Oaktree Capital Group, LLC
Form 10-Q
November 05, 2015

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended September 30, 2015
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the transition period from to .
Commission File Number 001-35500

Oaktree Capital Group, LLC
(Exact name of registrant as specified in its charter)

Delaware	26-0174894
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

333 South Grand Avenue, 28th Floor
Los Angeles, CA 90071
Telephone: (213) 830-6300
(Address, zip code, and telephone number, including area code, of registrant’s principal executive offices)

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

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 x No o

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 x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

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

As of November 2, 2015, there were 48,671,659 Class A units and 105,317,704 Class B units of the registrant outstanding.

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FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), which reflect our current views with respect to, among other things, our future results of operations and financial performance. In some cases, you can identify forward-looking statements by words such as “anticipate,” “approximately,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “outlook,” “plan,” “poter “seek,” “should,” “will” and “would” or the negative version of these words or other comparable or similar words. These statements identify prospective information. Important factors could cause actual results to differ, possibly materially, from those indicated in these statements. Forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Such forward-looking statements are subject to risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity, including, but not limited to, changes in our anticipated revenue and income, which are inherently volatile; changes in the value of our investments; the pace of our raising of new funds; changes in assets under management; the timing and receipt of, and impact of taxes on, carried interest; distributions from and liquidation of our existing funds; the amount and timing of distributions on our Class A units; changes in our operating or other expenses; the degree to which we encounter competition; and general economic and market conditions. The factors listed in the item captioned “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission (“SEC”) on February 27, 2015 (“annual report”), which is accessible on the SEC’s website at www.sec.gov, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations described in our forward-looking statements.

Forward-looking statements speak only as of the date of this quarterly report. Except as required by law, we do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

In this quarterly report, unless the context otherwise requires:
"Oaktree," "OCG," "we," "us," "our" or "our company" refers to Oaktree Capital Group, LLC and, where applicable, its subsidiaries and affiliates.
"Oaktree Operating Group," or "Operating Group," refers collectively to the entities in which we have a minority economic interest and indirect control that either (i) act as or control the general partners and investment advisers of our funds or (ii) hold interests in other entities or investments generating income for us.
"OCGH" refers to Oaktree Capital Group Holdings, L.P., a Delaware limited partnership, which holds an interest in the Oaktree Operating Group and all of our Class B units.
"OCGH unitholders" refers collectively to our senior executives, current and former employees and certain other investors who hold their interest in the Oaktree Operating Group through OCGH.
"2007 Private Offering" refers to the sale completed on May 25, 2007 of 23,000,000 of our Class A units to qualified institutional buyers (as defined in the Securities Act) in a transaction exempt from the registration requirements of the Securities Act. Prior to our initial public offering, these Class A units traded on a private over-the-counter market developed by Goldman, Sachs & Co. for tradable unregistered equity securities.
"assets under management," or "AUM," generally refers to the assets we manage and equals the NAV (as defined below) of the assets we manage, the fund-level leverage on which management fees are charged, the undrawn capital that we are entitled to call from investors in our funds pursuant to their capital commitments, and the aggregate par value of collateral assets and principal cash held by our collateralized loan obligation vehicles ("CLOs"). Our AUM amounts include AUM for which we charge no fees. Our definition of AUM is not based on any definition contained in our operating agreement or the agreements governing the funds that we manage. Our calculation of AUM and the two AUM-related metrics described below may not be directly comparable to the AUM metrics of other investment managers.

- "management fee-generating assets under management," or "management fee-generating AUM," is a forward-looking metric and reflects the AUM on which we will earn management fees in the following quarter, as more fully described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment and Operating Metrics—Assets Under Management—Management Fee-generating Assets Under Management."
- "incentive-creating assets under management," or "incentive-creating AUM," refers to the AUM that may eventually produce incentive income, as more fully described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment and Operating Metrics—Assets Under Management—Incentive-creating Assets Under Management."

"consolidated funds" refers to the funds and CLOs that Oaktree consolidates through a majority voting interest or otherwise, including those funds in which Oaktree as the general partner is presumed to have control.
"funds" refers to investment funds and, where applicable, CLOs and separate accounts that are managed by us or our subsidiaries.
"initial public offering" refers to the listing of our Class A units on the New York Stock Exchange on April 12, 2012 whereby Oaktree sold 7,888,864 Class A units and selling unitholders sold 954,159 Class A units, as more fully described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Initial Public Offering" in our annual report.
"Intermediate Holding Companies" collectively refers to the subsidiaries wholly owned by us.
"net asset value," or "NAV," refers to the value of all the assets of a fund (including cash and accrued interest and dividends) less all liabilities of the fund (including accrued expenses and any reserves established by us, in our discretion, for contingent liabilities) without reduction for accrued incentives (fund level) because they are reflected in the partners' capital of the fund.
"Relevant Benchmark" refers, with respect to:

- our U.S. High Yield Bond strategy, to the Citigroup U.S. High Yield Cash-Pay Capped Index;

- our Global High Yield Bond strategy, to an Oaktree custom global high yield index that represents 60% BofA Merrill Lynch High Yield Master II Constrained Index and 40% BofA Merrill Lynch Global Non-Financial High Yield European Issuers 3% Constrained, ex-Russia Index – USD Hedged from inception through December 31, 2012, and the BofA Merrill Lynch Non-Financial Developed Markets High Yield Constrained Index – USD Hedged thereafter;
- our European High Yield Bond strategy, to the BofA Merrill Lynch Global Non-Financial High Yield European Issuers excluding Russia 3% Constrained Index (USD Hedged);
- our U.S. Senior Loan strategy (with the exception of the closed-end funds), to the Credit Suisse Leveraged Loan Index;
- our European Senior Loan strategy, to the Credit Suisse Western European Leveraged Loan Index (EUR Hedged);
- our U.S. Convertible Securities strategy, to an Oaktree custom convertible index that represents the Credit Suisse Convertible Securities Index from inception through December 31, 1999, the Goldman Sachs/Bloomberg Convertible 100 Index from January 1, 2000 through June 30, 2004 and the BofA Merrill Lynch All U.S. Convertibles Index thereafter;
- our non-U.S. Convertible Securities strategy, to an Oaktree custom non-U.S. convertible index that represents the JACI Global ex-U.S. (Local) Index from inception through December 31, 2014 and the Thomson Reuters Global Focus ex-U.S. (USD hedged) Index thereafter;
- our High Income Convertible Securities strategy, to the Citigroup U.S. High Yield Market Index; and
- our Emerging Markets Equities strategy, to the Morgan Stanley Capital International Emerging Markets Index (Net).

“senior executives” refers collectively to Howard S. Marks, Bruce A. Karsh, Jay S. Wintrob, John B. Frank, Stephen A. Kaplan, David M. Kirchheimer and Sheldon M. Stone.

“Sharpe Ratio” refers to a metric used to calculate risk-adjusted return. The Sharpe Ratio is the ratio of excess return to volatility, with excess return defined as the return above that of a riskless asset (based on the three-month U.S. Treasury bill, or for our European Senior Loan strategy, the Euro Overnight Index Average) divided by the standard deviation of such return. A higher Sharpe Ratio indicates a return that is higher than would be expected for the level of risk compared to the risk-free rate.

This quarterly report and its contents do not constitute and should not be construed as an offer of securities of any Oaktree funds.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
Oaktree Capital Group, LLC
Condensed Consolidated Statements of Financial Condition (Unaudited)
($ in thousands)

	September 30, 2015	December 31, 2014
Assets		
Cash and cash-equivalents	$421,712	$408,296
U.S. Treasury securities	656,120	655,529
Corporate investments (includes $16,872 and $40,814 measured at fair value as of September 30, 2015 and December 31,2014, respectively)	173,574	187,963
Due from affiliates	37,806	46,881
Deferred tax assets	430,797	357,364
Other assets	257,908	282,516
Assets of consolidated funds:		
Cash and cash-equivalents	2,825,585	2,940,198
Investments, at fair value	47,684,422	46,533,799
Dividends and interest receivable	181,591	193,428
Due from brokers	1,296,401	605,882
Receivable for securities sold	260,759	171,817
Derivative assets, at fair value	149,223	296,197
Other assets	482,153	664,192
Total assets	$54,858,051	$53,344,062
Liabilities and Unitholders' Capital		
Liabilities:		
Accrued compensation expense	$225,932	$294,886
Accounts payable, accrued expenses and other liabilities	122,138	148,361
Due to affiliates	370,949	309,214
Debt obligations	850,000	850,000
Liabilities of consolidated funds:		
Accounts payable, accrued expenses and other liabilities	84,588	75,487
Payables for securities purchased	826,592	767,733
Securities sold short, at fair value	115,463	64,438
Derivative liabilities, at fair value	734,360	253,509
Distributions payable	186,153	752,762
Borrowings under credit facilities	6,228,361	4,704,852
Debt obligations of CLOs	2,351,272	1,601,535
Total liabilities	12,095,808	9,822,777
Commitments and contingencies (Note 13)		
Non-controlling redeemable interests in consolidated funds	40,940,811	41,681,155
Unitholders' capital:		
Class A units, no par value, unlimited units authorized, 48,671,659 and 43,763,719 units issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	—	—
Class B units, no par value, unlimited units authorized, 105,317,704 and 109,088,901 units issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	—	—

Paid-in capital	598,858	536,431
Retained earnings	—	11,378
Accumulated other comprehensive loss	(1,661)	(1,070)
Class A unitholders' capital	597,197	546,739
Non-controlling interests in consolidated funds	31,092	27,430
Non-controlling interests in consolidated subsidiaries	1,193,143	1,265,961
Total unitholders' capital	1,821,432	1,840,130
Total liabilities and unitholders' capital	$54,858,051	$53,344,062

Please see accompanying notes to condensed consolidated financial statements.

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Oaktree Capital Group, LLC
Condensed Consolidated Statements of Operations (Unaudited)
(in thousands, except per unit amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Management fees	$47,106	$54,243	$148,848	$146,234
Incentive income	3,385	—	3,949	—
Total revenues	50,491	54,243	152,797	146,234
Expenses:				
Compensation and benefits	(101,240)	(101,482)	(319,133)	(292,509)
Equity-based compensation	(12,494)	(10,557)	(40,283)	(30,226)
Incentive income compensation	(4,907)	(43,048)	(107,010)	(170,801)
Total compensation and benefits expense	(118,641)	(155,087)	(466,426)	(493,536)
General and administrative	(37,627)	(15,294)	(77,695)	(79,197)
Depreciation and amortization	(4,032)	(2,402)	(10,031)	(6,138)
Consolidated fund expenses	(30,218)	(79,618)	(118,269)	(147,234)
Total expenses	(190,518)	(252,401)	(672,421)	(726,105)
Other income (loss):				
Interest expense	(56,023)	(34,564)	(155,334)	(84,263)
Interest and dividend income	454,384	861,109	1,455,624	1,507,306
Net realized gain on consolidated funds’ investments	318,267	428,267	1,650,645	1,596,596
Net change in unrealized appreciation (depreciation) on consolidated funds’ investments	(2,357,989)	(1,638,736)	(3,268,891)	(168,368)
Investment income	10,342	5,768	38,718	15,149
Other income (expense), net	6,368	2,695	13,925	1,006
Total other income (loss)	(1,624,651)	(375,461)	(265,313)	2,867,426
Income (loss) before income taxes	(1,764,678)	(573,619)	(784,937)	2,287,555
Income taxes	(1,893)	(5,341)	(15,253)	(19,088)
Net income (loss)	(1,766,571)	(578,960)	(800,190)	2,268,467
Less:				
Net (income) loss attributable to non-controlling interests in consolidated funds	1,779,225	665,424	1,034,521	(1,843,652)
Net income attributable to non-controlling interests in consolidated subsidiaries	(10,767)	(67,551)	(174,377)	(322,922)
Net income attributable to Oaktree Capital Group, LLC	$1,887	$18,913	$59,954	$101,893
Distributions declared per Class A unit	$0.50	$0.55	$1.70	$2.53
Net income per unit (basic and diluted):				
Net income per Class A unit	$0.04	$0.43	$1.27	$2.41
Weighted average number of Class A units outstanding	48,440	43,480	47,304	42,234

Please see accompanying notes to condensed consolidated financial statements.

Oaktree Capital Group, LLC
Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(in thousands)

Three Months Ended September 30, 2015	Oaktree Capital Group, LLC	Non-controlling Interests in Consolidated Subsidiaries	Non-controlling Interests in Consolidated Funds	Total
Net income (loss)	$1,887	$ 10,767	$ (1,779,225)	$(1,766,571)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(444)	(967)	—	(1,411)
Unrealized gain on interest-rate swap designated as cash-flow hedge	56	122	—	178
Other comprehensive loss, net of tax	(388)	(845)	—	(1,233)
Total comprehensive income (loss)	1,499	9,922	(1,779,225)	(1,767,804)
Less: Comprehensive (income) loss attributable to non-controlling interests	—	(9,922)	1,779,225	1,769,303
Comprehensive income attributable to Oaktree Capital Group, LLC	$1,499	$ —	$ —	$1,499
Three Months Ended September 30, 2014				
Net income (loss)	$18,913	$ 67,551	$ (665,424)	$(578,960)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(472)	(1,187)	—	(1,659)
Unrealized gain on interest-rate swap designated as cash-flow hedge	320	806	—	1,126
Other comprehensive loss, net of tax	(152)	(381)	—	(533)
Total comprehensive income (loss)	18,761	67,170	(665,424)	(579,493)
Less: Comprehensive (income) loss attributable to non-controlling interests	—	(67,170)	665,424	598,254
Comprehensive income attributable to Oaktree Capital Group, LLC	$18,761	$ —	$ —	$18,761

Please see accompanying notes to condensed consolidated financial statements.

Oaktree Capital Group, LLC
Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited) — (Continued)
(in thousands)

Nine Months Ended September 30, 2015	Oaktree Capital Group, LLC	Non-controlling Interests in Consolidated Subsidiaries	Non-controlling Interests in Consolidated Funds	Total
Net income (loss)	$59,954	$ 174,377	$ (1,034,521)	$(800,190)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(738)	(1,801)	—	(2,539)
Unrealized gain on interest-rate swap designated as cash-flow hedge	147	314	—	461
Other comprehensive loss, net of tax	(591)	(1,487)	—	(2,078)
Total comprehensive income (loss)	59,363	172,890	(1,034,521)	(802,268)
Less: Comprehensive (income) loss attributable to non-controlling interests	—	(172,890)	1,034,521	861,631
Comprehensive income attributable to Oaktree Capital Group, LLC	$59,363	$ —	$ —	$59,363
Nine Months Ended September 30, 2014				
Net income	$101,893	$ 322,922	$ 1,843,652	$2,268,467
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(457)	(1,122)	—	(1,579)
Unrealized gain on interest-rate swap designated as cash-flow hedge	483	1,165	—	1,648
Other comprehensive income, net of tax	26	43	—	69
Total comprehensive income	101,919	322,965	1,843,652	2,268,536
Less: Comprehensive income attributable to non-controlling interests	—	(322,965)	(1,843,652)	(2,166,617)
Comprehensive income attributable to Oaktree Capital Group, LLC	$101,919	$ —	$ —	$101,919

Please see accompanying notes to condensed consolidated financial statements.

Oaktree Capital Group, LLC
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income (loss)	$(800,190)	$2,268,467
Adjustments to reconcile net income to net cash used in operating activities:		
Investment income	(38,718)	(15,149)
Depreciation and amortization	10,031	6,138
Equity-based compensation	40,283	30,226
Net realized and unrealized (gains) losses from consolidated funds’ investments	1,618,246	(1,428,228)
Amortization (accretion) of original issue and market discount of consolidated funds’ investments, net	(4,419)	(12,335)
Income distributions from corporate investments in companies	48,826	41,470
Amortization or write-down of debt issuance costs	9,184	9,091
Cash flows due to changes in operating assets and liabilities:		
(Increase) decrease in other assets	35,620	(9,082)
Increase (decrease) in net due to affiliates	8,334	(1,583)
Decrease in accrued compensation expense	(68,954)	(32,017)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(26,879)	28,141
Cash flows due to changes in operating assets and liabilities of consolidated funds:		
(Increase) decrease in dividends and interest receivable	11,837	(26,516)
Increase in due from brokers	(690,519)	(406,199)
(Increase) decrease in receivables for securities sold	(88,942)	70,100
(Increase) decrease in other assets	184,544	(184,509)
Increase in accounts payable, accrued expenses and other liabilities	36,132	25,544
Increase in payables for securities purchased	58,859	57,087
Purchases of securities	(14,351,834)	(16,864,421)
Proceeds from maturities and sales of securities	11,839,995	13,569,344
Net cash used in operating activities	(2,168,564)	(2,874,431)
Cash flows from investing activities:		
Purchases of U.S. Treasury securities	(290,645)	(239,803)
Proceeds from maturities and sales of U.S. Treasury securities	290,054	436,041
Corporate investments in funds and companies	(41,289)	(23,381)
Distributions and proceeds from corporate investments in funds and companies	45,570	26,251
Acquisition, net of cash acquired (Highstar)	—	(25,637)
Purchases of fixed assets	(21,069)	(4,940)
Net cash provided by (used in) investing activities	(17,379)	168,531

(continued)

Please see accompanying notes to condensed consolidated financial statements.

Oaktree Capital Group, LLC
Condensed Consolidated Statements of Cash Flows (Unaudited) — (Continued)
(in thousands)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Cash flows from financing activities:		
Proceeds from issuance of debt obligations	$—	$500,000
Payment of debt issuance costs	—	(2,196)
Repayments of debt obligations	—	(229,464)
Proceeds from issuance of Class A units	237,820	296,650
Purchase of OCGH units	(237,820)	(296,400)
Repurchase and cancellation of OCGH units	(4,512)	(2,085)
Distributions to Class A unitholders	(79,651)	(104,997)
Distributions to OCGH unitholders	(219,822)	(344,300)
Contributions from non-controlling interests	4,000	—
Distributions to non-controlling interests	(4,612)	—
Cash flows from financing activities of consolidated funds:		
Contributions from non-controlling interests	4,295,992	6,269,965
Distributions to non-controlling interests	(4,236,330)	(5,035,110)
Proceeds from debt obligations issued by CLOs	882,574	978,526
Payment of debt issuance costs	(17,163)	(17,834)
Borrowings on credit facilities	4,932,370	5,694,328
Repayments on credit facilities	(3,459,094)	(3,765,522)
Net cash provided by financing activities	2,093,752	3,941,561
Effect of exchange rate changes on cash	(9,006)	(6,858)
Net increase (decrease) in cash and cash-equivalents	(101,197)	1,228,803
Cash and cash-equivalents, beginning balance	3,348,494	2,637,665
Cash and cash-equivalents, ending balance	$3,247,297	$3,866,468

Please see accompanying notes to condensed consolidated financial statements.

Oaktree Capital Group, LLC
Condensed Consolidated Statements of Changes in Unitholders' Capital (Unaudited)
(in thousands)

	Oaktree Capital Group, LLC							
	Class A Units	Class B Units	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests in Consolidated Subsidiaries	Non-controlling Interests in Consolidated Funds	Total Unitholders' Capital
Unitholders' capital as of December 31, 2014	43,764	109,089	$536,431	$ 11,378	$ (1,070)	$ 1,265,961	$ 27,430	$1,840,130
Activity for the nine months ended September 30, 2015:								
Issuance of Class A units	4,908	—	237,820	—	—	—	—	237,820
Issuance of Class B units	—	1,338	—	—	—	—	—	—
Cancellation of Class B units associated with forfeitures of OCGH units	—	(105)	—	—	—	—	—	—
Cancellation of Class B units	—	(5,004)	—	—	—	—	—	—
Purchase of OCGH units from OCGH unitholders	—	—	(237,820)	—	—	—	—	(237,820)
Deferred tax effect resulting from the purchase of OCGH units	—	—	11,025	—	—	—	—	11,025
Repurchase and cancellation of OCGH units	—	—	—	—	—	(4,512)	—	(4,512)
Capital contributions	—	—	—	—	—	4,000	2,880	6,880
Equity reallocation between controlling and non-controlling interests	—	—	47,698	—	—	(47,698)	—	—
Capital increase related to equity-based compensation	—	—	12,023	—	—	26,936	—	38,959
Distributions declared	—	—	(8,319)	(71,332)	—	(224,434)	(1,962)	(306,047)
Net income	—	—	—	59,954	—	174,377	2,744	237,075
Foreign currency translation	—	—	—	—	(738)	(1,801)	—	(2,539)

adjustment, net of tax								
Unrealized gain on interest-rate swap designated as cash-flow hedge, net of tax	—	—	—	—	147	314	—	461
Unitholders' capital as of September 30, 2015	48,672	105,318	$598,858	$ —	$ (1,661)	$ 1,193,143	$ 31,092	$1,821,432
Unitholders' capital as of December 31, 2013	38,473	112,584	$590,236	$ (114,905)	$ (1,122)	$ 1,234,169	$ —	$1,708,378
Activity for the nine months ended September 30, 2014:								
Issuance of Class A units	5,007	—	296,650	—	—	—	—	296,650
Issuance of Class B units	—	1,891	—	—	—	—	—	—
Cancellation of Class B units associated with forfeitures of OCGH units	—	(56)	—	—	—	—	—	—
Cancellation of Class B units	—	(5,046)	—	—	—	—	—	—
Issuance of OCGH units related to the Highstar acquisition	—	—	1,137	—	—	2,859	—	3,996
Purchase of OCGH units from OCGH unitholders	—	—	(296,400)	—	—	—	—	(296,400)
Deferred tax effect resulting from the purchase of OCGH units	—	—	14,122	—	—	—	—	14,122
Repurchase and cancellation of OCGH units	—	—	—	—	—	(2,085)	—	(2,085)
Non-controlling interests related to the Highstar acquisition	—	—	—	—	—	72,195	—	72,195
Capital contributions	—	—	—	—	—	2,668	47,459	50,127
Equity reallocation between controlling and non-controlling interests	—	—	48,725	—	—	(48,725)	—	—
Capital increase related to equity-based	—	—	8,383	—	—	21,843	—	30,226

compensation								
Distributions declared	—	—	(104,997)	—	—	(346,968)	(130)	(452,095)
Net income	—	—	—	101,893	—	322,922	873	425,688
Foreign currency translation adjustment, net of tax	—	—	—	—	(457)	(1,122)	—	(1,579)
Unrealized gain on interest-rate swap designated as cash-flow hedge, net of tax	—	—	—	—	483	1,165	—	1,648
Unitholders' capital as of September 30, 2014	43,480	109,373	$557,856	$ (13,012)	$ (1,096)	$ 1,258,921	$ 48,202	$1,850,871

Please see accompanying notes to condensed consolidated financial statements.

Oaktree Capital Group, LLC
Notes to Condensed Consolidated Financial Statements (Unaudited)
September 30, 2015
($ in thousands, except where noted)

1. ORGANIZATION AND BASIS OF PRESENTATION

Oaktree Capital Group, LLC (together with its subsidiaries, "Oaktree" or the "Company") is a leader among global investment managers specializing in alternative investments. Oaktree emphasizes an opportunistic, value-oriented and risk-controlled approach to investments in distressed debt, corporate debt (including high yield debt and senior loans), control investing, convertible securities, real estate and listed equities. Funds managed by Oaktree (the "Oaktree funds") include commingled funds, separate accounts and collateralized loan obligation vehicles ("CLOs"). Commingled funds include open-end and closed-end limited partnerships in which the Company makes an investment and for which it serves as the general partner. CLOs are structured finance vehicles in which the Company typically makes an investment and for which it serves as collateral manager.

Oaktree Capital Group, LLC is a Delaware limited liability company that was formed on April 13, 2007. The Company is owned by its Class A and Class B unitholders. Oaktree Capital Group Holdings GP, LLC acts as the Company's manager and is the general partner of Oaktree Capital Group Holdings, L.P. ("OCGH"), which owns 100% of the Company's outstanding Class B units. OCGH is owned by the Company's senior executives, current and former employees, and certain other investors (collectively, the "OCGH unitholders"). The Company's operations are conducted through a group of operating entities collectively referred to as the Oaktree Operating Group. OCGH has a direct economic interest in the Oaktree Operating Group and the Company has an indirect economic interest in the Oaktree Operating Group. The interests in the Oaktree Operating Group are referred to as the "Oaktree Operating Group units." An Oaktree Operating Group unit is not a separate legal interest but represents one limited partnership interest in each of the Oaktree Operating Group entities. Class A units are entitled to one vote per unit. Class B units are entitled to ten votes per unit and do not represent an economic interest in the Company. The number of Class B units held by OCGH increases or decreases in response to corresponding changes in OCGH's economic interest in the Oaktree Operating Group; consequently, the OCGH unitholders' economic interest in the Oaktree Operating Group is reflected within non-controlling interests in consolidated subsidiaries in the accompanying condensed consolidated financial statements.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. The condensed consolidated financial statements, including these notes, are unaudited and exclude some of the disclosures required in annual financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) such that the condensed consolidated financial statements are presented fairly and that estimates made in preparing its condensed consolidated financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. The condensed consolidated financial statements include the accounts of the Company, its wholly-owned or majority-owned subsidiaries, the consolidated entities that are considered to be variable interest entities ("VIEs") and for which the Company is considered the primary beneficiary, and certain entities that are not considered VIEs but in which the Company has a controlling financial interest. Most of the Oaktree funds consolidated by the Company are investment companies that follow a specialized basis of accounting established by GAAP. All intercompany transactions and balances have been eliminated in consolidation. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014 included in the Company's Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission ("SEC") on February 27, 2015.

Reclassifications

Certain amounts reported in the condensed consolidated statements of cash flows in the prior period have been reclassified to conform to the current-period presentation.

Oaktree Capital Group, LLC
Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)
September 30, 2015
($ in thousands, except where noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Accounting Policies of the Company
Consolidation
The Company consolidates those entities for which it has a direct or indirect controlling financial interest based on either a variable interest model or voting interest model. As of September 30, 2015, consolidated entities included eight VIEs for which the Company was considered the primary beneficiary, and substantially all of Oaktree's closed-end, commingled open-end and evergreen funds for which the Company acts as the general partner and is deemed to exercise control through a voting interest model.
Variable Interest Model. The Company consolidates VIEs for which it is considered the primary beneficiary. An entity is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the entity's business and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. The consolidation model for VIEs, which was revised effective January 1, 2010, requires an analysis to determine (a) whether an entity in which the Company holds a variable interest is a VIE and (b) whether the Company's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance-related fees), would give it a controlling financial interest. The consolidation model for VIEs may be deferred if the VIE and the reporting entity's interest in the VIE meet the deferral conditions set forth in Accounting Standards Codification ("ASC") 810-10-65-2(aa). If a VIE has met the deferral conditions, the analysis is based on the consolidation model for VIEs prior to January 1, 2010, which requires an analysis to determine (a) whether an entity in which the Company holds a variable interest is a VIE and (b) whether the Company's involvement through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance-related fees) would be expected to absorb a majority of the variability of the entity. Under either model, the Company determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion at each reporting date. In evaluating whether the Company is the primary beneficiary, the Company evaluates its economic interests in the entity held either directly by the Company or indirectly through related parties. The consolidation analysis can generally be performed qualitatively; however, if it is not readily apparent that the Company is not the primary beneficiary, a quantitative analysis may also be performed. Investments and redemptions (either by the Company, affiliates of the Company or third parties) or amendments to the governing documents of the respective Oaktree funds could affect an entity's status as a VIE or the determination of the primary beneficiary.
While the Company holds variable interests in the Oaktree funds, most of those funds do not meet the characteristics of a VIE. As of September 30, 2015, the Company consolidated eight VIEs for which it was the primary beneficiary, including Oaktree AIF Holdings, Inc. ("AIF"), which was formed to hold certain assets for regulatory and other purposes. The seven remaining VIEs represented CLOs for which the Company acts as collateral manager. Two of the CLOs had not priced as of September 30, 2015. As of December 31, 2014, the Company consolidated six VIEs. There were no VIEs for which the Company was not the primary beneficiary as of September 30, 2015 and December 31, 2014.
As of September 30, 2015, the Company consolidated seven CLOs with total assets and liabilities of $2.9 billion and $2.6 billion, respectively. The assets and liabilities, respectively, of the CLOs primarily consisted of investments in debt securities and debt obligations issued by the CLOs. The debt obligations issued by each CLO are collateralized by the same CLO's investments, and assets of one CLO may not be used to satisfy liabilities of another. In exchange for managing the collateral of the CLOs, the Company typically earns management fees and may earn performance fees, both of which are eliminated in consolidation. As of September 30, 2015, the Company had invested an aggregate $161.5 million in its CLOs, which represented its maximum risk of loss as of that date. The Company's investments are generally subordinated to other interests in the CLOs and entitle the Company to receive a pro-rata

portion of the residual cash flows, if any, from the CLOs. Investors in the CLOs have no recourse against the Company for any losses they sustain. Please see note 7 for more information on CLO debt obligations.

