziff Funds Segment	Other Operations	Total Company
	(dollars in thousands)		
Net income (loss) allocated to Class A Shareholders—GAAP	$12,992	$(2,276)	$10,716
Net income allocated to the Och-Ziff Operating Group A Units	48,981	—	48,981
Equity-based compensation	28,422	317	28,739
Income taxes	21,217	111	21,328
Adjustment for incentive income allocations from consolidated funds subject to clawback	(10,575)	769	(9,806)
Allocations to Och-Ziff Operating Group D Units	4,317	—	4,317
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	2,192	1,671	3,863
Reorganization expenses	4,021	—	4,021
Changes in tax receivable agreement liability	(4)	—	(4)
Depreciation and amortization	1,617	186	1,803
Other adjustments	(371)	(236)	(607)
Economic Income—Non-GAAP	$112,809	$542	$113,351

	Six Months Ended June 30, 2015		
	Och-Ziff Funds Segment	Other Operations	Total Company
	(dollars in thousands)		
Net income (loss) allocated to Class A Shareholders—GAAP	$(7,866)	$38,497	$30,631
Net income allocated to the Och-Ziff Operating Group A Units	131,734	—	131,734
Equity-based compensation	57,274	1,769	59,043
Income taxes	107,185	—	107,185
Adjustment for incentive income allocations from consolidated funds subject to clawback	(826)	(36,452)	(37,278)
Allocations to Och-Ziff Operating Group D Units	10,886	563	11,449
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	—	3,594	3,594
Reorganization expenses	8,034	—	8,034
Changes in tax receivable agreement liability	(48,426)	—	(48,426)
Depreciation and amortization	4,778	371	5,149
Other adjustments	401	(291)	110
Economic Income—Non-GAAP	$263,174	$8,051	$271,225

	Six Months Ended June 30, 2014		
	Och-Ziff Funds Segment	Other Operations	Total Company
	(dollars in thousands)		
Net income (loss) allocated to Class A Shareholders—GAAP	$37,437	$(2,869)	$34,568
Net income allocated to the Och-Ziff Operating Group A Units	122,562	—	122,562
Equity-based compensation	55,552	317	55,869
Income taxes	54,808	111	54,919
Adjustment for incentive income allocations from consolidated funds subject to clawback	(18,219)	96	(18,123)
Allocations to Och-Ziff Operating Group D Units	9,474	—	9,474
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	3,293	4,936	8,229
Reorganization expenses	8,042	—	8,042
Changes in tax receivable agreement liability	(3,819)	—	(3,819)
Depreciation and amortization	3,260	371	3,631
Other adjustments	(983)	(178)	(1,161)
Economic Income—Non-GAAP	$271,407	$2,784	$274,191

Economic Income Revenues

The following tables present the reconciliations of Economic Income revenues and its components to the respective GAAP measure for the periods presented in this MD&A:

	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
	Och-Ziff Funds Segment	Other Operations	Total Company	Och-Ziff Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Management fees—GAAP	$162,660	$4,826	$167,486	$161,463	$2,568	$164,031
Adjustment to management fees[1]	(477)	—	(477)	(4,377)	—	(4,377)
Management Fees—Economic Income Basis—Non-GAAP	162,183	4,826	167,009	157,086	2,568	159,654
Incentive income—GAAP	28,537	—	28,537	10,918	—	10,918
Adjustment to incentive income[2]	758	2,242	3,000	3,461	—	3,461
Incentive Income—Economic Income Basis—Non-GAAP	29,295	2,242	31,537	14,379	—	14,379
Other revenues	499	9	508	194	7	201
Total Revenues—Economic Income Basis—Non-GAAP	$191,977	$7,077	$199,054	$171,659	$2,575	$174,234

	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
	Och-Ziff Funds Segment	Other Operations	Total Company	Och-Ziff Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Management fees—GAAP	$323,828	$9,601	$333,429	$317,559	$5,242	$322,801
Adjustment to management fees[1]	(2,577)	—	(2,577)	(8,587)	—	(8,587)
Management Fees—Economic Income Basis—Non-GAAP	321,251	9,601	330,852	308,972	5,242	314,214
Incentive income—GAAP	85,647	—	85,647	63,011	—	63,011
Adjustment to incentive income[2]	7,418	3,755	11,173	10,376	—	10,376
Incentive Income—Economic Income Basis—Non-GAAP	93,065	3,755	96,820	73,387	—	73,387
Other revenues	951	18	969	633	14	647
Total Revenues—Economic Income Basis—Non-GAAP	$415,267	$13,374	$428,641	$382,992	$5,256	$388,248

(1) Adjustment to present management fees net of recurring placement and related service fees, as management considers these fees a reduction in management fees, not an expense. The impact of eliminations related to the consolidated Och-Ziff funds is also removed.