Oaktree Capital Group, LLC
Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)
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Voting Interest Model. For entities that are not VIEs, the Company evaluates those entities that it controls through a majority voting interest, including those Oaktree funds in which the Company as the sole general partner is presumed to have control (together with the CLOs, the “consolidated funds”). Although as general partner the Company typically has only a small, single-digit percentage equity interest in each fund, the funds’ third-party limited partners do not have the right to dissolve the partnerships or have substantive kick-out or participating rights that would overcome the presumption of control by the Company.

Consequently, Oaktree’s condensed consolidated financial statements reflect the assets, liabilities, revenues, expenses and cash flows of the consolidated funds on a gross basis, and the majority of the economic interests in those funds, which are held by third-party investors, are attributed to non-controlling interests in consolidated funds in the accompanying condensed consolidated financial statements. All intercompany transactions, including revenues earned by Oaktree from the funds, are eliminated in consolidation. However, because the eliminated amounts are earned from and funded by non-controlling interests, Oaktree’s attributable share of the net income from the funds is increased by the amounts eliminated. Thus, the elimination of the amounts in consolidation has no effect on net income or loss attributable to the Company.

Certain funds for which the Company has no general partner responsibility but has the ability to exert significant influence through other means are accounted for under the equity method of accounting.

Non-controlling Redeemable Interests in Consolidated Funds

The Company records non-controlling interests to reflect the economic interests of the unaffiliated limited partners. These interests are presented as non-controlling redeemable interests in consolidated funds within the condensed consolidated statements of financial condition, outside of the permanent capital section. Limited partners in open-end and evergreen funds generally have the right to withdraw their capital, subject to the terms of the respective limited partnership agreements, over periods ranging from one month to three years. While limited partners in consolidated closed-end funds generally have not been granted redemption rights, these limited partners do have withdrawal or redemption rights in certain limited circumstances that are beyond the control of the Company, such as instances in which retaining the limited partnership interest could cause the limited partner to violate a law, regulation or rule.

The allocation of net income or loss to non-controlling redeemable interests in consolidated funds is based on the relative ownership interests of the unaffiliated limited partners after the consideration of contractual arrangements that govern allocations of income or loss. At the consolidated level, potential incentives are allocated to non-controlling redeemable interests in consolidated funds until such incentives become allocable to the Company under the substantive contractual terms of the limited partnership agreements of the funds.

Non-controlling Interests in Consolidated Funds

Non-controlling interests in consolidated funds represent the equity interests held by third-party investors in CLOs that had not yet priced as of the respective period end. All non-controlling interests in those CLOs are attributed a share of income or loss arising from the respective CLO based on the relative ownership interests of third-party investors after consideration of contractual arrangements that govern allocations of income or loss. Investors in those CLOs are generally unable to redeem their interests until the CLO liquidates, is called or otherwise terminates.

Non-controlling Interests in Consolidated Subsidiaries

Non-controlling interests in consolidated subsidiaries reflect the portion of unitholders’ capital attributable to OCGH unitholders (“OCGH non-controlling interest”), certain related parties and third parties. All non-controlling interests in consolidated subsidiaries are attributed a share of income or loss in the respective consolidated subsidiary based on the relative economic interests of the OCGH unitholders, related parties or third parties after consideration of contractual arrangements that govern allocations of income or loss. Please see note 9 for more information.

Business Combinations

The Company accounts for business combinations using the acquisition method of accounting, which requires the use of estimates and judgment to measure the fair value of identifiable tangible and intangible assets acquired, liabilities assumed, and non-controlling interests in the acquiree as of the acquisition date. Contingent consideration that is determined to be part of the business combination is recognized at fair value as of the acquisition date and is included in the purchase price. Transaction costs are expensed as incurred.

Goodwill and Intangible Assets

Goodwill represents the excess of cost over the fair value of identifiable net assets of acquired businesses. Goodwill has an indefinite useful life and is not amortized, but instead tested for impairment annually in the fourth quarter of each fiscal year or more frequently when events and circumstances indicate that impairment may have occurred.

The Company's identifiable intangible assets acquired in business combinations primarily consist of contractual rights to earn future management fees and incentive income. Finite-lived intangible assets are amortized over their estimated useful lives, which range from three to seven years, and are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the asset may not be recoverable.

Fair Value of Financial Instruments

GAAP establishes a hierarchical disclosure framework that prioritizes the inputs used in measuring financial instruments at fair value into three levels based on their market observability. Market price observability is affected by a number of factors, such as the type of instrument and the characteristics specific to the instrument. Financial instruments with readily available quoted prices from an active market or for which fair value can be measured based on actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment inherent in measuring fair value.

Financial assets and liabilities measured and reported at fair value are classified as follows:

- Level I – Quoted unadjusted prices for identical instruments in active markets to which the Company has access at the date of measurement. The types of investments in Level I include exchange-traded equities, debt and derivatives with quoted prices.
- Level II – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are directly or indirectly observable. Level II inputs include interest rates, yield curves, volatilities, prepayment risks, loss severities, credit risks and default rates. The types of investments in Level II generally include corporate bonds and loans, government and agency securities, less liquid and restricted equity investments, over-the-counter traded derivatives, and other investments where the fair value is based on observable inputs.
- Level III – Valuations for which one or more significant inputs are unobservable. These inputs reflect the Company’s assessment of the assumptions that market participants use to value the investment based on the best available information. Level III inputs include prices of quoted securities in markets for which there are few transactions, less public information exists or prices vary among brokered market makers. The types of investments in Level III include non-publicly traded equity, debt, real estate and derivatives.

In some instances, the inputs used to value an instrument may fall into multiple levels of the fair-value hierarchy. In such instances, the instrument’s level within the fair-value hierarchy is based on the lowest of the three levels (with Level III being the lowest) that is significant to the fair-value measurement. The Company’s assessment of the significance of an input requires judgment and considers factors specific to the instrument. Transfers of assets into or out of each fair value hierarchy level as a result of changes in the observability of the inputs used in measuring fair value are accounted for as of the beginning of the reporting period. Transfers resulting from a specific event, such as a reorganization or restructuring, are accounted for as of the date of the event that caused the transfer.

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In the absence of observable market prices, the Company values Level III investments using valuation methodologies applied on a consistent basis. The quarterly valuation process for Level III investments begins with each portfolio company, property or security being valued by the investment or valuation teams. With the exception of open-end funds, all unquoted Level III investment values are reviewed and approved by (i) the Company's valuation officer, who is independent of the investment teams, (ii) a designated investment professional of each strategy and (iii) for a substantial majority of unquoted Level III holdings as measured by market value, a valuation committee for such strategy. For open-end funds, unquoted Level III investment values are reviewed and approved by the Company's valuation officer. For certain investments, the valuation process also includes a review by independent valuation parties, at least annually, to determine whether the fair values determined by management are reasonable. Results of the valuation process are evaluated each quarter, including an assessment of whether the underlying calculations should be adjusted or recalibrated. In connection with this process, the Company periodically evaluates changes in fair-value measurements for reasonableness, considering items such as industry trends, general economic and market conditions, and factors specific to the investment.

Certain assets are valued using prices obtained from brokers or pricing vendors. The Company obtains an average of one to two broker quotes. The Company seeks to obtain at least one quote directly from a broker making a market for the asset and one price from a pricing vendor for the specific or similar securities. These investments may be classified as Level III because the quoted prices may be indicative in nature for securities that are in an inactive market, may be for similar securities, or may require adjustment for investment-specific factors or restrictions. The Company evaluates the prices obtained from brokers or pricing vendors based on available market information, including trading activity of the subject or similar securities, or by performing a comparable security analysis to ensure that fair values are reasonably estimated. The Company also performs back-testing of valuation information obtained from brokers and pricing vendors against actual prices received in transactions. In addition to ongoing monitoring and back-testing, the Company performs due diligence procedures surrounding pricing vendors to understand their methodology and controls to support their use in the valuation process.

Fair Value Option

The Company has elected the fair value option for certain corporate investments that otherwise would not have reflected unrealized gains and losses in current-period earnings. Such election is irrevocable and is applied on an investment-by-investment basis at initial recognition. Unrealized gains and losses resulting from changes in fair value are reflected as a component of investment income in the condensed consolidated statements of operations. The Company's accounting for those investments is similar to its accounting for investments held by the consolidated funds at fair value and the valuation methods used to determine the fair value of those investments.

In addition, the Company has elected the fair value option for the assets of its CLOs. Assets of the CLOs are included in investments, at fair value and liabilities of the CLOs are reflected in debt obligations of CLOs in the condensed consolidated statements of financial condition. The Company's accounting for CLOs is similar to its accounting for closed-end funds with respect to both carrying investments held by CLOs at fair value and the valuation methods used to determine the fair value of those investments. Realized gains or losses and changes in the fair value of consolidated CLO assets are included in net realized gain on consolidated funds' investments and net change in unrealized appreciation (depreciation) on consolidated funds' investments, respectively, in the condensed consolidated statements of operations. Interest income of CLOs is included in interest and dividend income. CLOs' interest expense and other expenses are included in interest expense and consolidated fund expenses, respectively, in the condensed consolidated statements of operations.

Accounting Policies of Consolidated Funds

Investments, at Fair Value

The consolidated funds are primarily investment limited partnerships that reflect their investments, including majority-owned and controlled investments, at fair value. The Company has retained the specialized investment company accounting guidance under GAAP for those consolidated funds with respect to consolidated investments. Thus, the consolidated investments are reflected in the condensed consolidated statements of financial condition at fair value, with unrealized gains and losses resulting from changes in fair value reflected as a component of net change in unrealized appreciation (depreciation) on consolidated funds' investments in the condensed consolidated statements of operations. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

Non-publicly traded debt and equity securities and other securities or instruments for which reliable market quotations are not available are valued by management using valuation methodologies applied on a consistent basis. These securities may initially be valued at the acquisition price as the best indicator of fair value. The Company reviews the significant unobservable inputs, valuations of comparable investments and other similar transactions for investments valued at acquisition price to determine whether another valuation methodology should be utilized. Subsequent valuations will depend on the facts and circumstances known as of the valuation date and the application of valuation methodologies as further described below under "—Non-publicly Traded Equity and Real Estate Investments." The fair value may also be based on a pending transaction expected to close after the valuation date.

Exchange-traded Investments

Securities listed on one or more national securities exchanges are valued at their last reported sales price on the date of valuation. If no sale occurred on the valuation date, the security is valued at the mean of the last "bid" and "ask" prices on the valuation date. Securities that are not readily marketable due to legal restrictions that may limit or restrict transferability are generally valued at a discount from quoted market prices. The discount would reflect the amount market participants would require due to the risk relating to the inability to access a public market for the security for the specified period and would vary depending on the nature and duration of the restriction and the perceived risk and volatility of the underlying securities. Securities with longer duration restrictions or higher volatility are generally valued at a higher discount. Such discounts are generally estimated based on put option models or an analysis of market studies. Instances where the Company has applied discounts to quoted prices of restricted listed securities have been infrequent. The impact of such discounts is not material to the Company's condensed consolidated statements of financial condition and results of operations for all periods presented.

Credit-oriented Investments (including Real Estate Loan Portfolios)

Investments in corporate and government debt which are not listed or admitted to trading on any securities exchange are valued at the mean of the last bid and ask prices on the valuation date based on quotations supplied by recognized quotation services or by reputable broker-dealers.

The market-yield approach is considered in the valuation of non-publicly traded debt securities, utilizing expected future cash flows and discounted using estimated current market rates. Discounted cash-flow calculations may be adjusted to reflect current market conditions and/or the perceived credit risk of the borrower. Consideration is also given to a borrower's ability to meet principal and interest obligations; this may include an evaluation of collateral and/or the underlying value of the borrower utilizing techniques described below under "—Non-publicly Traded Equity and Real Estate Investments."

Non-publicly Traded Equity and Real Estate Investments

The fair value of equity and real estate investments is determined using a cost, market or income approach. The cost approach is based on the current cost of reproducing a real estate investment less deterioration and functional and economic obsolescence. The market approach utilizes valuations of comparable public companies and transactions, and generally seeks to establish the enterprise value of the portfolio company or investment property using a market-multiple methodology. This approach takes into account the financial measure (such as EBITDA, adjusted EBITDA, free cash flow, net operating income, net income, book value or net asset value) believed to be most relevant for the given company or investment property. Consideration also may be given to factors such as acquisition price of the security or investment property, historical and projected operational and financial results for the portfolio company, the strengths and weaknesses of the portfolio company or investment property relative to its comparable companies or properties, industry trends, general economic and market conditions, and others deemed relevant. The income approach is typically a discounted cash-flow method that incorporates expected timing and level of cash flows. It incorporates assumptions in determining growth rates, income and expense projections, discount and capitalization rates, capital structure, terminal values, and other factors. The applicability and weight assigned to market and income approaches are determined based on the availability of reliable projections and comparable companies and transactions.

The valuation of securities may be impacted by expectations of investors' receptiveness to a public offering of the securities, the size of the holding of the securities and any associated control, information with respect to transactions or offers for the securities (including the transaction pursuant to which the investment was made and the elapsed time from the date of the investment to the valuation date), and applicable restrictions on the transferability of the securities.

These valuation methodologies involve a significant degree of management judgment. Accordingly, valuations by the Company do not necessarily represent the amounts that eventually may be realized from sales or other dispositions of investments. Fair values may differ from the values that would have been used had a ready market for the investment existed, and the differences could be material to the condensed consolidated financial statements.

Recent Accounting Developments

In April 2015, the Financial Accounting Standards Board ("FASB") issued guidance that changes the presentation of debt issuance costs in the statements of financial position. Under current GAAP, such costs are reflected in the statements of financial position as a deferred asset. The new guidance will require these costs to be presented as a direct deduction from the related debt liability and to be amortized as interest expense. The amendment does not affect the current guidance on the recognition and measurement of debt issuance costs. The guidance is effective for the Company in the first quarter of 2016 on a retrospective basis, with early adoption permitted. The Company does not expect that adoption of this guidance will have a material impact on its condensed consolidated financial statements.

In February 2015, the FASB amended its consolidation guidance to end the deferral granted to investment companies with respect to applying the VIE guidance. The new guidance does not affect the five characteristics that determine if an entity is a VIE; rather, it focuses on the consolidation criteria used to evaluate whether certain legal entities should be consolidated. Additionally, the new guidance eliminates the presumption that a general partner should consolidate a limited partnership under the voting model. The amendment is intended to simplify the consolidation guidance by placing more emphasis on risk of loss when determining a controlling financial interest, reducing the frequency of the application of related-party guidance when determining a controlling financial interest in a VIE and providing more clarity for reporting entities that typically make use of limited partnerships or VIEs. The guidance is effective for the Company in the first quarter of 2016 on either a full or modified retrospective basis, with early adoption permitted. Under the modified retrospective approach, prior years would not be restated; instead, a cumulative-effect adjustment to equity as of the beginning of the adoption year would be recorded. The Company is currently evaluating the effect that adoption will have on its condensed consolidated financial statements. The adoption is expected to significantly reduce the number of funds consolidated by the Company, and therefore reduce the Company's total assets, total liabilities and non-controlling redeemable interests in consolidated funds. The Company does not expect there to be an impact on net income attributable to the Company.

In August 2014, the FASB issued guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements. Additionally, an entity must provide certain disclosures if there is substantial doubt about the entity's ability to continue as a going concern. The guidance is effective for the Company in the fourth quarter of 2016, with early adoption permitted. The Company does not expect that adoption of this guidance will have a material impact on its condensed consolidated financial statements.

In August 2014, the FASB issued guidance on measuring the financial assets and financial liabilities of a consolidated collateralized financing entity. The guidance applies to reporting entities that are required to consolidate a collateralized financing entity under the VIE guidance when (a) the reporting entity measures all of the financial assets and financial liabilities of that consolidated financing entity at fair value in the consolidated financial statements and (b) the changes in the fair values of those financial assets and financial liabilities are reflected in earnings. The guidance provides an alternative for measuring the financial assets and financial liabilities of a consolidated collateralized financing entity to eliminate differences in the fair value of those financial assets and financial liabilities as determined under GAAP. The guidance is effective for the Company in the first quarter of

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2016, with early adoption permitted. The Company is currently evaluating the effect that adoption will have on its condensed consolidated financial statements.

In May 2014, the FASB and International Accounting Standards Board issued converged guidance on revenue recognition, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance provides a largely principles-based framework for addressing revenue recognition issues on a comprehensive basis, eliminates an entity's ability to recognize revenue if there is risk of significant reversal, and requires enhanced disclosures to provide greater insight into both revenue that has been recognized and revenue that is expected to be recognized in the future from existing contracts, including quantitative and qualitative information about significant judgments and changes in those judgments made by management in recognizing revenue. On July 9, 2015, the FASB delayed the effective date of the guidance by one year. The guidance will be effective for the Company in the first quarter of 2018 on either a full or modified retrospective basis, with early adoption permitted. The Company is currently evaluating the effect that adoption will have on its condensed consolidated financial statements.

3. BUSINESS COMBINATIONS

In August 2014, the Company completed its acquisition of the Highstar Capital team and certain Highstar entities (collectively, "Highstar") for $31.4 million in cash, 100,595 fully-vested OCGH units and contingent consideration of up to $60.0 million. Highstar is an investment management firm specializing in U.S. energy infrastructure, waste management and transportation. The transaction, which was immaterial to Oaktree's condensed consolidated financial statements, resulted in $50.8 million of goodwill, $28.0 million of identifiable intangible assets, primarily consisting of contractual rights associated with the management of Highstar Capital IV ("HS IV"), and $72.2 million of non-controlling interests in certain acquired subsidiaries that principally relate to investments in HS IV. Effective August 2014, the Company consolidated the financial position and results of operations of the controlled Highstar entities, including HS IV, and accounted for this transaction as a business combination. Please see notes 10 and 13 for more information regarding the contingent consideration liability.

Oaktree Capital Group, LLC
Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)
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4. INVESTMENTS, AT FAIR VALUE
Investments held and securities sold short by the consolidated funds are summarized below:

Investments:	Fair Value as of September 30, 2015	Fair Value as of December 31, 2014	Fair Value as a Percentage of Investments of Consolidated Funds as of September 30, 2015	Fair Value as a Percentage of Investments of Consolidated Funds as of December 31, 2014
United States:				
Debt securities:				
Consumer discretionary	$3,546,268	$3,173,576	7.5 %	6.8 %
Consumer staples	777,634	692,890	1.6	1.5
Energy	1,090,688	1,028,317	2.3	2.2
Financials	1,240,338	805,337	2.6	1.7
Government	99,488	140,053	0.2	0.3
Health care	1,241,130	1,010,462	2.6	2.2
Industrials	1,873,095	1,795,909	4.0	3.9
Information technology	1,347,062	1,167,635	2.8	2.5
Materials	1,541,824	1,288,947	3.2	2.8
Telecommunication services	460,620	372,457	1.0	0.8
Utilities	634,742	1,409,408	1.3	3.0
Total debt securities (cost: $15,653,664 and $13,611,109 as of September 30, 2015 and December 31, 2014, respectively)	13,852,889	12,884,991	29.1	27.7
Equity securities:				
Consumer discretionary	1,866,174	2,475,318	3.9	5.3
Consumer staples	841,227	530,305	1.8	1.1
Energy	1,870,280	1,756,480	3.9	3.8
Financials	7,783,473	7,720,904	16.3	16.6
Health care	222,636	224,705	0.5	0.5
Industrials	1,979,349	2,970,356	4.2	6.4
Information technology	66,806	176,097	0.1	0.4
Materials	968,383	1,207,523	2.0	2.6
Telecommunication services	17,535	21,616	0.0	0.0
Utilities	238,995	329,175	0.5	0.7
Total equity securities (cost: $13,688,157 and $13,911,333 as of September 30, 2015 and December 31, 2014, respectively)	15,854,858	17,412,479	33.2	37.4

Oaktree Capital Group, LLC
Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)
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Investments:	Fair Value as of September 30, 2015	Fair Value as of December 31, 2014	Fair Value as a Percentage of Investments of Consolidated Funds as of September 30, 2015	Fair Value as a Percentage of Investments of Consolidated Funds as of December 31, 2014
Europe:				
Debt securities:				
Consumer discretionary	$1,396,935	$1,371,689	3.0 %	3.0 %
Consumer staples	245,375	242,513	0.5	0.5
Energy	301,274	370,456	0.6	0.8
Financials	854,247	803,468	1.8	1.7
Government	40,124	—	0.1	—
Health care	206,941	147,661	0.4	0.3
Industrials	295,071	344,642	0.6	0.7
Information technology	52,519	41,960	0.1	0.1
Materials	397,034	421,327	0.8	0.9
Telecommunication services	192,791	142,322	0.4	0.3
Utilities	19,166	24,668	0.1	0.1
Total debt securities (cost: $4,114,371 and $3,803,751 as of September 30, 2015 and December 31, 2014, respectively)	4,001,477	3,910,706	8.4	8.4
Equity securities:				
Consumer discretionary	236,281	311,847	0.5	0.7
Consumer staples	147,642	59,628	0.3	0.1
Energy	592,233	92,416	1.2	0.2
Financials	6,880,097	4,760,386	14.5	10.2
Government	—	635	—	0.0
Health care	79,703	52,887	0.2	0.1
Industrials	923,169	1,226,825	1.9	2.6
Information technology	1,270	1,190	0.0	0.0
Materials	477,052	398,559	1.0	0.9
Telecommunication services	4,193	—	0.0	—
Utilities	186,754	—	0.4	—
Total equity securities (cost: $7,772,869 and $5,884,950 as of September 30, 2015 and December 31, 2014, respectively)	9,528,394	6,904,373	20.0	14.8
Asia and other:				
Debt securities:				
Consumer discretionary	147,091	140,732	0.3	0.3
Consumer staples	19,071	7,927	0.0	0.0
Energy	185,931	217,299	0.4	0.5
Financials	20,807	18,935	0.0	0.0
Government	16,741	50,073	0.0	0.1
Health care	83,086	48,977	0.2	0.1

Industrials	271,597	420,323	0.6	0.9
Information technology	25,577	23,555	0.1	0.1
Materials	241,138	252,965	0.5	0.6
Telecommunication services	300	—	0.0	—
Utilities	4,016	9,113	0.0	0.0
Total debt securities (cost: $1,086,894 and $1,168,453 as of September 30, 2015 and December 31, 2014, respectively)	1,015,355	1,189,899	2.1	2.6

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Investments:	Fair Value as of September 30, 2015	Fair Value as of December 31, 2014	Fair Value as a Percentage of Investments of Consolidated Funds as of September 30, 2015	Fair Value as a Percentage of Investments of Consolidated Funds as of December 31, 2014
Asia and other:				
Equity securities:				
Consumer discretionary	$515,922	$664,077	1.1 %	1.4 %
Consumer staples	29,769	113,471	0.1	0.2
Energy	227,539	298,040	0.5	0.6
Financials	1,016,853	1,518,532	2.1	3.3
Health care	19,764	22,899	0.0	0.1
Industrials	1,024,929	937,455	2.2	2.0
Information technology	276,559	322,592	0.6	0.7
Materials	112,655	145,657	0.2	0.3
Telecommunication services	54,365	39,244	0.1	0.1
Utilities	153,094	169,384	0.3	0.4
Total equity securities (cost: $3,526,111 and $3,393,453 as of September 30, 2015 and December 31, 2014, respectively)	3,431,449	4,231,351	7.2	9.1
Total debt securities	18,869,721	17,985,596	39.6	38.7
Total equity securities	28,814,701	28,548,203	60.4	61.3
Total investments, at fair value	$47,684,422	$46,533,799	100.0 %	100.0 %
Securities Sold Short:				
Equity securities (proceeds: $126,292 and $70,760 as of September 30, 2015 and December 31, 2014, respectively)	$(115,463)	$(64,438)		

As of September 30, 2015 and December 31, 2014, no single issuer or investment had a fair value that exceeded 5% of Oaktree’s total consolidated net assets.

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Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)
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Net Gains From Investment Activities of Consolidated Funds

Net gains from investment activities in the condensed consolidated statements of operations consist primarily of the realized and unrealized gains and losses on the consolidated funds' investments (including foreign exchange gains and losses attributable to foreign-denominated investments and related activities) and other financial instruments. Unrealized gains or losses result from changes in the fair value of these investments and other financial instruments. Upon disposition of an investment, unrealized gains or losses are reversed and an offsetting realized gain or loss is recognized in the current period.

The following table summarizes net gains (losses) from investment activities:

	Three Months Ended September 30,			
	2015		2014	
	Net Realized Gain (Loss) on Investments	Net Change in Unrealized Appreciation (Depreciation) on Investments	Net Realized Gain (Loss) on Investments	Net Change in Unrealized Appreciation (Depreciation) on Investments
Investments and other financial instruments	$351,272	$ (2,160,995)	$445,304	$ (1,970,423)
Foreign currency forward contracts [1]	(60,419)	177,621	(12,035)	346,855
Total-return, credit-default and interest-rate swaps [1]	10,129	(387,399)	(2,829)	(22,726)
Options and futures [1]	17,291	12,849	(1,507)	6,233
Swaptions [1][2]	(6)	(65)	(666)	1,325
Total	$318,267	$ (2,357,989)	$428,267	$ (1,638,736)

	Nine Months Ended September 30,			
	2015		2014	
	Net Realized Gain (Loss) on Investments	Net Change in Unrealized Appreciation (Depreciation) on Investments	Net Realized Gain (Loss) on Investments	Net Change in Unrealized Appreciation (Depreciation) on Investments
Investments and other financial instruments	$1,226,498	$ (2,622,650)	$1,684,794	$ (470,724)
Foreign currency forward contracts [1]	410,891	(141,443)	(106,223)	342,592
Total-return, credit-default and interest-rate swaps [1]	2,955	(503,625)	41,086	(36,290)
Options and futures [1]	13,314	(3,450)	(22,395)	41
Swaptions [1][2]	(3,013)	2,277	(666)	(3,987)
Total	$1,650,645	$ (3,268,891)	$1,596,596	$ (168,368)

(1) Please see note 6 for additional information.

(2) A swaption is an option granting the buyer the right but not the obligation to enter into a swap agreement on a specified future date.

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5. FAIR VALUE
Fair Value of Financial Assets and Liabilities
The short-term nature of cash and cash-equivalents, receivables and accounts payable causes each of their carrying values to approximate fair value. The fair value of short-term investments included in cash and cash-equivalents is a Level I valuation. The Company's other financial assets and liabilities by fair-value hierarchy level are set forth below. Please see notes 7 and 14 for the fair value of the Company's outstanding debt obligations and amounts due from/to affiliates, respectively.

	As of September 30, 2015				As of December 31, 2014			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Assets								
U.S. Treasury securities [1]	$656,120	$—	$—	$656,120	$655,529	$—	$—	$655,529
Corporate investments	—	16,872	—	16,872	23,660	17,154	—	40,814
Forward currency contracts [2]	—	10,335	—	10,335	—	24,499	—	24,499
Total assets	$656,120	$27,207	$—	$683,327	$679,189	$41,653	$—	$720,842
Liabilities								
Contingent consideration [3]	$—	$—	$(29,178)	$(29,178)	$—	$—	$(27,245)	$(27,245)
Forward currency contracts [3]	—	(3,051)	—	(3,051)	—	(3,439)	—	(3,439)
Interest-rate swaps [3]	—	(1,854)	—	(1,854)	—	(2,317)	—	(2,317)
Total liabilities	$—	$(4,905)	$(29,178)	$(34,083)	$—	$(5,756)	$(27,245)	$(33,001)

(1) Carrying value approximates fair value due to the short-term nature.
(2) Amounts are included in other assets in the condensed consolidated statements of financial condition.
(3) Amounts are included in accounts payable, accrued expenses and other liabilities in the condensed consolidated statements of financial condition.

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Fair Value of Financial Instruments Held By Consolidated Funds
The short-term nature of cash and cash-equivalents held at the consolidated funds causes their carrying value to approximate fair value. The fair value of cash-equivalents is a Level I valuation. Derivatives may relate to a mix of Level I, II or III investments, and therefore their fair-value hierarchy level may not correspond to the fair-value hierarchy level of the economically hedged investment. The table below summarizes the investments and other financial instruments of the consolidated funds by fair-value hierarchy level:

	As of September 30, 2015				As of December 31, 2014			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Assets								
Investments:								
Corporate debt – bank debt	$—	$8,508,989	$1,816,861	$10,325,850	$—	$8,135,722	$1,555,656	$9,691,378
Corporate debt – all other	2,385	5,607,494	2,933,992	8,543,871	4,039	5,539,518	2,750,661	8,294,218
Equities – common stock	5,070,383	227,463	8,774,815	14,072,661	6,042,583	505,459	9,044,579	15,592,621
Equities – preferred stock	667	—	1,683,357	1,684,024	3,148	—	1,320,752	1,323,900
Real estate	—	—	9,935,730	9,935,730	—	—	9,216,056	9,216,056
Real estate loan portfolios	—	—	3,117,556	3,117,556	—	—	2,399,105	2,399,105
Other	—	—	4,730	4,730	945	—	15,576	16,521
Total investments	5,073,435	14,343,946	28,267,041	47,684,422	6,050,715	14,180,699	26,302,385	46,533,799
Derivatives:								
Forward currency contracts	—	106,590	—	106,590	—	254,929	—	254,929
Swaps	—	1,655	—	1,655	—	4,217	—	4,217
Options and futures	3,985	36,947	—	40,932	—	36,568	—	36,568
Swaptions	—	46	—	46	—	483	—	483
Total derivatives	3,985	145,238	—	149,223	—	296,197	—	296,197
Total assets	$5,077,420	$14,489,184	$28,267,041	$47,833,645	$6,050,715	$14,476,896	$26,302,385	$46,829,996
Liabilities								
Securities sold short:								
	$(115,463)	$—	$—	$(115,463)	$(64,438)	$—	$—	$(64,438

Equity securities								
Derivatives:								
Forward currency contracts	—	(46,079)	—	(46,079)	—	(54,663)	—	(54,663
Swaps	—	(669,941)	(12,684)	(682,625)	—	(172,672)	(10,687)	(183,359
Options and futures	—	(5,656)	—	(5,656)	(11,051)	(3,918)	—	(14,969
Swaptions	—	—	—	—	—	(518)	—	(518
Total derivatives	—	(721,676)	(12,684)	(734,360)	(11,051)	(231,771)	(10,687)	(253,509
Total liabilities	$(115,463)	$(721,676)	$(12,684)	$(849,823)	$(75,489)	$(231,771)	$(10,687)	$(317,947

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Oaktree Capital Group, LLC
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The following tables set forth a summary of changes in the fair value of Level III investments:

	Corporate Debt – Bank Debt	Corporate Debt – All Other	Equities – Common Stock	Equities – Preferred Stock	Real Estate	Real Estate Loan Portfolios	Swaps	Other	Total
Three Months Ended September 30, 2015:									
Beginning balance	$1,399,277	$2,915,374	$9,703,009	$1,659,738	$9,572,902	$2,779,472	$(8,644)	$4,396	$28,025,524
Transfers into Level III	123,811	—	175,304	—	128,261	—	—	—	427,376
Transfers out of Level III	(2,667)	(136,524)	(674,001)	(109)	—	—	—	—	(813,301)
Purchases	329,452	244,669	90,460	50,818	361,312	513,272	—	—	1,589,983
Sales	(31,431)	(84,072)	(560,077)	(5,192)	(256,571)	(188,245)	—	—	(1,125,588)
Realized gains (losses), net	12,070	359	186,815	1,658	99,539	66,345	—	—	366,786
Unrealized appreciation (depreciation), net	(13,651)	(5,814)	(146,695)	(23,556)	30,287	(53,288)	(4,040)	334	(216,423)
Ending balance	$1,816,861	$2,933,992	$8,774,815	$1,683,357	$9,935,730	$3,117,556	$(12,684)	$4,730	$28,254,357
Net change in unrealized appreciation (depreciation) attributable to assets still held at	$(6,205)	$(24,711)	$(286,881)	$97,407	$105,450	$(38,805)	$(4,039)	$334	$(157,450)

end of period									
Three Months Ended September 30, 2014:									
Beginning balance	$1,944,391	$2,346,508	$8,334,621	$1,200,716	$8,020,570	$2,516,827	$836	$14,887	$24,379,356
Transfers into Level III	3,976	151,436	428,142	—	3,925	—	—	—	587,479
Transfers out of Level III	(219,950)	—	(382,830)	(76,821)	(3,925)	—	—	—	(683,526)
Purchases	484,567	222,089	1,547,303	73,276	453,157	48,822	—	1,000	2,830,214
Sales	(128,806)	(80,736)	(160,046)	(1,208)	(690,580)	(413,965)	—	(232)	(1,475,573)
Realized gains (losses), net	15,274	(31,977)	11,350	(893)	167,963	87,627	—	(874)	248,470
Unrealized appreciation (depreciation), net	(67,489)	(49,653)	(226,463)	44,324	(151,904)	58,587	3,257	1,006	(388,335)
Ending balance	$2,031,963	$2,557,667	$9,552,077	$1,239,394	$7,799,206	$2,297,898	$4,093	$15,787	$25,498,085
Net change in unrealized appreciation (depreciation) attributable to assets still held at end of period	$(85,726)	$(7,465)	$(25,962)	$83,015	$(42,386)	$58,587	$3,257	$(99)	$(16,779)

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	Corporate Debt – Bank Debt	Corporate Debt – All Other	Equities – Common Stock	Equities – Preferred Stock	Real Estate	Real Estate Loan Portfolios	Swaps	Other	Total
Nine Months Ended September 30, 2015:									
Beginning balance	$1,555,656	$2,750,661	$9,056,579	$1,320,752	$9,216,056	$2,399,105	$(10,687)	$3,576	$26,291,698
Transfers into Level III	240,344	17,208	552,867	15,835	128,261	—	—	—	954,515
Transfers out of Level III	(148,665)	(246,608)	(1,197,424)	(32,692)	—	—	—	—	(1,625,389)
Purchases	554,203	811,132	1,284,587	255,946	1,310,886	1,119,187	—	—	5,335,941
Sales	(372,198)	(247,423)	(1,002,296)	(60,139)	(1,241,926)	(491,632)	—	—	(3,415,614)
Realized gains (losses), net	37,477	(32,140)	120,689	39,042	578,596	164,973	—	—	908,637
Unrealized appreciation (depreciation), net	(49,956)	(118,838)	(40,187)	144,613	(56,143)	(74,077)	(1,997)	1,154	(195,431)
Ending balance	$1,816,861	$2,933,992	$8,774,815	$1,683,357	$9,935,730	$3,117,556	$(12,684)	$4,730	$28,254,357
Net change in unrealized appreciation (depreciation) attributable to assets still held at end	$(23,824)	$(68,639)	$(72,798)	$206,869	$197,926	$(74,077)	$(1,996)	$1,154	$164,615

of period									
Nine Months Ended September 30, 2014:									
Beginning balance	$2,809,437	$2,432,179	$6,700,015	$919,771	$6,221,294	$2,369,441	$—	$13,708	$21,465,845
Transfers into Level III	816,797	313,982	852,824	—	132,502	—	—	—	2,116,105
Transfers out of Level III	(1,768,697)	(18,871)	(876,178)	(83,365)	(94,821)	—	—	—	(2,841,932)
Purchases	888,791	501,385	3,068,812	249,973	2,146,535	699,234	—	2,000	7,556,730
Sales	(735,809)	(689,974)	(477,359)	(69,486)	(1,268,380)	(1,064,002)	—	(232)	(4,305,242)
Realized gains (losses), net	120,750	87,061	76,760	(16,978)	264,088	145,066	—	(874)	675,873
Unrealized appreciation (depreciation), net	(99,306)	(68,095)	207,203	239,479	397,988	148,159	4,093	1,185	830,706
Ending balance	$2,031,963	$2,557,667	$9,552,077	$1,239,394	$7,799,206	$2,297,898	$4,093	$15,787	$25,498,085
Net change in unrealized appreciation (depreciation) attributable to assets still held at end of period	$(44,291)	$72,149	$533,070	$264,924	$556,131	$148,159	$4,093	$79	$1,534,314

Total realized and unrealized gains and losses recorded for Level III investments are included in net realized gain on consolidated funds' investments or net change in unrealized appreciation (depreciation) on consolidated funds' investments in the condensed consolidated statements of operations.

There were no transfers between Level I and Level II positions for the three and nine months ended September 30, 2015, and for the three months ended September 30, 2014. Transfers between Level I and Level II positions for the nine months ended September 30, 2014 included $739.7 million from Level II to Level I due to the removal of discounts on three exchange-traded common equity investments upon the expiration of lockup periods and increased trading volume for one exchange-traded common equity investment.

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Transfers out of Level III were generally attributable to certain investments that experienced a more significant level of market trading activity or completed an initial public offering during the respective period and thus were valued using observable inputs. Transfers into Level III typically reflected either investments that experienced a less significant level of market trading activity during the period or portfolio companies that undertook restructurings or bankruptcy proceedings and thus were valued in the absence of observable inputs.
The following table sets forth a summary of the valuation techniques and quantitative information utilized in determining the fair value of the consolidated funds' Level III investments as of September 30, 2015:

Investment Type	Fair Value	Valuation Technique	Significant Unobservable Inputs (9)(10)(11)	Range	Weighted Average (12)
Credit-oriented investments:					
Consumer discretionary:	$261,456	Discounted cash flow (1)	Discount rate	5% – 14%	12%
	465,696	Market approach (comparable companies) (2)	Earnings multiple (3)	3x – 8x	6x
	110,104	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	120,922	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
Energy:	47,713	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
Financials:	529,756	Discounted cash flow (1)	Discount rate	6% – 14%	11%
	247,235	Market approach (value of underlying assets) (2)(4)	Underlying asset multiple	1.1x – 1.5x	1.2x
	250,237	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	177,634	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
Industrials:	207,569	Discounted cash flow (1)	Discount rate	5% – 15%	12%
	55,679	Discounted cash flow (1) / Sales approach (8)	Discount rate / Market transactions	11% – 13%	12%
	7,658	Market approach (comparable companies) (2)	Earnings multiple (3)	5x – 8x	7x
	239,945	Market approach (value of underlying assets) (2)(4)	Underlying asset multiple	0.7x – 1.0x	0.9x
	21,100	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	21,945	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
Information	182,868	Discounted cash flow (1)	Discount rate	6% – 13%	12%

technology:					
	143,705	Market approach (comparable companies) (2)	Earnings multiple (3)	6x – 8x	7x
	61,856	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	71,245	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
Materials:	454,015	Discounted cash flow (1)	Discount rate	11% – 14%	13%
	134,581	Market approach (comparable companies) (2)	Earnings multiple (3)	7x – 8x	7x
	7,198	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	5,969	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
Other:	395,972	Discounted cash flow (1)	Discount rate	5% – 14%	11%
	23,013	Market approach (comparable companies) (2)	Earnings multiple (3)	6x – 8x	7x
	169,003	Market approach (value of underlying assets) (2)(4)	Underlying asset multiple	0.9x – 1.1x	1x
	178,480	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	145,615	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable

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Investment Type	Fair Value	Valuation Technique	Significant Unobservable Inputs (9)(10)(11)	Range	Weighted Average (12)
Equity investments:					
Energy:	$776,064	Market approach (comparable companies) (2)	Earnings multiple (3)	7x – 18x	15x
	64,524	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	32,121	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
	186,091	Other	Not applicable	Not applicable	Not applicable
Financials:	971,070	Market approach (value of underlying assets) (2)(4)	Underlying asset multiple	1x – 1.5x	1.3x
	242,602	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	153,457	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
Industrials:	37,130	Discounted cash flow (1)	Discount rate	10% – 12%	11%
	1,898,275	Market approach (comparable companies) (2)	Earnings multiple (3)	5x – 11x	8x
	1,451,622	Market approach (value of underlying assets) (2)(4)	Underlying asset multiple	0.9x – 1.1x	1x
	277,231	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	181,107	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
Materials:	1,255,972	Market approach (comparable companies) (2)	Earnings multiple (3)	7x – 9x	8x
	25,133	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
Other:	2,260,092	Market approach (comparable companies) (2)	Earnings multiple (3)	3x – 12x	8x

	222,512	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	152,080	Recent market information (6)	Quoted prices / discount	Not applicable	Not applicable
	271,089	Other	Not applicable	Not applicable	Not applicable
Real estate-oriented investments:					
	4,113,712	Discounted cash flow (1)(7)	Discount rate	6% – 44%	12%
			Terminal capitalization rate	5% – 10%	7%
			Direct capitalization rate	5% – 10%	7%
			Net operating income growth rate	0% – 50%	11%
			Absorption rate	21% – 50%	37%
	106,006	Discounted cash flow (1) / Sales approach (8)	Discount rate / Market transactions	6% – 8%	7%
	217,427	Market approach (comparable companies) (2)	Earnings multiple (3)	10x – 13x	13x
	954,208	Market approach (value of underlying assets) (2)(4)	Underlying asset multiple	1x – 1.8x	1.6x
	578,071	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	96,816	Recent market information (6) / Market approach (comparable companies) (2)	Quoted prices / discount (discount not applicable) / Earnings multiple (3)	10x – 12x	11x
	2,383,897	Recent market information (6)	Quoted prices / discount	0% – 6%	4%
	1,410,002	Sales approach (8)	Market transactions	Not applicable	Not applicable
	75,591	Other	Not applicable	Not applicable	Not applicable
Real estate loan portfolios:					
	2,209,112	Discounted cash flow (1)(7)	Discount rate	8% – 20%	13%
	908,444	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
Other	4,730				
Total Level III investments	$28,254,357				

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The following table sets forth a summary of the valuation technique and quantitative information utilized in determining the fair value of the consolidated funds' Level III investments as of December 31, 2014:

Investment Type	Fair Value	Valuation Technique	Significant Unobservable Inputs (9)(10)(11)	Range	Weighted Average (12)
Credit-oriented investments:					
Consumer discretionary:	$164,401	Discounted cash flow (1)	Discount rate	5% – 12%	11%
	487,784	Market approach (comparable companies) (2)	Earnings multiple (3)	3x – 10x	5x
	133,410	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	119,219	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
Financials:	280,827	Discounted cash flow (1)	Discount rate	9% – 14%	12%
	205,639	Market approach (value of underlying assets) (2)(4)	Underlying asset multiple	0.9x – 1.1x	1x
	228,804	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	55,472	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
Industrials:	240,935	Discounted cash flow (1)	Discount rate	5% – 20%	13%
	206,763	Discounted cash flow (1) / Sales approach (8)	Discount rate / Market transactions	10% – 14%	12%
	13,358	Market approach (comparable companies) (2)	Earnings multiple (3)	3x – 8x	7x
	83,020	Market approach (value of underlying assets) (2)(4)	Underlying asset multiple	0.9x – 1.1x	1x
	121,888	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	113,500	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
Materials:	77,008	Discounted cash flow (1)	Discount rate	11% – 13%	12%
	189,081	Discounted cash flow (1) / Sales approach (8)	Discount rate / Market transactions	15% – 17%	16%
	250,803	Market approach (comparable companies) (2)	Earnings multiple (3)	6x – 8x	7x
	64,490	Recent transaction price (5)	Not applicable	Not applicable	Not applicable

Other:	449,065	Discounted cash flow [1]	Discount rate	5% – 13%	11%
	376,237	Market approach (comparable companies) [2]	Earnings multiple [3]	7x – 8x	8x
	123,842	Recent transaction price [5]	Not applicable	Not applicable	Not applicable
	310,084	Recent market information [6]	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
Equity investments:					
Energy:	47,524	Discounted cash flow [1]	Discount rate	10% – 12%	11%
	1,045,233	Market approach (comparable companies) [2]	Earnings multiple [3]	5x – 18x	12x
	60,409	Recent transaction price [5]	Not applicable	Not applicable	Not applicable
	432,717	Other	Not applicable	Not applicable	Not applicable
Financials:	116,328	Discounted cash flow [1] / Sales approach [8]	Discount rate / Market transactions	6% – 8%	7%
	646,720	Market approach (value of underlying assets) [2][4]	Underlying asset multiple	1x – 1.1x	1x
	171,844	Recent transaction price [5]	Not applicable	Not applicable	Not applicable

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Investment Type	Fair Value	Valuation Technique	Significant Unobservable Inputs (9)(10)(11)	Range	Weighted Average (12)
	$140,804	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
Industrials:	2,086,026	Market approach (comparable companies) (2)	Earnings multiple (3)	3x – 15x	9x
	2,313,549	Market approach (value of underlying assets) (2)(4)	Underlying asset multiple	1x – 1.2x	1x
	100,655	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	397,377	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
Materials:	1,154,908	Market approach (comparable companies) (2)	Earnings multiple (3)	4x – 11x	8x
	70,123	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	1,477	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
Other:	1,371,935	Market approach (comparable companies) (2)	Earnings multiple (3)	4x – 12x	8x
	55,769	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	151,933	Recent market information (6)	Quoted prices / discount (discount not applicable)	Not applicable	Not applicable
Real estate-oriented investments:					
	3,276,236	Discounted cash flow (1)(7)	Discount rate	6% – 44%	13%
			Terminal capitalization rate	6% – 10%	8%
			Direct capitalization rate	5% – 9%	7%
			Net operating income growth rate	0% – 37%	10%
			Absorption rate	19% – 44%	38%

	262,218	Market approach (comparable companies) (2)	Earnings multiple (3)	12x – 18x	13x
	766,755	Market approach (value of underlying assets) (2)(4)	Underlying asset multiple	1x – 1.5x	1.4x
	915,247	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
	2,625,026	Recent market information (6)	Quoted prices / discount	0% – 6%	4%
	245,316	Recent market information (6) / Market approach (comparable companies) (2)	Quoted prices / discount (discount not applicable) / Earnings multiple (3)	7x – 9x	8x
	1,075,459	Sales approach (8)	Market transactions	Not applicable	Not applicable
	49,799	Other	Not applicable	Not applicable	Not applicable
Real estate loan portfolios:					
	2,019,261	Discounted cash flow (1)(7)	Discount rate	8% – 16%	13%
	379,844	Recent transaction price (5)	Not applicable	Not applicable	Not applicable
Other	15,576				
Total Level III investments	$26,291,698				

(1) A discounted cash-flow method is generally used to value performing credit-oriented investments in which the consolidated funds do not have a controlling interest in the underlying issuer, as well as certain equity investments, real estate-oriented investments and real estate loan portfolios.

(2) A market approach is generally used to value distressed investments and investments in which the consolidated funds have a controlling interest in the underlying issuer.

(3) Earnings multiples are based on comparable public companies and transactions with comparable companies. The Company typically utilizes multiples of EBITDA; however, in certain cases the Company may use other earnings multiples believed to be most relevant to the investment. The Company typically applies the multiple to trailing twelve-months' EBITDA. However, in certain cases other earnings measures, such as pro forma EBITDA, may be utilized if deemed to be more relevant.

(4) A market approach using the value of underlying assets utilizes a multiple, based on comparable companies, of underlying assets or the net book value of the portfolio company. The Company typically obtains the value of underlying assets from the underlying portfolio

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company's financial statements or from pricing vendors. The Company may value the underlying assets by using prices and other relevant information from market transactions involving comparable assets.

(5) Certain investments are valued based on recent transactions, generally defined as investments purchased or sold within six months of the valuation date. The fair value may also be based on a pending transaction expected to close after the valuation date.

(6) Certain investments are valued using quoted prices for the subject or similar securities. Generally, investments valued in this manner are classified as Level III because the quoted prices may be indicative in nature for securities that are in an inactive market, may be for similar securities, or may require adjustment for investment-specific factors or restrictions.

(7) The discounted cash flow model for certain real estate-oriented investments and certain real estate loan portfolios contains a sell-out analysis. In these cases, the discounted cash flow is based on the expected timing and prices of sales of the underlying properties. The Company's determination of the sales prices of these properties typically includes consideration of prices and other relevant information from market transactions involving comparable properties.

(8) The sales approach uses prices and other relevant information generated by market transactions involving comparable assets. The significant unobservable inputs used in the sales approach generally include adjustments to transactions involving comparable assets or properties, adjustments to external or internal appraised values, and the Company's assumptions regarding market trends or other relevant factors.

(9) The discount rate is the significant unobservable input used in the fair-value measurement of performing credit-oriented investments in which the consolidated funds do not have a controlling interest in the underlying issuer, as well as certain equity investments and real estate loan portfolios. An increase (decrease) in the discount rate would result in a lower (higher) fair-value measurement.

(10) Multiple of either earnings or underlying assets is the significant unobservable input used in the market approach for the fair-value measurement of distressed credit-oriented investments, credit-oriented investments in which the consolidated funds have a controlling interest in the underlying issuer, equity investments and certain real estate-oriented investments. An increase (decrease) in the multiple would result in a higher (lower) fair-value measurement.

(11) The significant unobservable inputs used in the fair-value measurement of real estate investments utilizing a discounted cash flow analysis can include one or more of the following: discount rate, terminal capitalization rate, direct capitalization rate, net operating income growth rate or absorption rate. An increase (decrease) in a discount rate, terminal capitalization rate or direct capitalization rate would result in a lower (higher) fair-value measurement. An increase (decrease) in a net operating income growth rate or absorption rate would result in a higher (lower) fair-value measurement. Generally, a change in a net operating income growth rate or absorption rate would be accompanied by a directionally similar change in the discount rate.

(12) The weighted average is based on the fair value of the investments included in the range.

A significant amount of judgment may be required when using unobservable inputs, including assessing the accuracy of source data and the results of pricing models. The Company assesses the accuracy and reliability of the sources it uses to develop unobservable inputs. These sources may include third-party vendors that the Company believes are reliable and commonly utilized by other market place participants. As described in note 2, other factors beyond the unobservable inputs described above may have a significant impact on investment valuations.

During the nine months ended September 30, 2015, the valuation technique for ten Level III investments changed, as follows: (a) three credit-oriented investments and one equity investment changed from a market approach based on comparable companies to a market approach based on the value of underlying assets as a result of an increased focus on the value of the company's physical assets, (b) one equity investment changed from a market approach based on comparable companies to a valuation based on recent market information due to increased availability of broker quotations, (c) one credit-oriented investment changed from a valuation technique that used both a discounted cash flow and sales approach to an approach based solely on a discounted cash flow technique due to a decreased focus on the value of the issuer’s assets, (d) one real estate-oriented investment changed from a valuation based on a market approach to a discounted cash flow as a result of the stabilization of the underlying property, (e) one real estate-oriented investment changed from a valuation based on a discounted cash flow to a sales approach as a result of receiving offers from potential buyers, (f) one credit-oriented investment changed from a valuation based on recent market information to a discounted cash flow technique due to decreased availability of broker quotations, and (g) one credit-oriented investment, comprised of ten underlying loans, changed from a valuation technique that used both a discounted cash flow and sales approach to a market approach based on the value of underlying assets as a result of an increased focus on the value of the assets collateralizing the loans.

During the nine months ended September 30, 2014, the valuation technique for five Level III investments changed, as follows: (a) one equity security and one credit-oriented security changed from a valuation based on then-recent market information to a market approach based on comparable companies, because the investee underwent a restructuring and its securities are no longer traded, (b) one real estate-oriented investment changed from a valuation based on recent market information to a market approach based on comparable companies as a result of a lack of recent market transaction data, and (c) one equity security and one credit-oriented security changed from a valuation based on a discounted cash flow to a market approach based on comparable companies as a result of the stabilization of the underlying investments.

6. HEDGES AND OTHER DERIVATIVE INSTRUMENTS

The Company enters into derivative instruments as part of its overall risk management strategy or to facilitate its investment management activities. Risks associated with fluctuations in interest rates and foreign currency exchange rates in the normal course of business are addressed as part of the Company's overall risk management strategy that may include the use of derivative instruments to economically hedge or reduce these exposures. From time to time, the Company may enter into (a) foreign currency option and forward contracts to reduce earnings and cash-flow volatility associated with changes in foreign currency exchange rates, and (b) interest-rate swaps to manage all or a portion of the interest-rate risk associated with its variable-rate borrowings. As a result of the use of these or other derivative contracts, the Company is exposed to the risk that counterparties will fail to fulfill their contractual obligations. The Company attempts to mitigate this counterparty risk by entering into derivative contracts only with major financial institutions that have investment-grade credit ratings. Counterparty credit risk is evaluated in determining the fair value of derivative instruments.

As of September 30, 2015 and December 31, 2014, the Company had outstanding two interest-rate swaps that were designated to hedge the interest rate risk covering up to $157.5 million and $180.0 million, respectively, of the $250.0 million variable-rate bank term loan. The swaps, which had aggregate designated notional values of $326.3 million and $348.8 million as of September 30, 2015 and December 31, 2014, respectively, expire through January 2017. As of September 30, 2015, the hedges continued to be effective.

In August 2013, to facilitate its investment management activities, the Company entered into a two-year total return swap ("TRS") agreement with a financial institution to meet certain investment objectives for which the primary risk exposure was credit. Pursuant to the TRS agreement, the Company had deposited $50.0 million in cash collateral with the counterparty and had the ability to access up to $200.0 million of U.S. dollar-denominated debt securities underlying the TRS.

In February 2014, the Company closed its TRS position resulting in realized gains of $7.1 million, and received $1.4 million in cash at closing. In connection with the launch of a CLO, the Company contributed the $50.0 million cash collateral deposit and $5.7 million of remaining realized gains due from the counterparty under the TRS agreement, and an additional $4.5 million in cash, to the CLO. The CLO purchased the underlying reference securities that were held by the counterparty under the TRS agreement at fair value of $312.9 million plus $1.0 million of interest receivable. The CLO paid $258.2 million in cash, net of the $50.0 million cash collateral deposit and $5.7 million of realized gains due from the counterparty under the TRS agreement. The CLO was funded with the Company's $60.2 million in aggregate contributions and net proceeds of $450.0 million in cash from the issuance of $456.0 million in senior secured notes to third parties, net of $6.0 million in debt issuance costs. Please see note 7 for more information regarding the debt obligations of CLOs.

Freestanding derivatives are financial instruments that the Company enters into as part of its overall risk management strategy but does not designate as hedging instruments for accounting purposes. These financial instruments may include foreign currency exchange contracts, interest-rate swaps and other derivative contracts.