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

Economic Income Expenses

The following tables present the reconciliations of Economic Income expenses and its components to the respective GAAP measure for the periods presented in this MD&A:

	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
	Och-Ziff Funds Segment	Other Operations	Total Company	Och-Ziff Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Compensation and benefits—GAAP	$66,209	$5,166	$71,375	$63,640	$3,054	$66,694
Adjustment to compensation and benefits[1]	(34,920)	(3,378)	(38,298)	(34,929)	(1,989)	(36,918)
Compensation and Benefits—Economic Income Basis—Non-GAAP	$31,289	$1,788	$33,077	$28,711	$1,065	$29,776
Interest expense and general, administrative and other expenses—GAAP	$16,712	$706	$17,418	$43,770	$1,154	$44,924
Adjustment to interest expense and general, administrative and other expenses[2]	33,464	(183)	33,281	(13,631)	(186)	(13,817)
Non-Compensation Expenses—Economic Income Basis—Non-GAAP	$50,176	$523	$50,699	$30,139	$968	$31,107

	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
	Och-Ziff Funds Segment	Other Operations	Total Company	Och-Ziff Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Compensation and benefits—GAAP	$131,019	$10,274	$141,293	$125,153	$7,396	$132,549
Adjustment to compensation and benefits[1]	(68,948)	(5,926)	(74,874)	(68,318)	(5,254)	(73,572)
Compensation and Benefits—Economic Income Basis—Non-GAAP	$62,071	$4,348	$66,419	$56,835	$2,142	$58,977
Interest expense and general, administrative and other expenses—GAAP	$71,151	$1,347	$72,498	$81,801	$701	$82,502
Adjustment to interest expense and general, administrative and other expenses[2]	18,878	(372)	18,506	(22,176)	(371)	(22,547)
Non-Compensation Expenses—Economic Income Basis—Non-GAAP	$90,029	$975	$91,004	$59,625	$330	$59,955

(1) Adjustment to exclude equity-based compensation, as management does not consider these non-cash expenses to be reflective of our operating performance. However, the fair value of RSUs that are settled in cash to employees or executive managing directors is included as an expense at the time of settlement. Further, expenses related to compensation and profit-sharing arrangements based on fund investment performance are recognized at the end of the relevant commitment period, as management reviews the total compensation expense related to these arrangements in relation to any incentive income earned by the relevant fund. Distributions to the Och-Ziff Operating Group D Units are also excluded, as management reviews operating performance at the Och-Ziff Operating Group level, where substantially all of our operations are performed, prior to making any income allocations.

(2) Adjustment to exclude depreciation, amortization and changes in the tax receivable agreement liability, as management does not consider these items to be reflective of our operating performance. Additionally, recurring placement and related service fees are excluded, as management considers these fees a reduction in management fees, not an expense.

Other Economic Income Items

The following tables present the reconciliations of other items included in Economic Income to the respective GAAP measure for the periods presented in this MD&A:

	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
	Och-Ziff Funds Segment	Other Operations	Total Company	Och-Ziff Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Net gains on investments in Och-Ziff funds and joint ventures—GAAP	$70	$2	$72	$390	$—	$390
Adjustment to net gains on investments in Och-Ziff funds and joint ventures[1]	(70)	(2)	(72)	(390)	—	(390)
Net Gains on Joint Ventures—GAAP	$—	$—	$—	$—	$—	$—

Net income allocated to noncontrolling interests—GAAP	$22,112	$35,910	$58,022	$95,303	$33,293	$128,596
Adjustment to net income allocated to noncontrolling interests[2]	(22,111)	(35,910)	(58,021)	(95,303)	(33,293)	(128,596)
Net Income Allocated to Noncontrolling Interests—Economic Income Basis—Non-GAAP	$1	$—	$1	$—	$—	$—

	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
	Och-Ziff Funds Segment	Other Operations	Total Company	Och-Ziff Funds Segment	Other Operations	Total Company
	(dollars in thousands)					
Net gains on investments in Och-Ziff funds and joint ventures—GAAP	$187	$2	$189	$5,873	$—	$5,873
Adjustment to net gains on investments in Och-Ziff funds and joint ventures[1]	(187)	(2)	(189)	(999)	—	(999)
Net Gains on Joint Ventures—GAAP	$—	$—	$—	$4,874	$—	$4,874
Net income allocated to noncontrolling interests—GAAP	$148,601	$42,774	$191,375	$191,532	$69,129	$260,661
Adjustment to net income allocated to noncontrolling interests[2]	(148,608)	(42,774)	(191,382)	(191,533)	(69,129)	(260,662)
Net Loss Allocated to Noncontrolling Interests—Economic Income Basis—Non-GAAP	$(7)	$—	$(7)	$(1)	$—	$(1)