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The fair value of forward currency sell contracts consisted of the following:

As of September 30, 2015:	Contract Amount in Local Currency	Contract Amount in U.S. Dollars	Market Value in U.S. Dollars	Net Unrealized Appreciation (Depreciation)
Euro, expiring 10/8/15-10/7/16	226,700	$261,218	$254,008	$ 7,210
USD (buy GBP), expiring 10/30/15-7/29/16	81,550	81,550	82,250	(700)
Japanese Yen, expiring 12/30/15-9/30/16	6,884,500	58,381	57,607	774
Total		$401,149	$393,865	$ 7,284
As of December 31, 2014:				
Euro, expiring 1/8/15-12/31/15	206,820	$266,569	$250,789	$ 15,780
USD (buy GBP), expiring 1/8/15-12/31/15	88,081	88,081	91,485	(3,404)
Japanese Yen, expiring 1/30/15-12/30/15	7,420,600	70,784	62,100	8,684
Total		$425,434	$404,374	$ 21,060

Realized and unrealized gains and losses arising from freestanding derivative instruments were recorded in the condensed consolidated statements of operations as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Foreign Currency Forward Contracts:	2015	2014	2015	2014
General and administrative expenses [(1)]	$(4,452)	$17,231	$18,389	$18,325
Total-return Swap:				
Investment income	$—	$—	$—	$2,554

(1) To the extent that the Company’s freestanding derivatives are utilized to hedge its exposure to investment income and management fees earned from consolidated funds, the related hedged items are eliminated in consolidation, with the derivative impact (a positive number reflects a reduction in expenses) reflected in consolidated general and administrative expenses.

As of both September 30, 2015 and December 31, 2014, the Company had not designated any derivatives as fair-value hedges or hedges of net investments in foreign operations.

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Derivatives Held By Consolidated Funds

Certain consolidated funds utilize derivative instruments in ongoing investment operations. These derivatives primarily consist of foreign currency forward contracts and options utilized to manage currency risk, interest-rate swaps to hedge interest-rate risk, options and futures used to hedge exposure for specific securities, and total-return and credit-default swaps utilized mainly to obtain exposure to leveraged loans or to participate in foreign markets not readily accessible. The primary risk exposure for options and futures is price, while the primary risk exposure for total-return and credit-default swaps is credit. None of the derivative instruments is accounted for as a hedging instrument utilizing hedge accounting.

The average notional amounts of foreign currency and total-return swap contracts outstanding, respectively, during the nine months ended September 30, 2015 were $5.3 billion long and $342.2 million short, and $3.0 billion long and $17.3 million short.

The impact of derivative instruments held by the consolidated funds in the condensed consolidated statements of operations was as follows:

	Three Months Ended September 30,			
	2015		2014	
	Net Realized Gain (Loss) on Investments	Net Change in Unrealized Appreciation (Depreciation) on Investments	Net Realized Gain (Loss) on Investments	Net Change in Unrealized Appreciation (Depreciation) on Investments
Foreign currency forward contracts	$(60,419)	$ 177,621	$(12,035)	$ 346,855
Total-return, credit-default and interest-rate swaps	10,129	(387,399)	(2,829)	(22,726)
Options and futures	17,291	12,849	(1,507)	6,233
Swaptions	(6)	(65)	(666)	1,325
Total	$(33,005)	$ (196,994)	$(17,037)	$ 331,687

	Nine Months Ended September 30,			
	2015		2014	
	Net Realized Gain (Loss) on Investments	Net Change in Unrealized Appreciation (Depreciation) on Investments	Net Realized Gain (Loss) on Investments	Net Change in Unrealized Appreciation (Depreciation) on Investments
Foreign currency forward contracts	$410,891	$ (141,443)	$(106,223)	$ 342,592
Total-return, credit-default and interest-rate swaps	2,955	(503,625)	41,086	(36,290)
Options and futures	13,314	(3,450)	(22,395)	41
Swaptions	(3,013)	2,277	(666)	(3,987)
Total	$424,147	$ (646,241)	$(88,198)	$ 302,356

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Balance Sheet Offsetting
The Company recognizes all derivatives as assets or liabilities at fair value in its condensed consolidated statements of financial condition. In connection with its derivative activities, the Company generally enters into agreements subject to enforceable master netting arrangements that allow the Company to offset derivative assets and liabilities in the same currency by specific derivative type or, in the event of default by the counterparty, to offset derivative assets and liabilities with the same counterparty. The table below sets forth the setoff rights and related arrangements associated with derivative instruments held by the Company. The “gross amounts not offset in statements of financial condition” columns represent derivative instruments that management has elected not to offset in the condensed consolidated statements of financial condition even though they are eligible to be offset in accordance with applicable accounting guidance.

As of September 30, 2015	Gross Amounts of Assets (Liabilities)	Gross Amounts Offset in Assets (Liabilities)	Net Amounts of Assets (Liabilities) Presented	Gross Amounts Not Offset in Statements of Financial Condition		Net Amount
				Derivative Assets (Liabilities)	Cash Collateral Received (Pledged)	
Derivative Assets:						
Foreign currency forward contracts	$10,335	$—	$10,335	$4,900	$—	$5,435
Derivative assets of consolidated funds:						
Foreign currency forward contracts	106,590	—	106,590	12,234	—	94,356
Total-return, credit-default and interest-rate swaps	1,655	—	1,655	129	—	1,526
Options and futures	40,932	—	40,932	17,949	—	22,983
Swaptions	46	—	46	46	—	—
Subtotal	149,223	—	149,223	30,358	—	118,865
Total	$159,558	$—	$159,558	$35,258	$—	$124,300
Derivative Liabilities:						
Foreign currency forward contracts	$(3,051)	$—	$(3,051)	$(3,046)	$—	$(5)
Interest-rate swaps	(1,854)	—	(1,854)	(1,854)	—	—
Subtotal	(4,905)	—	(4,905)	(4,900)	—	(5)
Derivative liabilities of consolidated funds:						
Foreign currency forward contracts	(46,079)	—	(46,079)	(21,668)	(7,323)	(17,088)
Total-return, credit-default and interest-rate swaps	(682,625)	—	(682,625)	(153,944)	(504,086)	(24,595)
Options and futures	(5,656)	—	(5,656)	(5,621)	(35)	—
Subtotal	(734,360)	—	(734,360)	(181,233)	(511,444)	(41,683)
Total	$(739,265)	$—	$(739,265)	$(186,133)	$(511,444)	$(41,688)

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As of December 31, 2014	Gross Amounts of Assets (Liabilities)	Gross Amounts Offset in Assets (Liabilities)	Net Amounts of Assets (Liabilities) Presented	Gross Amounts Not Offset in Statements of Financial Condition		Net Amount
				Derivative Assets (Liabilities)	Cash Collateral Received (Pledged)	
Derivative Assets:						
Foreign currency forward contracts	$24,499	$—	$24,499	$5,756	$—	$18,743
Derivative assets of consolidated funds:						
Foreign currency forward contracts	254,929	—	254,929	51,260	—	203,669
Total-return, credit-default and interest-rate swaps	4,217	—	4,217	512	—	3,705
Options and futures	36,568	—	36,568	12,605	—	23,963
Swaptions	483	—	483	483	—	—
Subtotal	296,197	—	296,197	64,860	—	231,337
Total	$320,696	$—	$320,696	$70,616	$—	$250,080
Derivative Liabilities:						
Foreign currency forward contracts	$(3,439)	$—	$(3,439)	$(3,439)	$—	$—
Interest-rate swaps	(2,317)	—	(2,317)	(2,317)	—	—
Subtotal	(5,756)	—	(5,756)	(5,756)	—	—
Derivative liabilities of consolidated funds:						
Foreign currency forward contracts	(54,663)	—	(54,663)	(51,088)	—	(3,575)
Total-return, credit-default and interest-rate swaps	(183,359)	—	(183,359)	(9,427)	(156,011)	(17,921)
Options and futures	(14,969)	—	(14,969)	(3,863)	(11,106)	—
Swaptions	(518)		(518)	(483)	—	(35)
Subtotal	(253,509)	—	(253,509)	(64,861)	(167,117)	(21,531)
Total	$(259,265)	$—	$(259,265)	$(70,617)	$(167,117)	$(21,531)

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7. DEBT OBLIGATIONS AND CREDIT FACILITIES
The Company’s debt obligations are set forth below:

	As of September 30, 2015	December 31, 2014
$50,000, 6.09%, issued in June 2006, payable on June 6, 2016	$50,000	$50,000
$50,000, 5.82%, issued in November 2006, payable on November 8, 2016	50,000	50,000
$250,000, 6.75%, issued in November 2009, payable on December 2, 2019	250,000	250,000
$250,000, rate as described below, term loan issued in March 2014, payable on March 31, 2019	250,000	250,000
$50,000, 3.91%, issued in September 2014, payable on September 3, 2024	50,000	50,000
$100,000, 4.01%, issued in September 2014, payable on September 3, 2026	100,000	100,000
$100,000, 4.21%, issued in September 2014, payable on September 3, 2029	100,000	100,000
Total remaining principal	$850,000	$850,000

Future scheduled principal payments of debt obligations as of September 30, 2015 were as follows:

Remainder of 2015	$—
2016	100,000
2017	—
2018	—
2019	500,000
Thereafter	250,000
Total	$850,000

The Company was in compliance with all financial maintenance covenants associated with its senior notes and credit facility as of September 30, 2015 and December 31, 2014.

The fair value of the Company’s debt obligations, which are carried at amortized cost, is a Level III valuation that is estimated based on a discounted cash-flow calculation using estimated rates that would be offered to Oaktree for debt of similar terms and maturities. The fair value of these debt obligations was $874.5 million and $895.9 million as of September 30, 2015 and December 31, 2014, respectively, utilizing an average borrowing rate of 3.4% and 3.2%, respectively. As of September 30, 2015, a 10% increase in the assumed average borrowing rate would lower the estimated fair value to $859.3 million, whereas a 10% decrease would increase the estimated fair value to $890.3 million.

In September 2014, the Company’s subsidiaries Oaktree Capital Management, L.P. (the “Issuer”) and Oaktree Capital I, L.P., Oaktree Capital II, L.P. and Oaktree AIF Investments, L.P. (the “Guarantors” and together with the Issuer, the “Obligors”) issued and sold to certain accredited investors $50.0 million aggregate principal amount of its 3.91% Senior Notes, Series A, due September 3, 2024 (the “Series A Notes”), $100.0 million aggregate principal amount of its 4.01% Senior Notes, Series B, due September 3, 2026 (the “Series B Notes”) and $100.0 million aggregate principal amount of its 4.21% Senior Notes, Series C, due September 3, 2029 (the “Series C Notes” and together with the Series A Notes and the Series B Notes, the “Notes”) pursuant to a note and guarantee agreement (the “Note Agreement”). The Notes are senior unsecured obligations of the Issuer, guaranteed by the Guarantors on a joint and several basis. Interest on the Notes is payable semi-annually.

The Note Agreement provides for certain affirmative and negative covenants, including financial covenants relating to the Obligors’ combined leverage ratio and minimum assets under management. In addition, the Note Agreement contains customary representations and warranties of the Obligors and customary events of default, in certain cases, subject to cure periods. The Issuer may prepay all, or from time to time any part of, the Notes at any time, subject to the Issuer's payment of the applicable make-whole amount determined with respect to such principal amount prepaid. Upon the occurrence of a change of control, the Issuer will be required to make an offer to prepay the Notes together with the applicable make-whole amount determined with respect to such principal amount prepaid.

In March 2014, the Company's subsidiaries Oaktree Capital Management, L.P., Oaktree Capital II, L.P., Oaktree AIF Investments, L.P. and Oaktree Capital I, L.P. entered into a credit agreement with a bank syndicate for senior unsecured credit facilities (the "Credit Facility"), consisting of a $250.0 million fully-funded term loan (the "Term Loan") and a $500.0 million revolving credit facility (the "Revolver"), each with a five-year term. The Credit Facility replaced the amortizing term loan, which had a principal balance of $218.8 million, and the undrawn revolver under the Company's prior credit facility. The Term Loan matures in March 2019, at which time the entire principal amount of $250.0 million is due. Borrowings under the Credit Facility generally bear interest at a spread to either LIBOR or an alternative base rate. Based on the current credit ratings of Oaktree Capital Management, L.P., the interest rate on borrowings is LIBOR plus 1.00% per annum and the commitment fee on the unused portions of the Revolver is 0.125% per annum. Utilizing interest-rate swaps, the majority of the Term Loan's annual interest rate is fixed at 2.69% through January 2016 and 2.22% for the twelve months thereafter, based on the current credit ratings of Oaktree Capital Management, L.P. The Credit Facility contains customary financial covenants and restrictions, including ones regarding a maximum leverage ratio of 3.0-to-1.0 and a minimum required level of assets under management (as defined in the credit agreement) of $50.0 billion. As of September 30, 2015, the Company had no outstanding borrowings under the Revolver and was able to draw the full amount available without violating any financial maintenance covenants.

Credit Facilities of the Consolidated Funds

Certain consolidated funds maintain revolving credit facilities to fund investments between, or in advance of, capital drawdowns. These facilities generally (a) are collateralized by the unfunded capital commitments of the consolidated funds' limited partners, (b) bear an annual commitment fee based on unfunded commitments, and (c) contain various affirmative and negative covenants and reporting obligations, including restrictions on additional indebtedness, liens, margin stock, affiliate transactions, dividends and distributions, release of capital commitments, and portfolio asset dispositions. Additionally, certain consolidated funds have issued senior variable rate notes to fund investments on a longer term basis, generally up to ten years. The obligations of the consolidated funds are nonrecourse to the Company.

The fair value of the revolving credit facilities is a Level III valuation and approximated carrying value for all periods presented due to their short-term nature. The fair value of the credit facilities and senior variable rate notes is a Level III valuation and aggregated $3.5 billion and $2.8 billion as of September 30, 2015 and December 31, 2014, respectively, using prices obtained from pricing vendors. Financial instruments that are valued using quoted prices for the subject or similar securities are generally classified as Level III because the quoted prices may be indicative in nature for securities that are in an inactive market, may be for similar securities, or may require adjustment for investment-specific factors or restrictions.

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The consolidated funds had the following revolving credit facilities and term loans outstanding:

Credit Agreement	Outstanding Amount as of September 30, 2015	Outstanding Amount as of December 31, 2014	Facility Capacity	LIBOR Margin (1)	Maturity	Commitment Fee Rate	L/C Fee (2)
Credit facility (3)	$434,000	$434,000	$434,000	1.45%	11/14/2018	N/A	N/A
Senior variable rate notes (3)	249,500	249,500	$249,500	1.55%	10/20/2022	N/A	N/A
Senior variable rate notes (3)	499,627	499,322	$500,000	1.20%	4/20/2023	N/A	N/A
Senior variable rate notes (3)	402,457	402,422	$402,500	1.20%	7/20/2023	N/A	N/A
Senior variable rate notes (3)	64,500	64,500	$64,500	1.65%	7/20/2023	N/A	N/A
Senior variable rate notes (3)	420,000	420,000	$420,000	1.47%	8/15/2025	N/A	N/A
Senior variable rate notes (3)	84,662	84,399	$86,000	2.10%	8/15/2025	N/A	N/A
Credit facility (3)(4)	240,000	—	$325,000	1.25%	4/11/2017	N/A	N/A
Senior variable rate notes (3)	332,762	332,706	$333,000	1.56%	11/15/2025	N/A	N/A
Senior variable rate notes (3)	76,870	76,648	$78,000	2.30%	11/15/2025	N/A	N/A
Senior variable rate notes (3)	39,202	39,049	$40,000	3.20%	11/15/2025	N/A	N/A
Senior variable rate notes (3)	307,500	—	$307,500	1.55%	2/15/2026	N/A	N/A
Senior variable rate notes (3)	64,825	—	$65,000	2.30%	2/15/2026	N/A	N/A
Senior variable rate notes (3)	36,973	—	$37,500	3.10%	2/15/2026	N/A	N/A
Revolving credit facility	59,846	50,054	$400,000	3.05%	8/13/2016	0.25%	2.00%
Revolving credit facility	—	500,000	$500,000	1.60%	6/26/2015	0.25%	N/A
Revolving credit facility	951,366	—	$1,400,000	1.50%	3/18/2018	0.60%	1.50%
Revolving credit facility	—	800	$55,000	2.00%	12/15/2015	0.35%	2.00%
Revolving credit facility	81,491	—	$110,000	2.00%	11/4/2016	0.30%	2.00%
Revolving credit facility	—	—	$50,000	1.50%	1/30/2017	0.25%	1.50%
Euro-denominated revolving credit facility	590,803	650,725	€550,000	1.65%	2/25/2016	0.25%	1.65%
Euro-denominated revolving credit facility	—	—	€300,000	2.35%	2/27/2017	0.50%	2.35%
Euro-denominated revolving credit facility	93,430	97,925	€100,000	1.95%	2/2/2016	0.40%	1.95%
Revolving credit facility	—	146,000	$221,000	1.65%	9/30/2015	0.25%	N/A
Revolving credit facility	434,904	201,739	$500,000	1.60%	1/16/2017	0.25%	1.60%

Revolving credit facility	49,905	56,697	$61,000	2.95%	3/15/2019	N/A	N/A
Revolving credit facility	72,688	88,000	$72,688	2.75%	12/16/2018	1.00%	N/A
Revolving credit facility	8,000	2,000	$35,000	1.50%	12/11/2015	0.20%	N/A
Revolving credit facility	242,661	93,943	$350,000	1.60%	9/8/2016	0.25%	2.00%
Credit facility (5)	59,996	—	$59,996	4.50%	3/21/2018	N/A	N/A
Revolving credit facility	100,800	—	$400,000	1.45%	7/14/2017	0.25%	1.45%
Euro-denominated revolving credit facility	16,743	—	€95,000	2.25%	9/1/2017	0.50%	N/A
Revolving credit facility	33,151	—	$40,000	2.25%	3/4/2016	0.30%	1.75%
Credit facility (5)(6)	179,699	214,423	$179,699	1.99%	Various	N/A	N/A
	$6,228,361	$4,704,852					

(1) The facilities bear interest, at the borrower's option, at (a) an annual rate of LIBOR plus the applicable margin or (b) an alternate base rate, as defined in the respective credit agreement.

(2) Certain facilities allow for the issuance of letters of credit at an applicable annual fee. As of September 30, 2015 and December 31, 2014, outstanding standby letters of credit totaled $451,254 and $43,326, respectively.

(3) The senior variable rate notes and credit facilities are collateralized by the portfolio investments and cash and cash-equivalents of the respective fund.

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(4) The LIBOR margin is 1.25% through November 11, 2015, and 2.50% thereafter.
(5) The credit facility is collateralized by specific investments of the fund.
(6) Of the total balance outstanding, $28.2 million matures in February 2016 and $151.5 million in March 2016.

Debt Obligations of CLOs
Debt obligations of CLOs represent amounts due to holders of debt securities issued by the CLOs, including term loans held by CLOs that had not priced as of period end. The table below sets forth the outstanding debt obligations of the CLOs for the periods indicated.

	As of September 30, 2015				As of December 31, 2014			
	Outstanding Borrowings	Fair Value (1)	Weighted Average Interest Rate	Weighted Average Remaining Maturity (years)	Outstanding Borrowings	Fair Value (1)	Weighted Average Interest Rate	Weighted Average Remaining Maturity (years)
Senior secured notes (2)	$457,054	$454,500	2.33%	9.5	$456,567	$449,167	2.25%	10.3
Senior secured notes (3)	454,269	452,769	2.49%	11.2	453,821	454,274	2.43%	12.0
Senior secured notes (4)	97,603	96,681	2.68%	3.3	85,776	85,468	2.61%	4.0
Senior secured notes (5)	373,706	370,102	2.26%	12.0	405,018	402,649	2.32%	12.7
Senior secured notes (6)	455,175	452,710	2.54%	12.2	—	—	—	—
Senior secured notes (7)	370,984	372,555	2.46%	12.6	—	—	—	—
Subordinated note (8)	25,500	19,190	N/A	11.2	25,500	25,500	N/A	12.0
Subordinated note (8)	21,627	14,222	N/A	12.0	23,596	23,596	N/A	12.7
Subordinated note (8)	25,500	19,876	N/A	12.2	—	—	—	—
Subordinated note (8)	18,418	12,281	N/A	12.6	—	—	—	—
Subordinated note (9)	6,637	6,637	N/A	1.8	—	—	—	—
Term loan (10)	44,799	44,799	1.20%	1.8	—	—	—	—
Term loan	—	—	—	—	151,257	151,257	1.24%	1.8
	$2,351,272	$2,316,322			$1,601,535	$1,591,911		

(1) The debt obligations of the CLOs are Level III valuations and were valued using prices obtained from pricing vendors or recent transactions. Financial instruments that are valued using quoted prices for the subject or similar securities are generally classified as Level III because the quoted prices may be indicative in nature for securities that are in an inactive market, may be for similar securities, or may require adjustment for investment-specific

factors or restrictions. Financial instruments that are valued based on recent transactions are generally defined as securities purchased or sold within six months of the valuation date. The fair value may also be based on a pending transaction expected to close after the valuation date. For certain recently issued debt obligations, the carrying value approximates fair value.

(2) The weighted average interest rate is based on LIBOR plus 2.01%.

(3) The weighted average interest rate is based on LIBOR plus 2.21%.

(4) The interest rate was LIBOR plus a margin determined based on a formula as defined in the respective borrowing agreements, which incorporate different borrowing values based on the characteristics of collateral investments purchased. The weighted average unused commitment fee rate ranged from 0% to 2.0%.

(5) The weighted average interest rate is based on EURIBOR plus 2.26%.

(6) The weighted average interest rate is based on LIBOR plus 2.10%.

(7) The weighted average interest rate is based on EURIBOR plus 2.46%.

(8) The subordinated notes do not have a contractual interest rate; instead, they receive distributions from the excess cash flows generated by the CLO.

(9) This represents a subordinated credit facility with a total capacity of €25 million as of September 30, 2015. The facility does not have a contractual interest rate; instead, this facility receives distributions from the excess cash flows generated by the CLO.

(10) The term loan had a total facility capacity of €150 million as of September 30, 2015. The interest rate is based on EURIBOR plus 1.20%. The unused commitment fee was 0.30%.

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The debt obligations of CLOs are nonrecourse to the Company and are backed by the investments held by the respective CLO. Assets of one CLO may not be used to satisfy the liabilities of another. As of September 30, 2015, the fair value of CLO assets was $2.9 billion and consisted of cash, corporate loans, corporate bonds and other securities.

Future scheduled principal payments with respect to the debt obligations of CLOs as of September 30, 2015 were as follows:

Remainder of 2015	$—
2016	51,436
2017	—
2018	97,603
2019	—
Thereafter	2,202,233
Total	$2,351,272

8. NON-CONTROLLING REDEEMABLE INTERESTS IN CONSOLIDATED FUNDS

The following table sets forth a summary of changes in the non-controlling redeemable interests in the consolidated funds. Dividends reinvested and in-kind contributions or distributions are non-cash in nature and have been grossed up in the table below.

	Nine Months Ended September 30,	
	2015	2014
Beginning balance	$41,681,155	$38,834,831
Contributions	4,654,438	7,250,262
Distributions	(4,595,694)	(5,971,132)
Net income	(1,037,265)	1,842,779
Change in distributions payable	566,609	(944)
Change in accrued or deferred contributions	13,467	(7,000)
Initial consolidation of a fund	—	902,979
Foreign currency translation and other	(341,899)	(388,447)
Ending balance	$40,940,811	$42,463,328

9. UNITHOLDERS' CAPITAL

Unitholders' capital reflects the economic interests attributable to Class A unitholders, non-controlling interests in consolidated subsidiaries and non-controlling interests in consolidated funds. Non-controlling interests in consolidated subsidiaries represent the portion of unitholders' capital attributable to the OCGH non-controlling interest, certain related parties and third parties. The OCGH non-controlling interest is determined at the Oaktree Operating Group level based on the proportionate share of Oaktree Operating Group units held by the OCGH unitholders. Certain expenses, such as income tax and related administrative expenses of Oaktree Capital Group, LLC and its Intermediate Holding Companies, are solely attributable to the Class A unitholders. As of September 30, 2015 and December 31, 2014, respectively, OCGH units represented 105,317,704 of the total 153,989,363 Oaktree Operating Group units and 109,088,901 of the total 152,852,620 Oaktree Operating Group units. Based on total allocable Oaktree Operating Group capital of $1,598,395 and $1,640,594 as of September 30, 2015 and December 31, 2014, respectively, the OCGH non-controlling interest was $1,093,184 and $1,170,893. As of September 30, 2015 and December 31, 2014, non-controlling interests attributable to certain related parties and third parties were $99,959 and $95,068, respectively.

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The following table sets forth a summary of the net income attributable to the OCGH non-controlling interest and to the Class A unitholders:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Weighted average Oaktree Operating Group units outstanding (in thousands):				
OCGH non-controlling interest	105,505	109,329	106,372	110,362
Class A unitholders	48,440	43,480	47,304	42,234
Total weighted average units outstanding	153,945	152,809	153,676	152,596
Oaktree Operating Group net income:				
Net income attributable to OCGH non-controlling interest	$5,868	$64,683	$168,874	$320,054
Net income attributable to Class A unitholders	2,694	25,725	72,882	119,957
Oaktree Operating Group net income [(1)]	$8,562	$90,408	$241,756	$440,011
Net income attributable to Oaktree Capital Group, LLC:				
Oaktree Operating Group net income attributable to Class A unitholders	$2,694	$25,725	$72,882	$119,957
Non-Operating Group expenses	(464)	(264)	(1,424)	(1,149)
Income tax expense of Intermediate Holding Companies	(343)	(6,548)	(11,504)	(16,915)
Net income attributable to Oaktree Capital Group, LLC	$1,887	$18,913	$59,954	$101,893

(1) Oaktree Operating Group net income does not reflect amounts attributable to other non-controlling interests, which amounted to $4,899 and $5,503 for the three and nine months ended September 30, 2015, and $2,868 for both the three and nine months ended September 30, 2014.

The change in the Company’s ownership interest in the Oaktree Operating Group is set forth below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income attributable to Oaktree Capital Group, LLC	$1,887	$18,913	$59,954	$101,893
Equity reallocation between controlling and non-controlling interests	2,496	(391)	47,698	48,725
Change from net income attributable to Oaktree Capital Group, LLC and transfers from non-controlling interests	$4,383	$18,522	$107,652	$150,618

In March 2015, the Company issued and sold 4,600,000 Class A units in a public offering (the “March 2015 Offering”), resulting in $237.8 million in proceeds to the Company. The Company did not retain any proceeds from the sale of Class A units in the March 2015 Offering. The proceeds from the March 2015 Offering were used to acquire interests in the Company’s business from certain of the Company’s directors, employees and other investors, including certain senior executives and other members of the Company’s senior management.

Please see notes 10, 11 and 12 for additional information regarding transactions that impacted unitholders’ capital.

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10. EARNINGS PER UNIT

The computation of net income per Class A unit is set forth below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income per Class A unit (basic and diluted):	(in thousands, except per unit amounts)			
Net income attributable to Oaktree Capital Group, LLC	$1,887	$18,913	$59,954	$101,893
Weighted average number of Class A units outstanding (basic and diluted)	48,440	43,480	47,304	42,234
Basic and diluted net income per Class A unit	$0.04	$0.43	$1.27	$2.41

Vested OCGH units may be exchangeable on a one-for-one basis into Class A units, subject to certain restrictions. As of September 30, 2015, there were 105,317,704 OCGH units outstanding, which are vested or will vest through March 1, 2025, that may ultimately be exchanged into 105,317,704 Class A units. The exchange of these units would proportionally increase the Company’s interest in the Oaktree Operating Group. However, as the restrictions set forth in the exchange agreement were in place at the end of each respective reporting period, those units were not included in the computation of diluted earnings per unit for the three and nine months ended September 30, 2015 and 2014.

In connection with the Highstar acquisition, the Company has a contingent consideration liability that is payable in a combination of cash and fully-vested OCGH units. The amount of contingent consideration, if any, is based on the achievement of certain performance targets over a period of up to seven years from the acquisition date. As of September 30, 2015, no OCGH units were considered issuable under the terms of the contingent consideration arrangement; consequently, no contingently issuable units were included in the computation of diluted earnings per unit for the three and nine months ended September 30, 2015. Please see note 13 for more information regarding the contingent consideration liability.

11. EQUITY-BASED COMPENSATION

Restricted Unit Awards

During the nine months ended September 30, 2015, the Company granted 1,175,213 restricted OCGH units and 7,940 Class A units to its employees and directors, subject to annual vesting over a weighted average period of approximately 5.0 years. The grant date fair value of OCGH units awarded during the nine months ended September 30, 2015 was determined by applying a 20% discount to the Class A unit trading price on the New York Stock Exchange as of the grant date. The calculation of compensation expense for all OCGH units awarded during 2015 assumed a forfeiture rate, based on expected employee turnover, of up to 1.5% annually.

As of September 30, 2015, the Company expected to recognize compensation expense on its unvested equity-based awards of $148.4 million over a weighted average recognition period of 4.5 years.

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A summary of the status of the Company's unvested equity-based awards as of September 30, 2015 and a summary of changes for the nine months then ended are presented below (actual dollars per unit):

	Class A Units		OCGH Units	
	Number of Units	Weighted Average Grant Date Fair Value	Number of Units	Weighted Average Grant Date Fair Value
Balance, December 31, 2014	19,049	$50.63	5,070,992	$36.21
Granted	7,940	55.75	1,175,213	44.04
Vested	(5,688)	49.14	(1,385,577)	32.36
Forfeited	—	—	(110,359)	36.41
Balance, September 30, 2015	21,301	$52.94	4,750,269	$39.27

As of September 30, 2015, unvested units were expected to vest as follows:

	Number of Units	Weighted Average Remaining Service Term (Years)
Class A units	21,301	2.6
OCGH units	4,750,269	4.5

Equity Value Units

OCGH equity value units ("EVUs") represent special limited partnership units in OCGH that entitle the holder the right to receive a one-time special distribution that will be settled in OCGH units, based on value created during a specified period ("Term") in excess of a fixed "Base Value." The value created will be measured on a per unit basis, based on Class A unit trading prices and certain components of quarterly distributions with respect to interim periods during the Term. EVUs also give the holder the right, subject to service vesting and Oaktree performance relative to the accreting Base Value, to receive certain quarterly distributions from OCGH. EVUs do not entitle the holder to any voting rights.

On December 2, 2014, OCGH granted 2,000,000 EVUs to Jay S. Wintrob, the Company's Chief Executive Officer, subject to a five-year vesting schedule through December 2019. The grant agreement provides Mr. Wintrob with certain liquidity rights in respect of the one-time special distribution that will be settled in OCGH units. The Company accounts for those EVUs subject to such liquidity rights as liability-classified awards. As of September 30, 2015, there were 1,000,000 equity-classified EVUs and 1,000,000 liability-classified EVUs outstanding.

On February 24, 2015, the Company's board of directors approved an amendment to certain terms relating to the EVUs granted to Mr. Wintrob. The board of directors determined that it was appropriate to extend Mr. Wintrob's EVU performance period, and the period during which Mr. Wintrob's potential payment of OCGH units remains at risk, over two additional years to provide a longer term incentive structure. As a result of the amendment, the number of OCGH units that Mr. Wintrob will receive in respect of the EVUs will generally be determined based on the appreciation of the Class A units and certain distributions made with respect to OCGH units over the period beginning on January 1, 2015 and ending on each of December 31, 2019, December 31, 2020 and December 31, 2021, with one-third of the EVUs recapitalizing on each such date. The amendment was accounted for as a modification of an equity award in the first quarter of 2015 and was immaterial to the Company's condensed consolidated financial statements.

As of September 30, 2015, the Company expected to recognize $11.3 million of compensation expense on its unvested EVUs over the next 4.3 years. Equity-classified EVUs that require future service are expensed on a straight-line basis over the requisite service period. Liability-classified EVUs are remeasured at the end of each quarter.

The fair value of EVUs was determined using a Monte Carlo simulation model at the grant date for equity-classified EVUs and as of the period end date for liability-classified EVUs. The fair value is affected by the Class A unit trading price and assumptions regarding certain complex and subjective variables, including the expected Class A unit trading price volatility, distributions and exercise timing, and the risk-free interest rate. The fair value of equity-classified EVUs reflected a 20% lack-of-marketability discount for the OCGH units that will be issued upon vesting, and an assumed forfeiture rate of zero.

12. INCOME TAXES AND RELATED PAYMENTS

Oaktree is a publicly traded partnership and Oaktree Holdings, Inc. and Oaktree AIF Holdings, Inc., two of its Intermediate Holding Companies, are wholly-owned corporate subsidiaries. Income earned by these corporate subsidiaries is subject to U.S. federal and state income taxation and taxed at prevailing rates. Income earned by non-corporate subsidiaries is not subject to U.S. federal corporate income tax and is allocated to the Oaktree Operating Group's unitholders. The Company's effective tax rate is dependent on many factors, including the estimated nature of many amounts and the mix of revenues and expenses between the two corporate subsidiaries that are subject to income tax and the three other subsidiaries that are not; consequently, the effective tax rate is subject to significant variation from period to period. The Company's effective tax rate used for interim periods is based on the estimated full-year income tax rate. Certain items that cannot be reliably estimated, such as incentive income, are excluded from the estimated annual effective tax rate. The tax expense or benefit stemming from these items is recognized in the same period as the underlying income or expense.

Taxing authorities are currently examining certain income tax returns of Oaktree, with certain of these examinations at an advanced stage. The Company believes that it is reasonably possible that one outcome of these current examinations and expiring statutes of limitation on other items may be the release of up to approximately $3.5 million of previously accrued Operating Group income taxes during the four quarters ending September 30, 2016. The Company believes that it has adequately provided for any reasonably foreseeable outcomes related to its tax examinations and that any settlements related thereto will not have a material adverse effect on the Company's condensed consolidated financial statements; however, there can be no assurances as to the ultimate outcomes.

Tax Receivable Agreement

The exchange of OCGH units in connection with the March 2015 Offering resulted in increases in the tax basis of the tangible and intangible assets of the Oaktree Operating Group. As a result, the Company recorded an estimated deferred tax asset of $73.5 million and an associated liability of $62.5 million for payments to OCGH unitholders under the tax receivable agreement, which together increased capital by $11.0 million. These payments are expected to occur over the period ending approximately in 2037.

No amounts were paid under the tax receivable agreement during the nine months ended September 30, 2015.

13. COMMITMENTS AND CONTINGENCIES

In the normal course of business, Oaktree enters into contracts that contain certain representations, warranties and indemnifications. The Company's exposure under these arrangements would involve future claims that have not yet been asserted. Inasmuch as no such claims currently exist or are expected to arise, the Company has not accrued any liability in connection with these indemnifications.

Legal Actions

Periodically, the Company is a party to legal actions arising in the ordinary course of business. The Company is currently not subject to any pending actions that either individually or in the aggregate are expected to have a material impact on its condensed consolidated financial statements.

Incentive Income

In addition to the incentive income recognized by the Company, certain of its funds have amounts recorded as potentially allocable to the Company as its share of potential future incentive income, based on each fund's net

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asset value. Inasmuch as this incentive income is contingent upon future investment activity and other factors, it is not recognized by the Company until it is fixed or determinable. As of September 30, 2015 and December 31, 2014, the aggregate of such amounts recorded at the fund level in excess of incentive income recognized by the Company was $1,712,082 and $1,915,107, respectively, for which related direct incentive income compensation expense was estimated to be $832,997 and $930,572, respectively.

Contingent Consideration

The Company has a contingent consideration obligation of up to $60.0 million related to the Highstar acquisition, payable in cash and fully-vested OCGH units. The amount of contingent consideration is based on the achievement of certain performance targets over a period of up to seven years from the acquisition date. As of September 30, 2015, the fair value of the contingent consideration liability was $29.2 million, based on a discount rate of 10%. For the three and nine months ended September 30, 2015, respectively, the Company recognized expenses of $0.4 million and $1.9 million associated with changes in the contingent consideration liability. The fair value of the contingent consideration liability is a Level III valuation and was valued using a discounted cash-flow analysis based on a probability-weighted average estimate of achieving certain performance targets, including fundraising and revenue levels. The contingent consideration liability is included in accounts payable, accrued expenses and other liabilities in the condensed consolidated statements of financial condition. Changes in the liability are recorded in general and administrative expense in the condensed consolidated statements of operations.

Commitments to Funds

As of September 30, 2015 and December 31, 2014, the Company, generally in its capacity as general partner, had undrawn capital commitments of $436.6 million and $256.0 million, respectively, including commitments to both non-consolidated and consolidated funds.

Investment Commitments of Consolidated Funds

The consolidated funds are parties to certain credit agreements that provide for the issuance of letters of credit and revolving loans, and may require the consolidated funds to extend additional loans to investee companies. The consolidated funds use the same investment criteria in making these unrecorded commitments as they do for investments that are included in the condensed consolidated statements of financial condition. The unfunded liability associated with these credit agreements is equal to the amount by which the contractual loan commitment exceeds the sum of the amount of funded debt and cash held in escrow, if any. As of September 30, 2015 and December 31, 2014, the consolidated funds had aggregate potential credit and investment commitments of $1,492.2 million and $1,585.8 million, respectively. These commitments will be funded by the funds' cash balances, proceeds from asset sales or drawdowns against existing capital commitments.

A consolidated fund may guarantee the repayment obligations of certain investee companies. The aggregate amounts guaranteed were not material to the condensed consolidated financial statements as of September 30, 2015 and December 31, 2014.

The majority of the Company's consolidated funds are investment companies that are required to disclose financial support provided or contractually required to be provided to any of their portfolio companies. Certain consolidated funds within the Distressed Debt, Control Investing and Real Estate strategies provide financial support to portfolio companies in accordance with the investment objectives of the consolidated funds. Distressed Debt funds typically invest primarily in the securities of entities that are undergoing, are considered likely to undergo, or have undergone reorganizations under applicable bankruptcy law, or other extraordinary transactions such as debt restructurings, reorganizations and liquidations outside of bankruptcy. Control Investing funds typically seek to obtain control or significant influence primarily in middle-market companies through the purchase of debt at a discount (also known as "distress-for-control"), structured or hybrid investments (such as convertible debt or debt with warrants), or direct equity investments that typically involve situations with an element of distress or dislocation. Real Estate funds generally focus on distressed or similar opportunities primarily in real estate, real estate debt and restructurings, which typically involve value investments, rescue capital and distress-for-control investments. This financial support may be provided pursuant to contractual agreements, typically in the form of follow-on investments, guarantees or financing commitments. Most of the financial support is provided as an inherent part of

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the ongoing investment operations of the consolidated funds within these strategies and is considered to be provided at the discretion of the Company in its capacity as general partner and investment manager. For the nine months ended September 30, 2015, the consolidated funds provided financial support to portfolio companies totaling $344.4 million and $4.0 billion with respect to support pursuant to contractual agreements and at the discretion of the consolidated funds, respectively. The majority of this financial support consisted of the funds' purchases of investment securities and companies.

14. RELATED-PARTY TRANSACTIONS

The Company considers its senior executives, employees and non-consolidated Oaktree funds to be affiliates (as defined in the FASB ASC Master Glossary). Amounts due from and to affiliates are set forth below. The fair value of amounts due from and to affiliates is a Level III valuation and was valued based on a discounted cash-flow analysis. The carrying value of amounts due from affiliates approximated fair value because their average interest rate, which ranged from 2.0% to 3.0%, approximated the Company's cost of debt. The fair value of amounts due to affiliates approximated $171,401 and $159,264 as of September 30, 2015 and December 31, 2014, respectively, based on a discount rate of 10.0%.

	As of September 30, 2015	December 31, 2014
Due from affiliates:		
Loans	$30,092	$39,452
Amounts due from non-consolidated funds	2,312	2,525
Payments made on behalf of non-consolidated entities	3,787	3,221
Non-interest bearing advances made to certain non-controlling interest holders and employees	1,615	1,683
Total due from affiliates	$37,806	$46,881
Due to affiliates:		
Due to OCGH unitholders in connection with the tax receivable agreement (please see note 12)	$370,949	$308,475
Amounts due to senior executives, certain non-controlling interest holders and employees	—	739
Total due to affiliates	$370,949	$309,214

Loans

Loans primarily consist of interest-bearing advances made to certain non-controlling interest holders, primarily the Company's employees, to meet tax obligations related to vesting of equity awards. The notes, which are generally recourse to the borrower or secured by vested equity and other collateral, bear interest at the Company's cost of debt and generated interest income of $1,862 and $1,163 for the nine months ended September 30, 2015 and 2014, respectively.

Due From Oaktree Funds and Portfolio Companies

In the normal course of business, the Company advances certain expenses on behalf of Oaktree funds. Amounts advanced on behalf of consolidated funds are eliminated in consolidation. Certain expenses initially paid by the Company, primarily employee travel and other costs associated with particular portfolio company holdings, are reimbursed by the portfolio companies.

Other Investment Transactions

The Company's senior executives, directors and senior professionals are permitted to invest their own capital (or the capital of family trusts or other estate planning vehicles they control) in Oaktree funds, for which they pay the particular fund's full management fee but not its incentive allocation. To facilitate the funding of capital calls

by funds in which employees are invested, the Company periodically advances on a short-term basis the capital calls on certain employees' behalf. These advances are generally reimbursed toward the end of the calendar quarter in which the capital calls occurred. Amounts temporarily advanced by the Company are included in non-interest bearing advances made to certain non-controlling interest holders and employees.

Aircraft Services

As of December 31, 2014, the Company leased an airplane for business purposes. On March 23, 2015, the Company exercised a purchase option for $12.5 million. Howard Marks, the Company's co-chairman, may use this aircraft for personal travel and, pursuant to a policy adopted by the Company relating to such personal use, the Company is reimbursed by Mr. Marks for the costs of using the aircraft for personal travel. Additionally, the Company occasionally makes use of an airplane owned by one of its senior executives for business purposes at a price to the Company that is based on market rates.

Special Allocations

Certain senior executives receive special allocations based on a percentage of profits of the Oaktree Operating Group. These special allocations, which are recorded as compensation expense, are made on a current basis for so long as they remain senior executives of the Company, with limited exceptions.

15. SEGMENT REPORTING

The Company's business is comprised of one segment, the investment management segment. As a global investment manager, the Company provides investment management services through funds and separate accounts. Management makes operating decisions and assesses business performance based on financial and operating metrics and data that are presented without the consolidation of any funds.

The Company conducts its investment management business primarily in the United States, where substantially all of its revenues are generated.

Adjusted Net Income

The Company's chief operating decision maker uses adjusted net income ("ANI") as a tool to help evaluate the financial performance of, and make resource allocations and other operating decisions for, the investment management segment. The components of revenues and expenses used in the determination of ANI do not give effect to the consolidation of the funds that the Company manages. Segment revenues include investment income (loss) that is classified in other income (loss) in the GAAP-basis statements of operations. Segment revenues and expenses also reflect Oaktree's proportionate economic interest in Highstar, whereby amounts received for contractually reimbursable costs are classified as expenses for segment reporting and as other income under GAAP. In addition, ANI excludes the effect of (a) non-cash equity-based compensation expense related to unit grants made before the Company's initial public offering, (b) acquisition-related items including amortization of intangibles and changes in the contingent consideration liability, (c) differences arising from EVUs that are classified as liability awards under GAAP, but classified as equity awards for segment reporting purposes, (d) income taxes, (e) other income or expenses applicable to Oaktree Capital Group, LLC or its Intermediate Holding Companies and (f) the adjustment for non-controlling interests. Incentive income and incentive income compensation expense are included in ANI when the underlying fund distributions are known or knowable as of the respective quarter end, which may be later than the time at which the same revenue or expense is included in the GAAP-basis statements of operations, for which the revenue standard is fixed or determinable and the expense standard is probable and reasonably estimable. ANI is calculated at the Operating Group level.

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ANI was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Management fees	$181,897	$194,509	$555,505	$572,028
Incentive income	16,925	86,324	230,952	438,398
Investment income (loss)	(19,950)	(2,361)	56,873	98,318
Total revenues	178,872	278,472	843,330	1,108,744
Expenses:				
Compensation and benefits	(96,675)	(99,402)	(306,290)	(290,234)
Equity-based compensation	(8,836)	(5,185)	(27,760)	(14,279)
Incentive income compensation	(7,596)	(39,814)	(127,252)	(207,789)
General and administrative	(33,704)	(29,687)	(84,026)	(91,380)
Depreciation and amortization	(3,031)	(1,914)	(7,027)	(5,650)
Total expenses	(149,842)	(176,002)	(552,355)	(609,332)
Adjusted net income before interest and other income (expense)	29,030	102,470	290,975	499,412
Interest expense, net of interest income (1)	(8,388)	(7,419)	(26,103)	(20,978)
Other income (expense), net	—	10	(3,546)	(1,679)
Adjusted net income	$20,642	$95,061	$261,326	$476,755

(1) Interest income was $1.7 million and $0.9 million for the three months ended September 30, 2015 and 2014, respectively, and $3.9 million and $2.7 million for the nine months ended September 30, 2015 and 2014, respectively.

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A reconciliation of net income attributable to Oaktree Capital Group, LLC to adjusted net income of the investment management segment is presented below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income attributable to Oaktree Capital Group, LLC	$1,887	$18,913	$59,954	$101,893
Incentive income [(1)]	8,676	(3,234)	20,249	55,124
Incentive income compensation [(1)]	(2,689)	3,234	(20,242)	(36,988)
Equity-based compensation [(2)]	3,658	5,372	12,523	15,947
Acquisition-related items [(3)]	1,433	488	4,935	488
Income taxes [(4)]	1,893	5,341	15,253	19,088
Non-Operating Group expenses [(5)]	464	264	1,424	1,149
Non-controlling interests [(5)]	5,320	64,683	167,230	320,054
Adjusted net income	$20,642	$95,061	$261,326	$476,755

(1) This adjustment adds back the effect of timing differences associated with the recognition of incentive income and incentive income compensation expense between adjusted net income and net income attributable to OCG.

(2) This adjustment adds back the effect of (a) equity-based compensation expense related to unit grants made before the Company’s initial public offering, which is excluded from adjusted net income because it is a non-cash charge that does not affect the Company’s financial position, and (b) differences arising from EVUs that are classified as liability awards under GAAP, but classified as equity awards for segment reporting purposes.

(3) This adjustment adds back the effect of acquisition-related items associated with the amortization of intangibles and changes in the contingent consideration liability.

(4) Because adjusted net income is a pre-tax measure, this adjustment adds back the effect of income tax expense.

(5) Because adjusted net income is calculated at the Operating Group level, this adjustment adds back the effect of items applicable to OCG, its Intermediate Holding Companies or non-controlling interests.

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The following tables reconcile the Company's segment information to the condensed consolidated financial statements:

	As of or for the Three Months Ended September 30, 2015		
	Segment	Adjustments	Consolidated
Management fees [1]	$181,897	$(134,791)	$47,106
Incentive income [1]	16,925	(13,540)	3,385
Investment income (loss) [1]	(19,950)	30,292	10,342
Total expenses [2]	(149,842)	(40,676)	(190,518)
Interest expense, net [3]	(8,388)	(47,635)	(56,023)
Other income, net [4]	—	6,368	6,368
Other income (loss) of consolidated funds [5]	—	(1,585,338)	(1,585,338)
Income taxes	—	(1,893)	(1,893)
Net loss attributable to non-controlling interests in consolidated funds	—	1,779,225	1,779,225
Net income attributable to non-controlling interests in consolidated subsidiaries	—	(10,767)	(10,767)
Adjusted net income/net income attributable to Oaktree Capital Group, LLC	$20,642	$(18,755)	$1,887
Corporate investments [6]	$1,465,195	$(1,291,621)	$173,574
Total assets [7]	$3,232,960	$51,625,091	$54,858,051

(1) The adjustment represents the elimination of amounts earned from the consolidated funds.

(2) The expense adjustment consists of (a) equity-based compensation expense of $3,874 related to unit grants made before the Company's initial public offering, (b) consolidated fund expenses of $31,400, (c) expenses incurred by the Intermediate Holding Companies of $491, (d) the effect of timing differences in the recognition of incentive income compensation expense between adjusted net income and net income attributable to OCG of $2,689, (e) acquisition-related items of $1,433, (f) adjustments of $6,368 related to amounts received for contractually reimbursable costs that are classified as expenses for segment reporting and as other income under GAAP, (g) differences of $217 arising from EVUs that are classified as liability awards under GAAP, but classified as equity awards for segment reporting purposes, and (h) other expenses of $16.

(3) The interest expense adjustment represents the inclusion of interest expense attributable to non-controlling interests of the consolidated funds and the exclusion of segment interest income.

(4) The adjustment to other income (expense), net represents adjustments related to amounts received for contractually reimbursable costs that are classified as expenses for segment reporting and as other income under GAAP.

(5) The adjustment to other income (loss) of consolidated funds primarily represents the inclusion of interest, dividend and other investment income attributable to non-controlling interests of the consolidated funds.

(6) The adjustment to corporate investments is to remove from segment assets the Company's investments in the consolidated funds, including investments in its CLOs, that are treated as equity- or cost-method investments for segment reporting. The $1.5 billion of corporate investments included $1.3 billion of equity-method investments.

(7) The total assets adjustment represents the inclusion of investments and other assets of the consolidated funds, net of segment assets eliminated in consolidation, which are primarily corporate investments in funds and incentive income receivable.

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	As of or for the Three Months Ended September 30, 2014		
	Segment	Adjustments	Consolidated
Management fees [(1)]	$194,509	$(140,266)	$54,243
Incentive income [(1)]	86,324	(86,324)	—
Investment income (loss) [(1)]	(2,361)	8,129	5,768
Total expenses [(2)]	(176,002)	(76,399)	(252,401)
Interest expense, net [(3)]	(7,419)	(27,145)	(34,564)
Other income, net [(4)]	10	2,685	2,695
Other income (loss) of consolidated funds [(5)]	—	(349,360)	(349,360)
Income taxes	—	(5,341)	(5,341)
Net loss attributable to non-controlling interests in consolidated funds	—	665,424	665,424
Net income attributable to non-controlling interests in consolidated subsidiaries	—	(67,551)	(67,551)
Adjusted net income/net income attributable to Oaktree Capital Group, LLC	$95,061	$(76,148)	$18,913
Corporate investments [(6)]	$1,465,211	$(1,324,475)	$140,736
Total assets [(7)]	$3,245,514	$49,401,937	$52,647,451

(1) The adjustment represents the elimination of amounts attributable to the consolidated funds.

(2) The expense adjustment consists of (a) equity-based compensation expense of $5,372 related to unit grants made before the Company’s initial public offering, (b) consolidated fund expenses of $64,356, (c) expenses incurred by the Intermediate Holding Companies of $264, (d) the effect of timing differences in the recognition of incentive income compensation expense between adjusted net income and net income attributable to OCG of $3,234, (e) acquisition-related items of $488 and (f) adjustments of $2,685 related to amounts received for contractually reimbursable costs that are classified as expenses for segment reporting and as other income under GAAP.

(3) The interest expense adjustment represents the inclusion of interest expense attributable to non-controlling interests of the consolidated funds and the exclusion of segment interest income.

(4) The adjustment to other income, net represents adjustments related to amounts received for contractually reimbursable costs that are classified as expenses for segment reporting and as other income under GAAP.

(5) The adjustment to other income (loss) of consolidated funds primarily represents the inclusion of interest, dividend and other investment income attributable to non-controlling interests of the consolidated funds.

(6) The adjustment to corporate investments is to remove from segment assets the consolidated funds, including investments in its CLOs, that are treated as equity- or cost-method investments for segment reporting. The $1.5 billion of corporate investments included $1.3 billion of equity-method investments.

(7) The total assets adjustment represents the inclusion of investments and other assets of the consolidated funds, net of segment assets eliminated in consolidation, which are primarily corporate investments in funds and incentive income receivable.

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	As of or for the Nine Months Ended September 30, 2015		
	Segment	Adjustments	Consolidated
Management fees (1)	$555,505	$(406,657)	$148,848
Incentive income (1)	230,952	(227,003)	3,949
Investment income (1)	56,873	(18,155)	38,718
Total expenses (2)	(552,355)	(120,066)	(672,421)
Interest expense, net (3)	(26,103)	(129,231)	(155,334)
Other income (expense), net (4)	(3,546)	17,471	13,925
Other income (loss) of consolidated funds (5)	—	(162,622)	(162,622)
Income taxes	—	(15,253)	(15,253)
Net loss attributable to non-controlling interests in consolidated funds	—	1,034,521	1,034,521
Net income attributable to non-controlling interests in consolidated subsidiaries	—	(174,377)	(174,377)
Adjusted net income/net income attributable to Oaktree Capital Group, LLC	$261,326	$(201,372)	$59,954
Corporate investments (6)	$1,465,195	$(1,291,621)	$173,574
Total assets (7)	$3,232,960	$51,625,091	$54,858,051

(1) The adjustment represents the elimination of amounts earned from the consolidated funds.

(2) The expense adjustment consists of (a) equity-based compensation expense of $12,479 related to unit grants made before the Company's initial public offering, (b) consolidated fund expenses of $103,831, (c) expenses incurred by the Intermediate Holding Companies of $1,477, (d) the effect of timing differences in the recognition of incentive income compensation expense between adjusted net income and net income attributable to OCG of $20,242, (e) acquisition-related items of $4,935, (f) adjustments of $17,471 related to amounts received for contractually reimbursable costs that are classified as expenses for segment reporting and as other income under GAAP, (g) differences of $44 arising from EVUs that are classified as liability awards under GAAP, but classified as equity awards for segment reporting purposes, and (h) other expenses of $71.

(3) The interest expense adjustment represents the inclusion of interest expense attributable to non-controlling interests of the consolidated funds and the exclusion of segment interest income.

(4) The adjustment to other income (expense), net represents adjustments related to amounts received for contractually reimbursable costs that are classified as expenses for segment reporting and as other income under GAAP.

(5) The adjustment to other income (loss) of consolidated funds primarily represents the inclusion of interest, dividend and other investment income attributable to non-controlling interests of the consolidated funds.

(6) The adjustment to corporate investments is to remove from segment assets the Company's investments in the consolidated funds, including investments in its CLOs, that are treated as equity- or cost-method investments for segment reporting. The $1.5 billion of corporate investments included $1.3 billion of equity-method investments.

(7) The total assets adjustment represents the inclusion of investments and other assets of the consolidated funds, net of segment assets eliminated in consolidation, which are primarily corporate investments in funds and incentive income receivable.

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	As of or for the Nine Months Ended September 30, 2014		
	Segment	Adjustments	Consolidated
Management fees (1)	$572,028	$(425,794)	$146,234
Incentive income (1)	438,398	(438,398)	—
Investment income (1)	98,318	(83,169)	15,149
Total expenses (2)	(609,332)	(116,773)	(726,105)
Interest expense, net (3)	(20,978)	(63,285)	(84,263)
Other income (expense), net (4)	(1,679)	2,685	1,006
Other income of consolidated funds (5)	—	2,935,534	2,935,534
Income taxes	—	(19,088)	(19,088)
Net income attributable to non-controlling interests in consolidated funds	—	(1,843,652)	(1,843,652)
Net income attributable to non-controlling interests in consolidated subsidiaries	—	(322,922)	(322,922)
Adjusted net income/net income attributable to Oaktree Capital Group, LLC	$476,755	$(374,862)	$101,893
Corporate investments (6)	$1,465,211	$(1,324,475)	$140,736
Total assets (7)	$3,245,514	$49,401,937	$52,647,451

(1) The adjustment represents the elimination of amounts attributable to the consolidated funds.

(2) The expense adjustment consists of (a) equity-based compensation expense of $15,947 related to unit grants made before the Company's initial public offering, (b) consolidated fund expenses of $133,492, (c) expenses incurred by the Intermediate Holding Companies of $1,149, (d) the effect of timing differences in the recognition of incentive income compensation expense between adjusted net income and net income attributable to OCG of $36,988, (e) acquisition-related items of $488 and (f) adjustments of $2,685 related to amounts received for contractually reimbursable costs that are classified as expenses for segment reporting and as other income under GAAP.

(3) The interest expense adjustment represents the inclusion of interest expense attributable to non-controlling interests of the consolidated funds and the exclusion of segment interest income.