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

(2) Adjustment to exclude amounts allocated to our executive managing directors and the Ziffs (until they exchanged their remaining interests during the 2014 second quarter) on their interests in the Och-Ziff Operating Group, as management reviews operating performance at the Och-Ziff Operating Group level. We conduct substantially all of our activities through the Och-Ziff Operating Group. Additionally, the impact of the consolidated Och-Ziff funds, including the allocation of earnings to investors in those funds, is also removed.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

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

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

Impact on Management Fees

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

Impact on Incentive Income

Incentive income for our funds is generally based on a percentage of profits generated by our funds over a commitment period, which is impacted by global market conditions and other factors. Major factors that influence the

degree of impact include how the investments held by our funds are impacted by changes in the market and the extent to which any high-water marks impact our ability to earn incentive income. Consequently, incentive income cannot be readily predicted or estimated.

Market Risk

The amount of our assets under management is generally based on the net asset value of multi-strategy and opportunistic credit funds (plus unfunded commitments for certain closed-end opportunistic credit funds), and committed or invested capital for our real estate funds and certain other funds. A 10% change in the fair value of the net assets held by our funds as of June 30, 2015 and December 31, 2014, would have resulted in a change of approximately $3.9 billion and $4.0 billion, respectively, in our assets under management.

A 10% change in the fair value of the net assets held by our funds as of July 1, 2015 (the date management fees are calculated for the third quarter of 2015) would impact management fees charged on that day by approximately $13.5 million. A 10% change in the fair value of the net assets held by our funds as of January 1, 2015, would have impacted management fees charged on that day by approximately $13.6 million.

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

Exchange Rate Risk

Our funds hold investments denominated in non-U.S. dollar currencies, which may be affected by movements in the rate of exchange between the U.S. dollar and foreign currencies. We estimate that as of June 30, 2015 and December 31, 2014, a 10% weakening or strengthening of the U.S. dollar against all or any combination of currencies to which our funds have exposure to exchange rates would not have a material effect on our revenues, net income allocated to Class A Shareholders or Economic Income.

Interest Rate Risk

Our Notes and Aircraft Loan are fixed-rate borrowings. Future borrowings (if any) under our Revolving Credit Facility will bear interest at rates indexed to LIBOR. There are currently no borrowings outstanding under our Revolving Credit Facility. We estimate that as of June 30, 2015 and December 31, 2014, a 10% increase or decrease in LIBOR would not have a material effect on our annual interest expense, net income allocated to Class A Shareholders or Economic Income.

Our funds have financing arrangements and hold credit instruments that accrue interest at variable rates. Interest rate changes may therefore impact the amount of interest payments, future earnings and cash flows. In the event LIBOR, and rates directly or indirectly indexed to LIBOR, were to increase by 10% over LIBOR as of June 30, 2015 and December 31, 2014, based on our funds' debt investments and obligations as of such date, we estimate that the net effect on our revenues, net income allocated to Class A Shareholders or Economic Income would not have been material. A tightening of credit and an increase in prevailing interest rates could make it more difficult for us to raise capital and sustain the growth rate of the funds.

Credit Risk

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

Item 4. Controls and Procedures

Effectiveness of Disclosure Controls and Procedures

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

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

As of June 30, 2015, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and were operating at a reasonable assurance level as of June 30, 2015.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, that occurred in the second quarter of 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

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

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

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently subject to any pending judicial, administrative or arbitration proceedings that we expect to have a material impact on our consolidated financial statements. We are from time to time involved in litigation and claims incidental to the conduct of our business. Like other businesses in our industry, we are subject to extensive scrutiny by regulatory agencies globally that have, or may in the future have, regulatory authority over us and our business activities. This has resulted in, or may in the future result in, regulatory agency investigations, litigation and subpoenas, and related sanctions and costs. See “Part II—Item 1A. Risk Factors—Risks Related to Our Business—Extensive regulation of our business affects our activities and creates the potential for significant liabilities and penalties. Our reputation, business, financial condition or results of operations could be materially affected by regulatory issues,” “Part II—Item 1A. Risk Factors—Risks Related to Our Business—Increased regulatory focus in the United States could result in additional burdens on our business” and “Part II—Item 1A. Risk Factors—Risks Related to Our Business—Recent regulatory changes in jurisdictions outside the United States could adversely affect our business” in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015. See Note 14 to our consolidated financial statements included in this Form 10-Q for additional information.

Item 1A. Risk Factors

There have been no material changes from the risk factors presented in “Part II — Item 1A. Risk Factors” in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.

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

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.
31.2	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 5, 2015

OCH-ZIFF CAPITAL MANAGEMENT GROUP LLC

By: /s/ Joel M. Frank
Joel M. Frank
Chief Financial Officer and Executive Managing Director