(4) The adjustment to other income (expense), net represents adjustments related to amounts received for contractually reimbursable costs that are classified as expenses for segment reporting and as other income under GAAP.

(5) The adjustment to other income of consolidated funds primarily represents the inclusion of interest, dividend and other investment income attributable to non-controlling interests of the consolidated funds.

(6) The adjustment to corporate investments is to remove from segment assets the consolidated funds, including investments in its CLOs, that are treated as equity- or cost-method investments for segment reporting. The $1.5 billion of corporate investments included $1.3 billion of equity-method investments.

(7) The total assets adjustment represents the inclusion of investments and other assets of the consolidated funds, net of segment assets eliminated in consolidation, which are primarily corporate investments in funds and incentive income receivable.

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16. SUBSEQUENT EVENTS
On October 29, 2015, the Company declared a distribution of $0.40 per Class A unit. This distribution, which is related to the third quarter of 2015, will be paid on November 12, 2015 to Class A unitholders of record as of the close of business on November 9, 2015.

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

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements of Oaktree Capital Group, LLC and the related notes included within this quarterly report. This discussion contains forward-looking statements that are subject to risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity. The factors listed under "Risk Factors" and "Forward-Looking Statements" in this quarterly report and under "Risk Factors" in our annual report provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations described in any forward-looking statements.

Business Overview

Oaktree is a leader among global investment managers specializing in alternative investments, with $100 billion in AUM as of September 30, 2015. We emphasize an opportunistic, value-oriented and risk-controlled approach to investments in distressed debt, corporate debt (including high yield debt and senior loans), control investing, convertible securities, real estate and listed equities. Over nearly three decades, we have developed a large and growing client base through our ability to identify and capitalize on opportunities for attractive investment returns in less efficient markets.

We manage assets on behalf of many of the most significant institutional investors in the world. Our clientele has nearly doubled over the past decade, to more than 2,100, including 75 of the 100 largest U.S. pension plans, 39 states in the United States, 429 corporations and/or their pension funds, approximately 370 university, charitable and other endowments and foundations, 16 sovereign wealth funds and over 300 other non-U.S. institutional investors. As measured by AUM, 39% of our clients are invested in two or three different investment strategies, and 38% are invested in four or more. Headquartered in Los Angeles, we serve these clients with over 900 employees and offices in 17 cities worldwide.

Our business is comprised of one segment, our investment management segment, which consists of the investment management services that we provide to our clients. Our segment revenue flows from the management fees and incentive income generated by the funds that we manage, as well as the investment income earned from the investments we make in our funds, third-party funds and other companies. The management fees that we receive are based on the contractual terms of the relevant fund and are typically calculated as a fixed percentage of the capital commitments (as adjusted for distributions during a fund's liquidation period), drawn capital or NAV of the particular fund. Incentive income represents our share (typically 20%) of the investors' profits in most of the closed-end and certain evergreen funds. Investment income refers to the investment return on a mark-to-market basis and our equity participation on the amounts that we invest in Oaktree and third-party funds, as well as in other companies.

Business Environment and Developments

As a global investment manager, we are affected by myriad factors, including the condition of the economy and financial markets; the relative attractiveness of our investment strategies and investors' demand for them; and regulatory or other governmental policies or actions. The diversified nature of both our array of investment strategies and our revenue mix historically has allowed us to benefit from both strong and weak environments. Weak economies and the declining financial markets that typically accompany them tend to dampen our revenues from asset-based management fees, investment realizations or price appreciation, but their prospect can result in our raising relatively large amounts of capital for certain strategies, especially Distressed Debt. Additionally, during weak financial markets there often is expanded availability of bargain investments for purchase. Conversely, strong financial markets generally increase the value of our investments and therefore the management fees that are based on asset value, and create favorable exit opportunities that enhance the prospect for incentive income and fund-related investment income proceeds.

Global financial markets generally fell in the third quarter of 2015, with many indices suffering their worst quarterly drop in four years, sparked by concerns over economic growth in China and other developing markets. The S&P 500 Index, the Citigroup U.S. High Yield Cash-Pay Capped Index and the MSCI Emerging Markets (Net) Index, respectively, had returns during the third quarter of -6.4%, -5.5% and -17.9%, bringing their year-to-date returns to -5.3%, -3.1% and -15.5%.

Against this backdrop, our closed-end funds had an aggregate gross return of -2.8% for the third quarter and 0.7% year-to-date. As measured against starting invested capital, our assets under management had

aggregate market-value declines in the third quarter of $3.7 billion, or -4.4%, and for the first nine months of 2015 of $1.6 billion, or -2.0%.

AUM was $100.2 billion as of September 30, 2015, on gross capital raised of $2.7 billion for the third quarter and $22.6 billion for the trailing twelve months. Investment strategies or products developed since the beginning of 2011 accounted for approximately $16.9 billion of AUM as of September 30, 2015. Closed-end funds we are currently marketing include Oaktree Real Estate Opportunities Fund VII ("ROF VII"), Oaktree Opportunities Funds X and Xb ("Opps X and Xb"), Oaktree Enhanced Income Fund III, Oaktree Infrastructure Fund, European Capital Solutions Fund and Oaktree European Principal Fund IV ("EPF IV").

Corporate Structure and Compensation Changes

We are planning to take certain actions to enhance the liquidity of a portion of the OCGH units held by the OCGH unitholders, and to further align the interests of our employees and our public unitholders. Subject to certain conditions, these actions are expected to result in the exchange of approximately 13 million outstanding OCGH units into an equivalent number of our Class A units, which will be owned by the same group of OCGH unitholders. The Class A units to be issued in the exchange, which we anticipate would occur in the latter half of November 2015, will be subject to a three-year lock-up that will be released in equal quarterly increments, generally two business days after each quarter's earnings release starting with the earnings release for the fourth quarter of 2015. If the exchange occurs, we anticipate approximately 1 million Class A units would become newly eligible for sale each quarter. OCGH unitholders are voting on amendments relating to the proposed exchange, which vote we expect will be finalized on November 9, 2015. Additionally, starting with our 2015 year-end employee compensation review process, we anticipate that as a general matter we will grant Class A units, instead of OCGH units, with four-year vesting provisions as a component of total compensation. None of these actions is reflected in the condensed consolidated financial statements or other disclosures or commentary included elsewhere in this quarterly report.

Other aspects associated with changes to our compensation plan will likely result in a one-time charge to compensation expense of an estimated $4 million in the first quarter of 2016.

Business Combinations

In August 2014, we completed our acquisition of the Highstar team and certain Highstar entities (collectively, "Highstar") for $31.4 million in cash, 100,595 fully-vested OCGH units and contingent consideration of up to $60.0 million. Highstar is an investment management firm specializing in U.S. energy infrastructure, waste management and transportation. The transaction, which was immaterial to Oaktree's condensed consolidated financial statements, resulted in $50.8 million of goodwill and $28.0 million of identifiable intangible assets, primarily consisting of contractual rights associated with the management of Highstar Capital IV ("HS IV"). Effective August 2014, we consolidated the financial position and results of operations of the controlled Highstar entities, including HS IV, and accounted for this transaction as a business combination.

Understanding Our Results—Consolidation of Oaktree Funds

GAAP currently requires that we consolidate substantially all of our closed-end funds, commingled open-end and evergreen funds, and collateralized loan obligation vehicles ("CLOs") in our financial statements, notwithstanding the fact that our equity investments in those funds do not typically exceed 2.5% of any fund's interests (or, in the case of CLOs, no more than 10% of the total par value). Please see "—Recent Accounting Developments" under note 2 to our condensed consolidated financial statements included elsewhere in this quarterly report for information regarding the recently issued revisions by the Financial Accounting Standards Board to the consolidation guidance. Consolidated funds refer to those funds in which we hold a general partner interest that gives us substantive control rights over such funds or CLOs for which Oaktree is considered the primary beneficiary of a variable interest entity ("VIE"). With respect to our consolidated funds, we generally have operational discretion and control over the funds, and investors do not hold any substantive rights that would enable them to impact the funds' ongoing governance and operating activities. The funds that we manage that were not consolidated, primarily separate accounts, represented 32% of our AUM as of September 30, 2015, and 26% and 27% of our segment management fees for the three and nine months ended September 30, 2015, respectively, and 25% and 18% of our segment revenues for the three and nine months ended September 30, 2015, respectively.

We do not consolidate OCM/GFI Power Opportunities Fund II and OCM/GFI Power Opportunities Fund II (Cayman) (collectively, "Power Fund II") because we do not control these funds through a majority voting interest or otherwise.

Power Fund II has two general partners—one is an entity controlled by Oaktree and the other is an entity controlled by G3W Ventures LLC (formerly, GFI Energy Ventures LLC), a third-party investment manager.

The general partners have equal voting rights; consequently, neither general partner is deemed to individually control these funds.

When a fund is consolidated, we reflect the assets, liabilities, revenues, expenses and cash flows of the consolidated funds on a gross basis, and the majority of the economic interests in those funds, which are held by third-party investors, are attributed to non-controlling interests in consolidated funds in the condensed consolidated financial statements. All of the revenues earned by us from those funds are eliminated in consolidation. However, because the eliminated amounts are earned from and funded by non-controlling interests, our attributable share of the net income from those funds is increased by the amounts eliminated. Thus, the elimination of those amounts in consolidation has no effect on net income or loss attributable to us.

The elimination of revenues earned by us from the consolidated funds causes our consolidated revenues to be significantly impacted by fund flows and fluctuations in the market value of our separate accounts because they are not consolidated. Note 15 to our condensed consolidated financial statements included elsewhere in this quarterly report includes information regarding our investment management segment on a stand-alone basis. For a more detailed discussion of the factors that affect the results of operations of our segment, please see "—Segment Analysis" below.

Revenues

Our business generates three types of segment revenue: management fees, incentive income and investment income. Management fees are billed monthly or quarterly based on annual rates and are typically earned for each of the funds that we manage. The contractual terms of management fees generally vary by fund structure. Management fees also include performance-based fees earned from certain open-end and evergreen fund accounts. We also have the opportunity to earn incentive income from most of our closed-end funds and certain evergreen funds. Our closed-end funds generally provide that we receive incentive income only after our investors receive the return of all of their contributed capital plus an annual preferred return, typically 8%. Once this occurs, we generally receive as incentive income 80% of all distributions otherwise attributable to our investors, and those investors receive the remaining 20% until we have received, as incentive income, 20% of all such distributions in excess of the contributed capital from the inception of the fund. Thereafter, provided the preferred return continues to be met, all such future distributions attributable to our investors are distributed 80% to those investors and 20% to us as incentive income. Our third segment revenue source, investment income, represents our pro-rata share of income or loss from our investments, generally in our capacity as general partner in our funds and as an investor in our CLOs and third-party managed funds and companies.

Our consolidated revenues reflect the elimination of all management fees, incentive income and investment income earned by us from our consolidated funds. Investment income is presented within the other income (loss) section of our condensed consolidated statements of operations. Please see "Business—Structure and Operation of Our Business—Structure of Funds" in our annual report for a detailed discussion of the structure of our funds.

Expenses

Compensation and Benefits

Compensation and benefits reflects all compensation-related items not directly related to incentive income, investment income or the vesting of OCGH and Class A units, and includes salaries, bonuses, compensation based on management fees or a definition of profits, employee benefits, and phantom equity awards. Phantom equity awards represent liability-classified awards subject to vesting and remeasurement at the end of each reporting period. Phantom equity award expense reflects the vesting of those liability-classified awards, the equity distribution declared in the period and changes in the Class A unit trading price.

Equity-based Compensation

Equity-based compensation expense reflects the non-cash charge associated with grants of Class A units, OCGH units and OCGH equity value units ("EVUs"). Our GAAP-basis statements of operations include equity-based compensation expense for units granted both before and after our initial public offering. Our segment measure of adjusted net income differs from GAAP because it (a) excludes equity-based compensation expense for units granted before our initial public offering and (b) reflects EVU awards that are liability-classified in our GAAP-basis statements of operations as equity-classified awards (please see "—Segment and Operating Metrics—Adjusted Net Income" below).

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As of September 30, 2015, there was $159.7 million and $118.5 million of unrecognized compensation expense for GAAP and segment reporting purposes, respectively, with the difference primarily representing unit grants made before our initial public offering. The $159.7 million is expected to be recognized as expense in our GAAP condensed consolidated financial statements over a weighted average vesting period of 4.4 years. The $118.5 million is expected to be recognized as expense in adjusted net income over a weighted average vesting period of approximately 4.4 years, as shown in the table below. These amounts are subject to change as a result of future unit grants and possible modifications to award terms or changes in estimated forfeiture rates.

The following table summarizes the estimated amount of equity-based compensation expense to be included in adjusted net income:

Equity-based Compensation Expense Included in ANI	Last Three Months of 2015	2016	2017	2018	2019	Thereafter	Total
	(in millions)						
Estimated expense from equity grants awarded through September 2015	$8.8	$34.8	$30.1	$18.2	$9.5	$17.1	$118.5

Incentive Income Compensation

Incentive income compensation expense includes (a) compensation directly related to segment incentive income, which generally consists of percentage interests (sometimes referred to as "points") that we grant to our investment professionals associated with the particular fund that generated the segment incentive income, and (b) compensation directly related to investment income. There is no fixed percentage for the incentive income-related portion of this compensation, either by fund or strategy. In general, within a particular strategy more recent funds have a higher percentage of aggregate incentive income compensation expense than do older funds. The percentage that consolidated incentive income compensation expense represents of the particular period's consolidated incentive income is not meaningful because of the fact that most segment incentive income is eliminated in consolidation, whereas no incentive income compensation expense is eliminated in consolidation. For a meaningful percentage relationship, please see "—Segment Analysis" below.

General and Administrative

General and administrative expense includes costs related to occupancy, outside auditors, tax professionals, legal advisers, research, consultants, travel and entertainment, communications and information services, foreign exchange activity, insurance, changes in the contingent consideration liability, and other general items related directly to the Company's operations. These expenses are net of amounts borne by fund investors and are not offset by credits attributable to fund investors' non-controlling interests in consolidated funds.

Depreciation and Amortization

Depreciation and amortization expense includes costs associated with the purchase of furniture and equipment, capitalized software, leasehold improvements, an airplane and acquired intangibles. Furniture and equipment and capitalized software costs are depreciated using the straight-line method over the estimated useful life of the asset, which is generally three to five years. Leasehold improvements are amortized using the straight-line method over the shorter of the respective estimated useful life or the lease term. The airplane is depreciated using the straight-line method over its estimated useful life. Acquired intangibles primarily relate to contractual rights and are amortized over their estimated useful lives, which range from three to seven years.

Consolidated Fund Expenses

Consolidated fund expenses consist primarily of costs, expenses and fees that are incurred by, or arise out of the operation and activities of or otherwise related to, our consolidated funds, including, without limitation, travel expenses, professional fees, research and software expenses, insurance, and other costs associated with administering and supporting those funds. Inasmuch as most of these fund expenses are borne by third-party investors, they reduce the investors' non-controlling interests in consolidated funds and have no impact on net income or loss attributable to the Company.

Other Income (Loss)

Interest Expense

Interest expense primarily reflects the interest expense of the consolidated funds, as well as the interest expense of Oaktree and its operating subsidiaries.

Interest and Dividend Income
Interest and dividend income consists of interest and dividend income earned on the investments held by our consolidated funds, the consolidated funds' net operating income from real estate-related activities and interest income earned by Oaktree and its operating subsidiaries.
Net Realized Gain on Consolidated Funds' Investments
Net realized gain on consolidated funds' investments consists of realized gains and losses arising from dispositions of investments held by our consolidated funds.
Net Change in Unrealized Appreciation (Depreciation) on Consolidated Funds' Investments
Net change in unrealized appreciation (depreciation) on consolidated funds' investments reflects both unrealized gains and losses on investments held by our consolidated funds and the reversal upon disposition of investments of unrealized gains and losses previously recognized for those investments.
Investment Income
Investment income represents our pro-rata share of income or loss from our investments, generally in our capacity as general partner in our funds and as an investor in our CLOs and third-party managed funds and companies. Investment income, as reflected in our condensed consolidated statements of operations, excludes investment income earned by us from our consolidated funds.

Other Income (Expense), Net
Other income (expense), net represents non-operating income or expense. In past years, it has typically reflected the operating results of certain properties that were received as part of a 2010 arbitration award. In the third quarter of 2014, this line item began to include income related to amounts received for contractually reimbursable costs associated with certain arrangements made in connection with the Highstar acquisition.
Income Taxes
Oaktree is a publicly traded partnership. Because it satisfies the qualifying income test, it is not required to be treated as a corporation for U.S. federal and state income tax purposes; rather, it is taxed as a partnership. Oaktree Holdings, Inc. and Oaktree AIF Holdings, Inc., which are two of our five Intermediate Holding Companies and wholly-owned subsidiaries, are subject to U.S. federal and state income taxes. The remainder of Oaktree's income is generally not subject to corporate-level taxation.
Oaktree's effective tax rate is dependent on many factors, including the estimated nature of many amounts and the mix of revenues and expenses between our two corporate Intermediate Holding Companies that are subject to income tax and our three other Intermediate Holding Companies that are not; consequently, the effective tax rate is subject to significant variation from period to period. Oaktree's effective tax rate used for interim periods is based on the estimated full-year income tax rate. Certain items that cannot be reliably estimated, such as incentive income, are excluded from the estimated annual effective tax rate. The tax expense or benefit stemming from these items is recognized in the same period as the underlying income or expense.
Oaktree's non-U.S. income or loss before taxes is generally not significant in relation to total pre-tax income or loss and is generally more predictable because, unlike U.S. pre-tax income, it is not significantly impacted by unrealized gains or losses. Non-U.S. tax expense typically represents a disproportionately large percentage of total income tax expense because nearly all of our non-U.S. income or loss is subject to corporate-level income tax, whereas a substantial portion of our U.S.-based income or loss is not subject to corporate-level taxes. In addition, changes in the proportion of non-U.S. pre-tax income to total pre-tax income impact Oaktree's effective tax rate to the extent non-U.S. rates differ from the combined U.S. federal and state tax rate.
Income taxes are accounted for using the liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax bases using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets would be reduced by a valuation allowance if it becomes more likely than not that some portion or all of the deferred tax assets will not be realized.

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests represents the ownership interests that third parties hold in entities that are consolidated in our financial statements. These interests fall into two categories:

- Net Income Attributable to Non-controlling Interests in Consolidated Funds. This represents the economic interests of the unaffiliated investors in the consolidated funds, as well as the equity interests held by third-party investors in CLOs that had not yet priced as of the respective period end. Those interests are primarily driven by the investment performance of the consolidated funds, including CLOs. In comparison to net income, this measure excludes segment results, income taxes, expenses that OCG or its Intermediate Holding Companies bear directly, the impact of equity-based compensation expense, amortization of acquired intangibles and changes in the contingent consideration liability; and
- Net Income Attributable to Non-controlling Interests in Consolidated Subsidiaries. This primarily represents the economic interest in the Oaktree Operating Group owned by OCGH ("OCGH non-controlling interest"), as well as the economic interest in certain consolidated subsidiaries held by certain related parties and third parties. The OCGH non-controlling interest is determined at the Oaktree Operating Group level based on the weighted average proportionate share of Oaktree Operating Group units held by the OCGH unitholders. Inasmuch as the number of outstanding Oaktree Operating Group units corresponds with the total number of outstanding OCGH and Class A units, changes in the economic interest held by the OCGH unitholders are driven by our additional issuances of OCGH and Class A units, as well as repurchases and forfeitures of, and exchanges between, OCGH and Class A units. Certain of our expenses, such as income tax and related administrative expenses of Oaktree Capital Group, LLC and its Intermediate Holding Companies, are solely attributable to the Class A unitholders. Please see note 9 to our condensed consolidated financial statements included elsewhere in this quarterly report for additional information on the economic interest in the Oaktree Operating Group owned by OCGH.

Segment and Operating Metrics

Our business is comprised of one segment, our investment management segment, which consists of the investment management services that we provide to our clients. Management makes operating decisions and assesses the performance of our business based on financial and operating metrics and data that are presented without the consolidation of any funds. For a detailed reconciliation of the segment results of operations to our condensed consolidated statements of operations, please see "—Segment Analysis" below and the "Segment Reporting" note to our condensed consolidated financial statements included elsewhere in this quarterly report. The data most important to our chief operating decision maker in assessing our performance are adjusted net income, adjusted net income-OCG, distributable earnings, distributable earnings-OCG, fee-related earnings and fee-related earnings-OCG.

We monitor certain operating metrics that are either common to the alternative asset management industry or that we believe provide important data regarding our business. As described below, these operating metrics include assets under management, management fee-generating assets under management, incentive-creating assets under management, accrued incentives (fund level), incentives created (fund level) and uncalled capital commitments.

Adjusted Net Income

Our chief operating decision maker uses adjusted net income ("ANI") as a tool to help evaluate the financial performance of, and make resource allocations and other operating decisions for, our investment management segment. The components of revenues and expenses used in the determination of ANI do not give effect to the consolidation of the funds that we manage. Segment revenues include investment income (loss) that is classified in other income (loss) in the GAAP-basis statements of operations. Segment revenues and expenses also reflect Oaktree's proportionate economic interest in Highstar, whereby amounts received for contractually reimbursable costs are classified as expenses for segment reporting and as other income under GAAP. In addition, ANI excludes the effect of (a) non-cash equity-based compensation expense related to unit grants made before our initial public offering, (b) acquisition-related items including amortization of intangibles and changes in the contingent consideration liability, (c) differences arising from EVUs that are classified as liability awards under GAAP, but classified as equity awards for segment reporting purposes, (d) income taxes, (e) other income or expenses applicable to OCG or its Intermediate Holding Companies and (f) the adjustment for non-controlling interests. Incentive income and incentive income compensation expense are included in ANI when the underlying fund distributions are known or knowable as of the respective quarter end, which may be later than the time at which the

same revenue or expense is included in the GAAP-basis statements of operations, for which the revenue standard is fixed or determinable and the expense standard is probable and reasonably estimable. ANI is calculated at the Operating Group level.

Among other factors, our accounting policy for recognizing incentive income and the inclusion of non-cash equity-based compensation expense related to unit grants made after our initial public offering will likely make our calculation of ANI not directly comparable to economic net income ("ENI") or other similarly named measures of certain other asset managers.

We calculate adjusted net income-OCG, or adjusted net income per Class A unit, a non-GAAP measure, to provide Class A unitholders with a measure that shows the portion of ANI attributable to their ownership. Adjusted net income-OCG represents ANI including the effect of (a) the OCGH non-controlling interest, (b) other income or expenses, such as income tax expense, applicable to OCG or its Intermediate Holding Companies and (c) any Oaktree Operating Group income taxes attributable to OCG. Two of our Intermediate Holding Companies incur U.S. federal and state income taxes for their share of Operating Group income. Generally, those two corporate entities hold an interest in the Operating Group's management fee-generating assets and a small portion of its incentive and investment income-generating assets. As a result, historically our fee-related earnings generally have been subject to corporate-level taxation, and most of our incentive income and investment income generally has not been subject to corporate-level taxation. Thus, the blended effective tax rate has generally tended to be higher to the extent that fee-related earnings represented a larger proportion of our ANI. Myriad other factors affect income tax expense and the effective tax rate, and there can be no assurance that this historical relationship will continue going forward.

Distributable Earnings

Our chief operating decision maker uses distributable earnings as a tool to help evaluate the financial performance of, and make resource allocations and other operating decisions for, our segment. Distributable earnings is a non-GAAP performance measure derived from our segment results that we use to measure our earnings at the Operating Group level without the effects of the consolidated funds for the purpose of, among other things, assisting in the determination of equity distributions from the Operating Group. However, the declaration, payment and determination of the amount of equity distributions, if any, is at the sole discretion of our board of directors, which may change our distribution policy at any time.

Distributable earnings differs from ANI in that it excludes segment investment income or loss and includes the receipt of investment income or loss from distributions by our investments in funds and companies. In addition, distributable earnings differs from ANI in that it is net of Operating Group income taxes and excludes non-cash equity-based compensation expense related to unit grants made after our initial public offering.

Segment investment income or loss, which for equity-method investments represents our pro-rata share of income or loss, generally in our capacity as general partner in our funds and as an investor in third-party managed funds and companies, is largely non-cash in nature. By excluding segment investment income or loss, which is not directly available to fund our operations or make equity distributions, and including the portion of distributions from Oaktree and non-Oaktree funds to us that represents the income or loss component of the distributions and not a return of our capital contributions, as well as distributions from our investments in companies, distributable earnings aids us in measuring amounts that are actually available to meet our obligations under the tax receivable agreement and our liabilities for expenses incurred at OCG and the Intermediate Holding Companies, as well as for distributions to Class A and OCGH unitholders.

Distributable earnings-OCG, or distributable earnings per Class A unit, is a non-GAAP measure calculated to provide Class A unitholders with a measure that shows the portion of distributable earnings attributable to their ownership. Distributable earnings-OCG represents distributable earnings including the effect of (a) the OCGH non-controlling interest, (b) expenses, such as current income tax expense, applicable to OCG or its Intermediate Holding Companies and (c) amounts payable under the tax receivable agreement. The income tax expense included in distributable earnings-OCG represents the implied current provision for income taxes calculated using an approach similar to that which is used in calculating the income tax provision for adjusted net income-OCG.

Fee-related Earnings

Fee-related earnings is a non-GAAP measure that we use to monitor the baseline earnings of our business. Fee-related earnings is comprised of segment management fees less segment operating expenses other than incentive income compensation expense and non-cash equity-based compensation expense related to unit grants made after our initial public offering. Fee-related earnings is considered baseline because it applies all cash compensation and benefits other than incentive income compensation expense, as well as all general and administrative expenses, to management fees, even though a significant portion of those expenses is attributable to incentive and investment income, and because it excludes all non-management fee revenue sources (such as earnings from our minority equity interest in DoubleLine Capital LP and its affiliates (collectively, “DoubleLine”)). Fee-related earnings is presented before income taxes.

Fee-related earnings-OCG, or fee-related earnings per Class A unit, is a non-GAAP measure calculated to provide Class A unitholders with a measure that shows the portion of fee-related earnings attributable to their ownership. Fee-related earnings-OCG represents fee-related earnings including the effect of (a) the OCGH non-controlling interest, (b) other income or expenses, such as income tax expense, applicable to OCG or its Intermediate Holding Companies and (c) any Operating Group income taxes attributable to OCG. Fee-related earnings-OCG income taxes are calculated excluding any segment incentive income or investment income (loss).

Among other factors, the exclusion of non-cash equity-based compensation expense related to unit grants made after our initial public offering may make our calculations of fee-related earnings and fee-related earnings-OCG not directly comparable to similarly named measures of other asset managers.

Assets Under Management

AUM generally refers to the assets we manage and equals the NAV of the assets we manage, the fund-level leverage on which management fees are charged, the undrawn capital that we are entitled to call from investors in our funds pursuant to their capital commitments and the aggregate par value of collateral assets and principal cash held by our CLOs. Our AUM includes amounts for which we charge no fees. Our definition of AUM is not based on any definition contained in our operating agreement or the agreements governing the funds that we manage. Our calculation of AUM and the two AUM-related metrics below may not be directly comparable to the AUM metrics of other asset managers.

- Management Fee-generating Assets Under Management. Management fee-generating AUM is a forward-looking metric and reflects the AUM on which we will earn management fees in the following quarter. Our closed-end funds typically pay management fees based on committed capital or drawn capital during the investment period, without regard to changes in NAV, and during the liquidation period on the lesser of (a) total funded capital or (b) the cost basis of assets remaining in the fund. The annual management fee rate remains unchanged from the investment period through the liquidation period. Our open-end and evergreen funds typically pay management fees based on their NAV, and our CLOs pay management fees based on the aggregate par value of collateral assets and principal cash held by them, as defined in the applicable CLO indentures.
- Incentive-creating Assets Under Management. Incentive-creating AUM refers to the AUM that may eventually produce incentive income. It represents the NAV of our funds for which we are entitled to receive an incentive allocation, excluding CLOs and investments made by us and our employees and directors (which are not subject to an incentive allocation). All funds for which we are entitled to receive an incentive allocation are included in incentive-creating AUM, regardless of whether or not they are currently generating incentives. Incentive-creating AUM does not include undrawn capital commitments.

Accrued Incentives (Fund Level) and Incentives Created (Fund Level)

Our funds record as accrued incentives the incentive income that would be paid to us if the funds were liquidated at their reported values as of the date of the financial statements. Incentives created (fund level) refers to the gross amount of potential incentives generated by the funds during the period. We refer to the amount of incentive income recognized as revenue by us as segment incentive income. Amounts recognized by us as incentive income are no longer included in accrued incentives (fund level), the term we use for remaining fund-level accruals. The amount of incentives created may fluctuate substantially as a result of changes in the fair value of the underlying investments of the fund, as well as incentives created in excess of our typical 20% share due to catch-up allocations for applicable closed-end funds. Generally speaking, while in the catch-up layer, approximately 80% of any increase or decrease, respectively, in the fund’s NAV results in a commensurate amount of positive or negative incentives created (fund level).

The same performance and market risks inherent in incentives created (fund level) affect the ability to ultimately realize accrued incentives (fund level). One consequence of the accounting method we follow for incentives created (fund level) is that accrued incentives (fund level) is an off-balance sheet metric, rather than being an on-balance sheet receivable that could require reduction if fund performance suffers. We track accrued

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incentives (fund level) because it provides an indication of potential future value, though the timing and ultimate realization of that value are uncertain.

Incentives created (fund level), incentive income and accrued incentives (fund level) are presented gross, without deduction for direct compensation expense that is owed to our investment professionals associated with the particular fund when we earn the incentive income. We call that charge “incentive income compensation expense.” Incentive income compensation expense varies by the investment strategy and vintage of the particular fund, among many other factors. In addition to incentive income compensation expense, the magnitude of the annual cash bonus pool is indirectly affected by the level of incentive income, net of its associated incentive income compensation expense. The total charge related to the annual cash bonus pool, including the portion attributable to our incentive income, is reflected in the financial statement line item “compensation and benefits.”

Incentives created (fund level) often reflects investments measured at fair value and therefore is subject to risk of substantial fluctuation by the time the underlying investments are liquidated. We earn the incentive income, if any, that the fund is then obligated to pay us with respect to our incentive interest (generally 20%) in the profits of our unaffiliated investors, subject to an annual preferred return of typically 8%. Although GAAP currently allows the equivalent of incentives created (fund level) to be recognized as revenue by us under Method 2, we follow the Method 1 approach offered by GAAP. Our use of Method 1 reduces by a substantial degree the possibility that revenue recognized by us would be reversed in a subsequent period. For purposes of adjusted net income and distributable earnings, we recognize incentive income when the underlying fund distributions are known or knowable as of the respective quarter end, as opposed to the fixed or determinable standard of Method 1. We track incentives created (fund level) because it provides an indication of the value for us currently being created by our investment activities and facilitates comparability with those companies in our industry that utilize the alternative accrual-based Method 2 for recognizing incentive income in their financial statements.

Uncalled Capital Commitments

Uncalled capital commitments represent undrawn capital commitments by partners (including Oaktree as general partner) of our closed-end funds through their investment periods and certain evergreen funds. If a closed-end fund distributes capital during its investment period, that capital is typically subject to possible recall, in which case it is included in uncalled capital commitments.

Condensed Consolidated Results of Operations

The following table sets forth our unaudited condensed consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Revenues:				
Management fees	$47,106	$54,243	$148,848	$146,234
Incentive income	3,385	—	3,949	—
Total revenues	50,491	54,243	152,797	146,234
Expenses:				
Compensation and benefits	(101,240)	(101,482)	(319,133)	(292,509)
Equity-based compensation	(12,494)	(10,557)	(40,283)	(30,226)
Incentive income compensation	(4,907)	(43,048)	(107,010)	(170,801)
Total compensation and benefits expense	(118,641)	(155,087)	(466,426)	(493,536)
General and administrative	(37,627)	(15,294)	(77,695)	(79,197)
Depreciation and amortization	(4,032)	(2,402)	(10,031)	(6,138)
Consolidated fund expenses	(30,218)	(79,618)	(118,269)	(147,234)
Total expenses	(190,518)	(252,401)	(672,421)	(726,105)
Other income (loss):				
Interest expense	(56,023)	(34,564)	(155,334)	(84,263)
Interest and dividend income	454,384	861,109	1,455,624	1,507,306
Net realized gain on consolidated funds' investments	318,267	428,267	1,650,645	1,596,596
Net change in unrealized appreciation (depreciation) on consolidated funds' investments	(2,357,989)	(1,638,736)	(3,268,891)	(168,368)
Investment income	10,342	5,768	38,718	15,149
Other income (expense), net	6,368	2,695	13,925	1,006
Total other income (loss)	(1,624,651)	(375,461)	(265,313)	2,867,426
Income (loss) before income taxes	(1,764,678)	(573,619)	(784,937)	2,287,555
Income taxes	(1,893)	(5,341)	(15,253)	(19,088)
Net income (loss)	(1,766,571)	(578,960)	(800,190)	2,268,467
Less:				
Net (income) loss attributable to non-controlling interests in consolidated funds	1,779,225	665,424	1,034,521	(1,843,652)
Net income attributable to non-controlling interests in consolidated subsidiaries	(10,767)	(67,551)	(174,377)	(322,922)
Net income attributable to Oaktree Capital Group, LLC	$1,887	$18,913	$59,954	$101,893

Three Months Ended September 30, 2015 Compared to the Three Months Ended September 30, 2014

Revenues

Management Fees

Management fees decreased $7.1 million, or 13.1%, to $47.1 million for the three months ended September 30, 2015, from $54.2 million for the three months ended September 30, 2014. The decrease reflected lower advisory, director, transaction and certain other ancillary fees for the benefit of our consolidated funds, as well as lower fees earned across non-consolidated funds and accounts. We reduce our management fees by the amount of advisory and other ancillary fees so that our funds' investors share pro rata in the economic benefit of the ancillary fees. Thus, in our consolidated financial statements these ancillary fees are treated as being attributable to non-controlling interests in consolidated funds and have no impact on the net income attributable to OCG.

Incentive Income

Incentive income was $3.4 million for the three months ended September 30, 2015 and zero for the three months ended September 30, 2014. The current-year income was attributable to the unconsolidated Power Fund II.

Expenses

Compensation and Benefits

Compensation and benefits decreased $0.3 million, or 0.3%, to $101.2 million for the three months ended September 30, 2015, from $101.5 million for the three months ended September 30, 2014, largely as a result of a $1.5 million decline in expense associated with our phantom equity awards stemming from the respective period’s change in our Class A unit trading price.

Equity-based Compensation

Equity-based compensation expense increased $1.9 million, or 17.9%, to $12.5 million for the three months ended September 30, 2015, from $10.6 million for the three months ended September 30, 2014, primarily reflecting non-cash amortization expense associated with vesting of restricted unit grants made to employees and directors subsequent to our 2012 initial public offering.

Incentive Income Compensation

Incentive income compensation expense decreased $38.1 million, or 88.6%, to $4.9 million for the three months ended September 30, 2015, from $43.0 million for the three months ended September 30, 2014, primarily reflecting the 80.4% decline in segment incentive income.

General and Administrative

General and administrative expense increased $22.3 million, or 145.8%, to $37.6 million for the three months ended September 30, 2015, from $15.3 million for the three months ended September 30, 2014. Because segment investment income earned from our investments in consolidated funds is eliminated in consolidation, gains or losses associated with foreign currency hedges used to economically hedge our non-U.S. dollar denominated investments in consolidated funds are included in general and administrative expense. Excluding the impact of foreign currency-related items, general and administrative expense decreased $0.4 million, or 1.2%, to $32.9 million from $33.3 million.

Depreciation and Amortization

Depreciation and amortization expense increased $1.6 million, or 66.7%, to $4.0 million for the three months ended September 30, 2015, from $2.4 million for the three months ended September 30, 2014, primarily reflecting our plan to exercise an early-termination right and relocate our London office at year-end 2016, triggering accelerated amortization of existing leasehold improvements through that date.

Consolidated Fund Expenses

Consolidated fund expenses decreased $49.4 million, or 62.1%, to $30.2 million for the three months ended September 30, 2015, from $79.6 million for the three months ended September 30, 2014. The decrease reflected lower professional fees and other costs related to managing our funds.

Other Income (Loss)

Interest Expense

Interest expense increased $21.4 million, or 61.8%, to $56.0 million for the three months ended September 30, 2015, from $34.6 million for the three months ended September 30, 2014. The increase reflected higher outstanding borrowings on the credit facilities of our consolidated funds and debt issued by our CLOs.

Interest and Dividend Income

Interest and dividend income decreased $406.7 million, or 47.2%, to $454.4 million for the three months ended September 30, 2015, from $861.1 million for the three months ended September 30, 2014. The decrease was primarily attributable to special dividends received from portfolio companies by certain of our closed-end funds in the prior-year period.

Net Realized Gain on Consolidated Funds’ Investments

Net realized gain on consolidated funds’ investments decreased $110.0 million, or 25.7%, to $318.3 million for the three months ended September 30, 2015, from $428.3 million for the three months ended September 30, 2014. The net realized gain in the current-year period primarily reflected gains by Control Investing, Real Estate and Distressed Debt funds. The net realized gain in the prior-year period primarily reflected gains by Distressed Debt and Real Estate funds.

Net Change in Unrealized Appreciation (Depreciation) on Consolidated Funds’ Investments

The net change in unrealized appreciation (depreciation) on consolidated funds’ investments was a loss of $2,358.0 million for the three months ended September 30, 2015, as compared to a loss of $1,638.7 million for the three months ended September 30, 2014. Excluding the $110.0 million decrease in net realized gain on consolidated funds’ investments, the net change in unrealized appreciation (depreciation) on consolidated funds’ investments were net losses of $2,039.7 million for the three months ended September 30, 2015 and $1,210.5 million for the three months ended September 30, 2014. The current-year net loss primarily reflected losses by Distressed Debt and Emerging Markets Equities funds. The prior-year net loss primarily reflected losses by Distressed Debt and High Yield Bond funds, partially offset by gains from Real Estate funds.

Investment Income

Investment income increased $4.5 million, or 77.6%, to $10.3 million for the three months ended September 30, 2015, from $5.8 million for the three months ended September 30, 2014, reflecting $6.4 million of higher income from our investments in companies. Our one-fifth ownership stake in DoubleLine accounted for investment income of $13.2 million and $10.5 million in the current and prior-year periods, respectively, of which performance fees accounted for $1.3 million and $1.2 million, respectively.

Other Income (Expense), Net

Other income (expense), net increased $3.7 million, to $6.4 million for the three months ended September 30, 2015, from $2.7 million for the three months ended September 30, 2014. The increase was attributable to amounts received for contractually reimbursable costs associated with the Highstar acquisition.

Income Taxes

Income taxes decreased $3.4 million, or 64.2%, to $1.9 million for the three months ended September 30, 2015, from $5.3 million for the three months ended September 30, 2014. The decrease was primarily attributable to the decline in pre-tax income attributable to Class A unitholders. The effective tax rates applicable to Class A unitholders for the three months ended September 30, 2015 and 2014 were 27% and 24%, respectively, resulting from estimated full-year effective rates of 17% and 14%, respectively. The 27% effective tax rate applicable to Class A unitholders for the three months ended September 30, 2015 was based on an estimated full-year effective tax rate on income that can be reliably forecasted, combined with the tax expense in the current period on incentive income and any other income that cannot be reliably estimated. We would expect variability in tax rates between quarters and full years, because the effective tax rate is a function of the mix of income and other factors, each of which can have a material impact on the particular period’s income tax expense and may vary significantly within or between years. Please see “—Understanding Our Results—Consolidation of Oaktree Funds.”

Net Income Attributable to Non-controlling Interests in Consolidated Funds

Net income attributable to non-controlling interests in consolidated funds were losses of $1,779.2 million for the three months ended September 30, 2015 and $665.4 million for the three months ended September 30, 2014. Both periods primarily reflected net losses on investments, partially offset by interest and dividend income. These effects are described in more detail under “—Other Income (Loss)” above.

Net Income Attributable to Oaktree Capital Group, LLC

Net income attributable to Oaktree Capital Group, LLC decreased $17.0 million, or 89.9%, to $1.9 million for the three months ended September 30, 2015, from $18.9 million for the three months ended September 30, 2014. The decrease was primarily attributable to lower segment profits, partially offset by a larger allocation of income to OCG as a result of an increase in the average number of Class A units outstanding during each period.

Nine Months Ended September 30, 2015 Compared to the Nine Months Ended September 30, 2014

Revenues

Management Fees

Management fees increased $2.6 million, or 1.8%, to $148.8 million for the nine months ended September 30, 2015, from $146.2 million for the nine months ended September 30, 2014. The increase primarily reflected higher fees earned across non-consolidated funds and accounts, partially offset by lower advisory, director, transaction and certain other ancillary fees for the benefit of our consolidated funds. We reduce our management fees by the amount of advisory and other ancillary fees so that our funds' investors share pro rata in the economic benefit of the ancillary fees. Thus, in our consolidated financial statements these ancillary fees are treated as being attributable to non-controlling interests in consolidated funds and have no impact on the net income attributable to OCG.

Incentive Income

Incentive income was $3.9 million for the nine months ended September 30, 2015 and zero for the nine months ended September 30, 2014. The current-year income was attributable to the unconsolidated Power Fund II.

Expenses

Compensation and Benefits

Compensation and benefits increased $26.6 million, or 9.1%, to $319.1 million for the nine months ended September 30, 2015, from $292.5 million for the nine months ended September 30, 2014. The increase primarily reflected growth in headcount, including the Highstar acquisition.

Equity-based Compensation

Equity-based compensation expense increased $10.1 million, or 33.4%, to $40.3 million for the nine months ended September 30, 2015, from $30.2 million for the nine months ended September 30, 2014, primarily reflecting non-cash amortization expense associated with vesting of restricted unit grants made to employees and directors subsequent to our 2012 initial public offering.

Incentive Income Compensation

Incentive income compensation expense decreased $63.8 million, or 37.4%, to $107.0 million for the nine months ended September 30, 2015, from $170.8 million for the nine months ended September 30, 2014. The percentage decrease was smaller than the corresponding decrease of 47.3% in segment incentive income, primarily due to timing differences associated with the recognition of segment incentive income and incentive income compensation expense, as well as catch-up tax distributions related to incentive interests awarded to certain investment professionals in 2014.

General and Administrative

General and administrative expense decreased $1.5 million, or 1.9%, to $77.7 million for the nine months ended September 30, 2015, from $79.2 million for the nine months ended September 30, 2014. Because segment investment income earned from our investments in consolidated funds is eliminated in consolidation, gains or losses associated with foreign currency hedges used to economically hedge our non-U.S. dollar denominated investments in consolidated funds are included in general and administrative expense. Excluding the impact of foreign currency-related items, general and administrative expense decreased $0.8 million, or 0.8%, to $97.6 million from $98.4 million.

Depreciation and Amortization

Depreciation and amortization expense increased $3.9 million, or 63.9%, to $10.0 million for the nine months ended September 30, 2015, from $6.1 million for the nine months ended September 30, 2014, primarily reflecting the amortization of intangibles attributable to the Highstar acquisition and our plan to exercise an early-termination right and relocate our London office at year-end 2016, triggering accelerated amortization of existing leasehold improvements through that date.

Consolidated Fund Expenses

Consolidated fund expenses decreased $28.9 million, or 19.6%, to $118.3 million for the nine months ended September 30, 2015, from $147.2 million for the nine months ended September 30, 2014. The decrease reflected lower professional fees and other costs related to managing our funds.

Other Income (Loss)

Interest Expense

Interest expense increased $71.0 million, or 84.2%, to $155.3 million for the nine months ended September 30, 2015, from $84.3 million for the nine months ended September 30, 2014. The increase reflected higher outstanding borrowings on the credit facilities of our consolidated funds and debt issued by our CLOs.

Interest and Dividend Income

Interest and dividend income decreased $51.7 million, or 3.4%, to $1,455.6 million for the nine months ended September 30, 2015, from $1,507.3 million for the nine months ended September 30, 2014. The decrease was primarily attributable to lower interest income from Control Investing, partially offset by higher interest income from Senior Loan and Distressed Debt funds.

Net Realized Gain on Consolidated Funds' Investments

Net realized gain on consolidated funds' investments increased $54.0 million, or 3.4%, to $1,650.6 million for the nine months ended September 30, 2015, from $1,596.6 million for the nine months ended September 30, 2014. The net realized gain in the current-year period primarily reflected gains by Distressed Debt, Control Investing and Real Estate funds. The net realized gain in the prior-year period primarily reflected gains by Distressed Debt, Control Investing and Real Estate funds.

Net Change in Unrealized Appreciation (Depreciation) on Consolidated Funds' Investments

The net change in unrealized appreciation (depreciation) on consolidated funds' investments were losses of $3,268.9 million for the nine months ended September 30, 2015 and $168.4 million for the nine months ended September 30, 2014. Excluding the $54.0 million increase in net realized gain on consolidated funds' investments, the net change in unrealized appreciation (depreciation) on consolidated funds' investments was a net loss of $1,618.2 million for the nine months ended September 30, 2015, as compared to a net gain of $1,428.2 million for the nine months ended September 30, 2014. The current-year net loss primarily reflected losses by Distressed Debt and Emerging Markets Equities funds, partially offset by Control Investing and Real Estate funds. The prior-year net gain primarily reflected gains by Real Estate, Control Investing and Distressed Debt funds.

Investment Income

Investment income increased $23.6 million, or 156.3%, to $38.7 million for the nine months ended September 30, 2015, from $15.1 million for the nine months ended September 30, 2014. The increase reflected higher income of $22.3 million from our investments in companies. DoubleLine accounted for investment income of $40.4 million and $30.7 million in the current and prior-year periods, respectively, of which performance fees accounted for $3.9 million and $5.3 million, respectively.

Other Income (Expense), Net

Other income (expense), net increased $12.9 million, to income of $13.9 million for the nine months ended September 30, 2015, from income of $1.0 million for the nine months ended September 30, 2014. The current-year income of $13.9 million reflected $17.5 million of income received for contractually reimbursable costs associated with the Highstar acquisition, partially offset by losses associated with certain non-operating corporate activities. The prior-year income of $1.0 million reflected $2.7 million of income associated with amounts received for contractually reimbursable costs associated with the Highstar acquisition and $1.5 million of income attributable to proceeds received as part of a 2010 arbitration award, partially offset by a $3.0 million write-off of unamortized debt issuance costs associated with the refinancing of our corporate credit facility.

Income Taxes

Income taxes decreased $3.8 million, or 19.9%, to $15.3 million for the nine months ended September 30, 2015, from $19.1 million for the nine months ended September 30, 2014. The decrease was primarily attributable to the decline in pre-tax income attributable to Class A unitholders. The effective tax rates applicable to Class A unitholders for the nine months ended September 30, 2015 and 2014 were 17% and 15%, respectively. The 17%

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effective tax rate applicable to Class A unitholders for the nine months ended September 30, 2015 was based on an estimated full-year effective tax rate on income that can be reliably forecasted, combined with the tax expense in the current period on incentive income and any other income that cannot be reliably estimated. We would expect variability in tax rates between quarters and full years, because the effective tax rate is a function of the mix of income and other factors, each of which can have a material impact on the particular period's income tax expense and may vary significantly within or between years. Please see "—Understanding Our Results—Consolidation of Oaktree Funds."

Net Income Attributable to Non-controlling Interests in Consolidated Funds

Net income attributable to non-controlling interests in consolidated funds decreased $2,878.2 million, to a loss of $1,034.5 million for the nine months ended September 30, 2015, from income of $1,843.7 million for the nine months ended September 30, 2014. The current-year period primarily reflected net losses on investments, partially offset by interest and dividend income. The prior-year period primarily reflected net gains on investments and interest and dividend income. These effects are described in more detail under "—Other Income (Loss)" above.

Net Income Attributable to Oaktree Capital Group, LLC

Net income attributable to Oaktree Capital Group, LLC decreased $41.9 million, or 41.1%, to $60.0 million for the nine months ended September 30, 2015, from $101.9 million for the nine months ended September 30, 2014. The decrease was primarily attributable to lower segment profits, partially offset by a larger allocation of income to OCG as a result of an increase in the average number of Class A units outstanding during each period.

Segment Financial Data

The following table presents segment financial data:

Segment Statements of Operations Data: [1]	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
	(in thousands, except per unit data or as otherwise indicated)			
Revenues:				
Management fees	$181,897	$194,509	$555,505	$572,028
Incentive income	16,925	86,324	230,952	438,398
Investment income (loss)	(19,950)	(2,361)	56,873	98,318
Total revenues	178,872	278,472	843,330	1,108,744
Expenses:				
Compensation and benefits	(96,675)	(99,402)	(306,290)	(290,234)
Equity-based compensation	(8,836)	(5,185)	(27,760)	(14,279)
Incentive income compensation	(7,596)	(39,814)	(127,252)	(207,789)
General and administrative	(33,704)	(29,687)	(84,026)	(91,380)
Depreciation and amortization	(3,031)	(1,914)	(7,027)	(5,650)
Total expenses	(149,842)	(176,002)	(552,355)	(609,332)
Adjusted net income before interest and other income (expense)	29,030	102,470	290,975	499,412
Interest expense, net of interest income [2]	(8,388)	(7,419)	(26,103)	(20,978)
Other income (expense), net	—	10	(3,546)	(1,679)
Adjusted net income	$20,642	$95,061	$261,326	$476,755
Adjusted net income-OCG	$5,200	$20,581	$64,928	$111,175
Adjusted net income per Class A unit	0.11	0.47	1.37	2.63
Distributable earnings	90,641	137,175	342,356	486,489
Distributable earnings-OCG	23,684	34,073	88,635	117,667
Distributable earnings per Class A unit	0.49	0.78	1.87	2.79
Fee-related earnings	48,487	63,506	158,162	184,764
Fee-related earnings-OCG	15,324	15,969	46,331	43,493
Fee-related earnings per Class A unit	0.32	0.37	0.98	1.03
Weighted average number of Operating Group units outstanding	153,945	152,809	153,676	152,596
Weighted average number of Class A units outstanding	48,440	43,480	47,304	42,234
Operating Metrics:				
Assets under management (in millions):				
Assets under management	$100,237	$93,224	$100,237	$93,224
Management fee-generating assets under management	76,489	79,146	76,489	79,146
Incentive-creating assets under management	33,245	34,715	33,245	34,715
Uncalled capital commitments	20,115	12,403	20,115	12,403
Accrued incentives (fund level):				
Incentives created (fund level)	(187,642)	(313,635)	13,765	243,015
Incentives created (fund level), net of associated incentive income compensation expense	(106,237)	(169,149)	(6,004)	74,959
Accrued incentives (fund level)	1,732,220	2,081,056	1,732,220	2,081,056

Accrued incentives (fund level), net of associated incentive income compensation expense	890,219	1,079,576	890,219	1,079,576

(1) Our business is comprised of one segment, our investment management segment, which consists of the investment management services that we provide to our clients. The components of revenues and expenses used in determining adjusted net income do not give effect to the consolidation of the funds that we manage. Segment revenues include investment income (loss) that is classified in other income (loss) in the GAAP-basis statements of operations. Segment revenues and expenses also reflect Oaktree's proportionate economic interest in Highstar, whereby amounts received for contractually reimbursable costs are classified as expenses for segment reporting and as other income under GAAP. In addition, adjusted net income excludes the effect of (a) non-cash equity-based compensation expense related to unit grants made before our initial public offering, (b) acquisition-related items including amortization of intangibles and changes in the contingent consideration liability, (c) differences arising from EVUs that are classified as liability awards under GAAP, but classified as equity awards for segment reporting purposes, (d) income taxes, (e) other income or expenses applicable to OCG or its Intermediate Holding Companies and (f) the adjustment for non-controlling interests. Incentive income and incentive income compensation expense are included in adjusted net income when the underlying fund distributions are known or knowable as of the respective quarter end, which may be later than the time at which the same revenue or expense is included in the GAAP-basis statements of operations, for which the revenue standard is fixed or determinable and the expense standard is probable and reasonably estimable. Adjusted net income is calculated at the Operating Group level. For a detailed description of our segment and operating metrics, please see "—Segment and Operating Metrics" above.

(2) Interest income was $1.7 million and $0.9 million for the three months ended September 30, 2015 and 2014, respectively, and $3.9 million and $2.7 million for the nine months ended September 30, 2015 and 2014, respectively.

Operating Metrics

We monitor certain operating metrics that are either common to the alternative asset management industry or that we believe provide important data regarding our business. These operating metrics include AUM, management fee-generating AUM, incentive-creating AUM, incentives created (fund level), accrued incentives (fund level) and uncalled capital commitments.

Assets Under Management

	As of September 30, 2015	June 30, 2015	September 30, 2014
Assets Under Management:	(in millions)		
Closed-end funds	$59,318	$59,014	$49,869
Open-end funds	35,914	38,813	37,970
Evergreen funds	5,005	5,233	5,385
Total	$100,237	$103,060	$93,224

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Change in Assets Under Management:	(in millions)			
Beginning balance	$103,060	$91,089	$90,831	$83,605
Closed-end funds:				
Capital commitments/other [1]	1,705	1,053	15,886	3,296
Acquisition (Highstar)	—	2,349	—	2,349
Distributions for a realization event/other [2]	(560)	(1,144)	(3,902)	(4,341)
Change in uncalled capital commitments for funds entering or in liquidation [3]	20	—	(852)	(146)
Foreign currency translation	15	(539)	(512)	(584)
Change in market value [4]	(1,105)	(399)	(117)	2,108
Change in applicable leverage	229	387	612	502
Open-end funds:				
Contributions	979	2,523	4,190	7,836
Redemptions	(1,515)	(1,313)	(4,133)	(3,183)
Foreign currency translation	(31)	(329)	(341)	(336)
Change in market value [4]	(2,332)	(891)	(1,254)	785
Evergreen funds:				
Contributions or new capital commitments	57	548	288	1,360
Redemptions or distributions	(27)	(21)	(198)	(129)
Distributions from restructured funds	(14)	(19)	(19)	(35)
Foreign currency translation	(1)	3	—	1
Change in market value [4]	(243)	(73)	(242)	136
Ending balance	$100,237	$93,224	$100,237	$93,224

(1) These amounts represent capital commitments, as well as the aggregate par value of collateral assets and principal cash related to new CLO formations.

(2) These amounts represent distributions for a realization event, tax-related distributions, reductions in the par value of collateral assets and principal cash resulting from the repayment of debt as return of principal by CLOs, and recallable distributions at the end of the investment period.

(3) The change in uncalled capital commitments reflects the decline in uncalled capital commitments due to funds entering their liquidation periods, as well as capital contributions to funds in their liquidation periods related to items such as deferred purchase obligations.

(4) The change in market value reflects the change in NAV of our funds resulting from current income and realized and unrealized gains/losses on investments, less management fees and other fund expenses, as well as changes in the aggregate par value of collateral assets and principal cash held by CLOs resulting from other activities.

Management Fee-generating Assets Under Management

	As of September 30, 2015	June 30, 2015	September 30, 2014
Management Fee-generating Assets Under Management:	(in millions)		
Closed-end funds:			
Senior Loans	$6,799	$6,108	$4,340
Other closed-end funds	30,228	30,108	33,455
Open-end funds	35,840	38,731	37,925
Evergreen funds	3,622	3,649	3,426
Total	$76,489	$78,596	$79,146

Change in Management Fee-generating Assets Under Management:	Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
	(in millions)			
Beginning balance	$78,596	$77,781	$78,079	$71,950
Closed-end funds:				
Capital commitments to funds that pay fees based on committed capital/other [1]	503	33	1,224	1,134
Acquisition (Highstar)	—	1,882	—	1,882
Capital drawn by funds that pay fees based on drawn capital or NAV	387	258	854	682
Change attributable to funds in liquidation [2]	(272)	(415)	(1,887)	(1,916)
Change in uncalled capital commitments for funds entering or in liquidation for funds that pay fees based on committed capital [3]	—	(169)	(471)	(169)
Distributions by funds that pay fees based on NAV/other [4]	(44)	(160)	(289)	(476)
Foreign currency translation	8	(434)	(321)	(461)
Change in market value [5]	(118)	(85)	(123)	81
Change in applicable leverage	347	372	768	616
Open-end funds:				
Contributions	978	2,518	4,175	7,834
Redemptions	(1,515)	(1,313)	(4,117)	(3,186)
Foreign currency translation	(31)	(329)	(340)	(336)
Change in market value	(2,323)	(891)	(1,261)	783
Evergreen funds:				
Contributions or capital drawn by funds that pay fees based on drawn capital or NAV	213	180	614	746
Redemptions or distributions	(10)	(23)	(165)	(131)
Change in market value	(230)	(59)	(251)	113
Ending balance	$76,489	$79,146	$76,489	$79,146

(1) These amounts represent capital commitments to funds that pay fees based on committed capital, as well as the aggregate par value of collateral assets and principal cash related to new CLO formations.

(2) These amounts represent the change for funds that pay fees based on the lesser of funded capital or cost basis during the liquidation period, as well as recallable distributions at the end of the investment period. For most closed-end funds, management fees are charged during the liquidation period on the lesser of (a) total funded capital or (b) the cost basis of assets remaining in the fund, with the cost basis of assets generally calculated by excluding cash balances. Thus, changes in fee basis during the liquidation period are not dependent on distributions made from the fund; rather, they are tied to the cost basis of the fund's investments, which generally declines as the fund sells assets.

(3) The change in uncalled capital commitments reflects the decline in uncalled capital commitments due to funds entering their liquidation periods, as well as capital contributions to funds in their liquidation periods related to items such as deferred purchase obligations.

(4) These amounts represent distributions by funds that pay fees based on NAV, as well as reductions in the par value of collateral assets and principal cash resulting from the repayment of debt as return of principal by CLOs.

(5) The change in market value reflects certain funds that pay management fees based on NAV and leverage, as applicable, as well as changes in the aggregate par value of collateral assets and principal cash held by CLOs resulting from other activities.

As compared with AUM, management fee-generating AUM generally excludes the following:

- Differences between AUM and either committed capital or cost basis for most closed-end funds, other than for closed-end funds that pay management fees based on NAV and leverage, as applicable;
- Undrawn capital commitments to closed-end funds that have not yet commenced their investment periods;
- Undrawn capital commitments to funds for which management fees are based on drawn capital or NAV;
- The investments we make in our funds as general partner;
- Closed-end funds that are beyond the term during which they pay management fees and co-investments that pay no management fees; and
- AUM in restructured and liquidating evergreen funds for which management fees were waived.

A reconciliation of AUM to management fee-generating AUM is set forth below:

Reconciliation of Assets Under Management to Management Fee-generating Assets Under Management:	As of September 30, 2015	June 30, 2015	September 30, 2014
	(in millions)		
Assets under management	$100,237	$103,060	$93,224
Difference between assets under management and committed capital or cost basis for applicable closed-end funds [1]	(3,381)	(4,595)	(6,622)
Undrawn capital commitments to funds that have not yet commenced their investment periods	(14,544)	(13,184)	(757)
Undrawn capital commitments to funds for which management fees are based on drawn capital or NAV	(3,279)	(4,237)	(4,003)
Oaktree's general partner investments in management fee-generating funds	(1,240)	(1,200)	(1,483)
Closed-end funds that are no longer paying management fees and co-investments that pay no management fees	(1,102)	(1,032)	(949)
Funds for which management fees were permanently waived	(202)	(216)	(264)
Management fee-generating assets under management	$76,489	$78,596	$79,146

(1) This difference is not applicable to closed-end funds that pay management fees based on NAV or leverage.

The period-end weighted average annual management fee rates applicable to the respective management fee-generating AUM balances above are set forth below.

	As of September 30, 2015	June 30, 2015	September 30, 2014
Weighted Average Annual Management Fee Rates:			
Closed-end funds:			
Senior Loans	0.50 %	0.50 %	0.50 %
Other closed-end funds	1.53	1.54	1.54
Open-end funds	0.47	0.48	0.47
Evergreen funds	1.46	1.49	1.55
Overall	0.94	0.93	0.97

Incentive-creating Assets Under Management

Incentive-creating AUM is set forth below. As of September 30, 2015, June 30, 2015 and September 30, 2014, the portion of incentive-creating AUM generating incentives at the fund level was $19.2 billion (or 58%), $20.1 billion (59%) and $32.1 billion (93%), respectively. Incentive-creating AUM does not include undrawn capital commitments.

	As of September 30, 2015	June 30, 2015	September 30, 2014
Incentive-creating Assets Under Management:	(in millions)		
Closed-end funds	$31,290	$31,811	$32,465
Evergreen funds	1,955	2,049	2,250
Total	$33,245	$33,860	$34,715

Three Months Ended September 30, 2015

AUM declined $2.9 billion, or 2.8%, to $100.2 billion as of September 30, 2015, from $103.1 billion as of June 30, 2015. The decrease reflected $3.7 billion in aggregate market-value declines, $0.6 billion of distributions to closed-end fund investors and $0.5 billion of net outflows from open-end funds, partially offset by $1.9 billion in aggregate capital inflows and fee-generating leverage for closed-end funds.

Management fee-generating AUM declined $2.1 billion, or 2.7%, to $76.5 billion as of September 30, 2015, from $78.6 billion as of June 30, 2015. The decrease reflected declines of $2.7 billion from aggregate market-value changes and $0.5 billion of net outflows from open-end funds, partially offset by $0.9 billion attributable to CLOs and capital commitments and fee-generating leverage for closed-end funds. Of the $14.0 billion in aggregate potential management fee-generating AUM as of September 30, 2015 for Opps X and Xb, ROF VII, Oaktree Power Opportunities Fund IV (“Power Fund IV”), Oaktree Principal Fund VI and Oaktree Mezzanine Fund IV, only $524 million had become management fee-generating AUM as of that date.

Incentive-creating AUM declined $0.7 billion, or 2.1%, to $33.2 billion as of September 30, 2015, from $33.9 billion as of June 30, 2015. The decrease reflected the net effect of $1.0 billion in capital commitment drawdowns by closed-end funds, $0.5 billion in distributions by closed-end funds and $1.1 billion in aggregate market-value declines.

Three Months Ended September 30, 2014

AUM grew $2.1 billion, or 2.3%, to $93.2 billion as of September 30, 2014, from $91.1 billion as of June 30, 2014. The increase reflected $2.3 billion from the Highstar acquisition, $2.0 billion in capital inflows and fee-generating leverage for closed-end and evergreen funds, and $1.2 billion of net inflows to open-end funds, partially offset by $1.4 billion of aggregate market-value declines, $1.1 billion of distributions to closed-end fund investors and $0.9 billion of negative foreign currency translation.

Management fee-generating AUM grew $1.3 billion, or 1.7%, to $79.1 billion as of September 30, 2014, from $77.8 billion as of June 30, 2014. The increase reflected $1.9 billion from the Highstar acquisition, $1.2 billion

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of net inflows to open-end funds and $0.8 billion in fee-generating leverage and drawdowns or contributions by closed-end and evergreen funds for which management fees are based on drawn capital or NAV, partially offset by declines of $1.0 billion from aggregate market-value changes in funds for which management fees are based on NAV, $0.8 billion from negative foreign currency translation and $0.4 billion attributable to asset sales by closed-end funds in liquidation.

Incentive-creating AUM declined $0.4 billion, or 1.1%, to $34.7 billion as of September 30, 2014, from $35.1 billion as of June 30, 2014. The decrease reflected the net effect of $1.0 billion from the Highstar acquisition, $1.0 billion in drawdowns by closed-end funds, $1.6 billion in distributions by closed-end funds, $0.3 billion in aggregate market-value declines and $0.5 billion of negative foreign currency translation.

Nine Months Ended September 30, 2015

AUM grew $9.4 billion, or 10.4%, to $100.2 billion as of September 30, 2015, from $90.8 billion as of December 31, 2014. The increase reflected $16.5 billion of capital inflows and fee-generating leverage for closed-end funds, partially offset by $3.9 billion of distributions to closed-end fund investors, $1.6 billion of aggregate market-value declines, a $0.9 billion decline in uncalled capital commitments for closed-end funds entering or in liquidation and a $0.9 billion negative impact from foreign currency translation. Capital inflows and fee-generating leverage for closed-end funds included $9.9 billion for Opps X and Xb, $1.6 billion for ROF VII, $1.1 billion for Power Fund IV, $0.9 billion for Enhanced Income funds and $0.8 billion for CLOs. Distributions to closed-end fund investors included $1.5 billion by Distressed Debt funds, $1.1 billion by Real Estate funds and $0.5 billion by Principal Investing funds.

Management fee-generating AUM decreased $1.6 billion, or 2.0%, to $76.5 billion as of September 30, 2015, from $78.1 billion as of December 31, 2014. The decrease reflected declines of $1.9 billion attributable to closed-end funds in liquidation, $1.6 billion of aggregate market-value changes in funds for which management fees are based on NAV, $0.7 billion in negative foreign currency translation and $0.5 billion in uncalled capital commitments for closed-end funds entering or in liquidation. These declines were partially offset by $2.2 billion in fee-generating leverage and drawdowns or contributions by closed-end and evergreen funds for which management fees are based on drawn capital or NAV and $1.2 billion attributable to CLOs and capital commitments to closed-end funds.

Incentive-creating AUM declined $0.7 billion, or 2.1%, to $33.2 billion as of September 30, 2015, from $33.9 billion as of December 31, 2014. The decrease reflected the net effect of $3.1 billion in drawdowns by closed-end funds, $3.0 billion in distributions by closed-end funds, $0.4 billion in aggregate market-value declines and $0.3 billion of negative foreign currency translation.

Nine Months Ended September 30, 2014

AUM grew $9.6 billion, or 11.5%, to $93.2 billion as of September 30, 2014, from $83.6 billion as of December 31, 2013. The increase reflected $5.2 billion in capital inflows and fee-generating leverage for closed-end and evergreen funds, $4.7 billion of net inflows to open-end funds, $3.0 billion of aggregate market-value gains and $2.3 billion from the Highstar acquisition, partially offset by $4.3 billion of distributions to closed-end fund investors and $0.9 billion of negative foreign currency translation.

Management fee-generating AUM grew $7.1 billion, or 9.9%, to $79.1 billion as of September 30, 2014, from $72.0 billion as of December 31, 2013. The increase reflected $4.6 billion of net inflows to open-end funds, $2.0 billion in fee-generating leverage and drawdowns or contributions by closed-end and evergreen funds that pay fees based on drawn capital or NAV, $1.9 billion from the Highstar acquisition, $1.0 billion of aggregate market-value gains in funds for which management fees are based on NAV and $1.1 billion in capital commitments, partially offset by a $1.9 billion decline attributable to asset sales by closed-end funds in liquidation and $0.8 billion of negative foreign currency translation.

Incentive-creating AUM grew $2.3 billion, or 7.1%, to $34.7 billion as of September 30, 2014, from $32.4 billion as of December 31, 2013. The increase reflected the net effect of $4.5 billion in drawdowns by closed-end funds, $4.8 billion in distributions by closed-end funds, $2.2 billion in aggregate market-value gains, $1.0 billion from the Highstar acquisition and $0.5 billion of negative foreign currency translation.

Accrued Incentives (Fund Level) and Incentives Created (Fund Level)

Accrued incentives (fund level), gross and net of incentive income compensation expense, as well as changes in accrued incentives (fund level), are set forth below.

	As of or for the Three Months Ended September 30,		As of or for the Nine Months Ended September 30,	
	2015	2014	2015	2014
Accrued Incentives (Fund Level):	(in thousands)			
Beginning balance	$1,936,787	$2,481,015	$1,949,407	$2,276,439
Incentives created (fund level):				
Closed-end funds	(187,358)	(302,913)	13,414	232,309
Evergreen funds	(284)	(10,722)	351	10,706
Total incentives created (fund level)	(187,642)	(313,635)	13,765	243,015
Less: segment incentive income recognized by us	(16,925)	(86,324)	(230,952)	(438,398)
Ending balance	$1,732,220	$2,081,056	$1,732,220	$2,081,056
Accrued incentives (fund level), net of associated incentive income compensation expense	$890,219	$1,079,576	$890,219	$1,079,576

As of September 30, 2015 and 2014, the portion of net accrued incentives (fund level) represented by funds that were currently paying incentives was $317.0 million and $384.8 million, respectively, with the remainder arising from funds that as of that date had not yet reached the stage of their cash distribution waterfall where Oaktree was entitled to receive incentives, other than possibly tax-related distributions.

As of September 30, 2015, $688.0 million, or 77%, of the net accrued incentives (fund level) was in funds in their liquidation period, and approximately 30% of the assets underlying total net accrued incentives (fund level) were Level I or Level II securities. Please see "—Critical Accounting Policies—Investments, at Fair Value—Non-publicly Traded Equity and Real Estate Investments" for a discussion of the fair-value hierarchy level established by GAAP.

Three Months Ended September 30, 2015 and 2014

Incentives created (fund level) was negative $187.6 million for the three months ended September 30, 2015, reflecting negative incentives created (fund level) of $122.8 million from Distressed Debt funds and $107.6 million from Principal Investing funds, partially offset by $23.4 million of incentives created (fund level) from Real Estate funds and $12.3 million from Mezzanine funds.

Incentives created (fund level) was negative $313.6 million for the three months ended September 30, 2014, primarily reflecting $340.5 million of negative incentives created (fund level) from Distressed Debt funds.

Nine Months Ended September 30, 2015 and 2014

Incentives created (fund level) was $13.8 million for the nine months ended September 30, 2015, reflecting incentives created (fund level) of $122.6 million from European Principal Investing funds, $91.1 million from Real Estate funds, $23.9 million from Mezzanine funds and $20.9 million from Power Opportunities funds, largely offset by negative incentives created (fund level) of $248.9 million from Distressed Debt funds.

Incentives created (fund level) was $243.0 million for the nine months ended September 30, 2014. The $243.0 million of incentives created (fund level) included $179.4 million from Control Investing funds, $128.9 million from Real Estate funds and negative $81.5 million from Distressed Debt funds.

Uncalled Capital Commitments

Uncalled capital commitments were $20.1 billion as of both September 30, 2015 and June 30, 2015, and $12.4 billion as of September 30, 2014. Capital drawn by closed-end funds during the three and twelve months ended September 30, 2015 aggregated $1.8 billion and $7.5 billion, respectively, as compared with $1.6 billion and $7.7 billion for the corresponding prior-year periods.

Segment Analysis

Our business is comprised of one segment, our investment management segment, which consists of the investment management services that we provide to our clients. Management makes operating decisions and assesses the performance of our business based on financial and operating metrics and data that are presented without the consolidation of any funds. For a detailed reconciliation of the segment results of operations to our condensed consolidated statements of operations, please see “—Distributable Earnings” and “—Fee-related Earnings” below and the “Segment Reporting” note to our condensed consolidated financial statements included elsewhere in this quarterly report. The data most important to our chief operating decision maker in assessing our performance are adjusted net income, adjusted net income-OCG, distributable earnings, distributable earnings-OCG, fee-related earnings and fee-related earnings-OCG.

Adjusted Net Income

ANI and adjusted net income-OCG, as well as per unit data, are set forth below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands, except per unit data)			
Revenues:				
Management fees	$181,897	$194,509	$555,505	$572,028
Incentive income	16,925	86,324	230,952	438,398
Investment income (loss)	(19,950)	(2,361)	56,873	98,318
Total revenues	178,872	278,472	843,330	1,108,744
Expenses:				
Compensation and benefits	(96,675)	(99,402)	(306,290)	(290,234)
Equity-based compensation	(8,836)	(5,185)	(27,760)	(14,279)
Incentive income compensation	(7,596)	(39,814)	(127,252)	(207,789)
General and administrative	(33,704)	(29,687)	(84,026)	(91,380)
Depreciation and amortization	(3,031)	(1,914)	(7,027)	(5,650)
Total expenses	(149,842)	(176,002)	(552,355)	(609,332)
Adjusted net income before interest and other income (expense)	29,030	102,470	290,975	499,412
Interest expense, net of interest income	(8,388)	(7,419)	(26,103)	(20,978)
Other income (expense), net	—	10	(3,546)	(1,679)
Adjusted net income	20,642	95,061	261,326	476,755
Adjusted net income attributable to OCGH non-controlling interest	(14,147)	(68,011)	(182,314)	(346,954)
Non-Operating Group expenses	(464)	(264)	(1,424)	(1,149)
Adjusted net income-OCG before income taxes	6,031	26,786	77,588	128,652
Income taxes-OCG	(831)	(6,205)	(12,660)	(17,477)
Adjusted net income-OCG	$5,200	$20,581	$64,928	$111,175
Adjusted net income per Class A unit	$0.11	$0.47	$1.37	$2.63
Weighted average number of Class A units outstanding	48,440	43,480	47,304	42,234

Distributable Earnings

Distributable earnings and distributable earnings-OCG, as well as per unit data, are set forth below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands, except per unit data)			
Revenues:				
Management fees	$181,897	$194,509	$555,505	$572,028
Incentive income	16,925	86,324	230,952	438,398
Receipts of investment income from funds [(1)]	29,459	22,120	83,617	66,689
Receipts of investment income from companies	13,304	11,240	30,275	29,256
Total distributable earnings revenues	241,585	314,193	900,349	1,106,371
Expenses:				
Compensation and benefits	(96,675)	(99,402)	(306,290)	(290,234)
Incentive income compensation	(7,596)	(39,814)	(127,252)	(207,789)
General and administrative	(33,704)	(29,687)	(84,026)	(91,380)
Depreciation and amortization	(3,031)	(1,914)	(7,027)	(5,650)
Total expenses	(141,006)	(170,817)	(524,595)	(595,053)
Other income (expense):				
Interest expense, net of interest income	(8,388)	(7,419)	(26,103)	(20,978)
Operating Group income tax (expense) benefit	(1,550)	1,208	(3,749)	(2,172)
Other income (expense), net	—	10	(3,546)	(1,679)
Distributable earnings	90,641	137,175	342,356	486,489
Distributable earnings attributable to OCGH non-controlling interest	(62,120)	(98,143)	(237,548)	(353,593)
Non-Operating Group expenses	(464)	(264)	(1,424)	(1,149)
Distributable earnings-OCG income tax (expense) benefit	507	(740)	(579)	(2,218)
Tax receivable agreement	(4,880)	(3,955)	(14,170)	(11,862)
Distributable earnings-OCG	$23,684	$34,073	$88,635	$117,667
Distributable earnings per Class A unit	$0.49	$0.78	$1.87	$2.79
Weighted average number of Class A units outstanding	48,440	43,480	47,304	42,234

(1) This adjustment characterizes a portion of the distributions received from funds as receipts of investment income or loss. In general, the income or loss component of a fund distribution is calculated by multiplying the amount of the distribution by the ratio of our investment's undistributed income or loss to our remaining investment balance. In addition, if the distribution is made during the investment period, it is generally not reflected in distributable earnings until after the investment period ends.

Three Months Ended September 30, 2015 Compared to the Three Months Ended September 30, 2014

Distributable earnings declined $46.6 million, or 34.0%, to $90.6 million for the three months ended September 30, 2015, from $137.2 million for the three months ended September 30, 2014, reflecting decreases of $37.2 million in incentive income, net of incentive income compensation expense ("net incentive income"), and $15.0 million in fee-related earnings, partially offset by a $9.4 million increase in investment income proceeds. For the three months ended September 30, 2015, investment income proceeds totaled $42.8 million, including $29.5 million from fund distributions and $13.3 million from DoubleLine, as compared with total investment income proceeds in the prior-year period of $33.4 million, of which $22.1 million and $9.4 million was attributable to fund distributions and DoubleLine, respectively.

Nine Months Ended September 30, 2015 Compared to the Nine Months Ended September 30, 2014

Distributable earnings declined $144.1 million, or 29.6%, to $342.4 million for the nine months ended September 30, 2015, from $486.5 million for the nine months ended September 30, 2014, reflecting decreases of $126.9 million in net incentive income and $26.6 million in fee-related earnings, partially offset by a $17.9 million increase in investment income proceeds. For the nine months ended September 30, 2015, investment income proceeds totaled $113.9 million, including $83.6 million from fund distributions and $33.9 million from DoubleLine, as compared with total investment income proceeds in the prior-year period of $95.9 million, of which $66.7 million and $27.5 million was attributable to fund distributions and DoubleLine, respectively.

The following table reconciles distributable earnings and ANI to net income attributable to Oaktree Capital Group, LLC:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Distributable earnings	$90,641	$137,175	$342,356	$486,489
Investment income (loss) [1]	(19,950)	(2,361)	56,873	98,318
Receipts of investment income from funds [2]	(29,459)	(22,120)	(83,617)	(66,689)
Receipts of investment income from companies	(13,304)	(11,240)	(30,275)	(29,256)
Equity-based compensation [3]	(8,836)	(5,185)	(27,760)	(14,279)
Operating Group income taxes	1,550	(1,208)	3,749	2,172
Adjusted net income	20,642	95,061	261,326	476,755
Incentive income [4]	(8,676)	3,234	(20,249)	(55,124)
Incentive income compensation [4]	2,689	(3,234)	20,242	36,988
Equity-based compensation [5]	(3,658)	(5,372)	(12,523)	(15,947)
Acquisition-related items [6]	(1,433)	(488)	(4,935)	(488)
Income taxes [7]	(1,893)	(5,341)	(15,253)	(19,088)
Non-Operating Group expenses [8]	(464)	(264)	(1,424)	(1,149)
Non-controlling interests [8]	(5,320)	(64,683)	(167,230)	(320,054)
Net income attributable to Oaktree Capital Group, LLC	$1,887	$18,913	$59,954	$101,893

(1) This adjustment adds back our segment investment income, which with respect to investment in funds is initially largely non-cash in nature and is thus not available to fund our operations or make equity distributions.

(2) This adjustment eliminates the portion of distributions received from funds characterized as receipts of investment income or loss. In general, the income or loss component of a distribution from a fund is calculated by multiplying the amount of the distribution by the ratio of our investment's undistributed income or loss to our remaining investment balance. In addition, if the distribution is made during the investment period, it is generally not reflected in distributable earnings until after the investment period ends.

(3) This adjustment adds back the effect of equity-based compensation expense related to unit grants made after our initial public offering, which is excluded from distributable earnings because it is non-cash in nature and does not impact our ability to fund our operations or make equity distributions.

(4) This adjustment adds back the effect of timing differences associated with the recognition of incentive income and incentive income compensation expense between adjusted net income and net income attributable to OCG.

(5) This adjustment adds back the effect of (a) equity-based compensation expense related to unit grants made before our initial public offering, which is excluded from adjusted net income because it does not affect our financial position and from distributable earnings because it is non-cash in nature and does not impact our ability to fund operations or make equity distributions, and (b) differences arising from EVUs that are classified as liability awards under GAAP, but classified as equity awards for segment reporting purposes.

(6) This adjustment adds back the effect of acquisition-related items associated with the amortization of intangibles and changes in the contingent consideration liability.

(7)

Because adjusted net income and distributable earnings are pre-tax measures, this adjustment adds back the effect of income tax expense.

(8) Because adjusted net income and distributable earnings are calculated at the Operating Group level, this adjustment adds back the effect of items applicable to OCG, its Intermediate Holding Companies or non-controlling interests.

The following table reconciles distributable earnings-OCG and adjusted net income-OCG to net income attributable to Oaktree Capital Group, LLC:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Distributable earnings-OCG [1]	$23,684	$34,073	$88,635	$117,667
Investment income (loss) attributable to OCG	(6,277)	(672)	16,790	26,879
Receipts of investment income from funds attributable to OCG	(9,270)	(6,294)	(25,811)	(18,465)
Receipts of investment income from companies attributable to OCG	(4,186)	(3,198)	(9,343)	(8,102)
Equity-based compensation attributable to OCG [2]	(2,781)	(1,475)	(8,588)	(3,969)
Distributable earnings-OCG income taxes	(507)	740	579	2,218
Tax receivable agreement	4,880	3,955	14,170	11,862
Income taxes of Intermediate Holding Companies	(343)	(6,548)	(11,504)	(16,915)
Adjusted net income-OCG [1]	5,200	20,581	64,928	111,175
Incentive income attributable to OCG [3]	(2,730)	920	(6,015)	(14,148)
Incentive income compensation attributable to OCG [3]	846	(920)	5,893	9,420
Equity-based compensation attributable to OCG [4]	(1,151)	(1,529)	(3,843)	(4,415)
Acquisition-related items attributable to OCG [5]	(451)	(139)	(1,515)	(139)
Non-controlling interests attributable to OCG [5]	173	—	506	—
Net income attributable to Oaktree Capital Group, LLC	$1,887	$18,913	$59,954	$101,893

(1) Distributable earnings-OCG and adjusted net income-OCG are calculated to evaluate the portion of adjusted net income and distributable earnings attributable to Class A unitholders. These measures are net of income taxes and expenses applicable to OCG or its Intermediate Holding Companies.

(2) This adjustment adds back the effect of equity-based compensation expense attributable to OCG related to unit grants made after our initial public offering, which is excluded from distributable earnings because it is non-cash in nature and does not impact our ability to fund our operations or make equity distributions.

(3) This adjustment adds back the effect of timing differences associated with the recognition of incentive income and incentive income compensation expense attributable to OCG between adjusted net income-OCG and net income attributable to OCG.

(4) This adjustment adds back the effect of (a) equity-based compensation expense attributable to OCG related to unit grants made before our initial public offering, which is excluded from adjusted net income because it does not affect our financial position and from distributable earnings because it is non-cash in nature and does not impact our ability to fund our operations or make equity distributions, and (b) differences arising from EVUs that are classified as liability awards under GAAP, but classified as equity awards for segment reporting purposes.

(5) This adjustment adds back the effect of (a) acquisition-related items associated with the amortization of intangibles and changes in the contingent consideration liability and (b) non-controlling interests.

Fee-related Earnings

Fee-related earnings and fee-related earnings-OCG, as well as per unit data, are set forth below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands, except per unit data)			
Management fees:				
Closed-end funds	$123,260	$135,631	$377,370	$404,925
Open-end funds	44,241	45,075	135,259	128,273
Evergreen funds	14,396	13,803	42,876	38,830
Total management fees	181,897	194,509	555,505	572,028
Expenses:				
Compensation and benefits	(96,675)	(99,402)	(306,290)	(290,234)
General and administrative	(33,704)	(29,687)	(84,026)	(91,380)
Depreciation and amortization	(3,031)	(1,914)	(7,027)	(5,650)
Total expenses	(133,410)	(131,003)	(397,343)	(387,264)
Fee-related earnings	48,487	63,506	158,162	184,764
Fee-related earnings attributable to OCGH non-controlling interest	(33,230)	(45,436)	(109,559)	(133,554)
Non-Operating Group expenses	(491)	(265)	(1,478)	(1,151)
Fee-related earnings-OCG before income taxes	14,766	17,805	47,125	50,059
Fee-related earnings-OCG income tax (expense) benefit	558	(1,836)	(794)	(6,566)
Fee-related earnings-OCG	$15,324	$15,969	$46,331	$43,493
Fee-related earnings per Class A unit	$0.32	$0.37	$0.98	$1.03
Weighted average number of Class A units outstanding	48,440	43,480	47,304	42,234

Three Months Ended September 30, 2015 Compared to the Three Months Ended September 30, 2014

Fee-related earnings decreased $15.0 million, or 23.6%, to $48.5 million for the three months ended September 30, 2015, from $63.5 million for the three months ended September 30, 2014. The decrease reflected $12.6 million of lower management fees, $2.7 million in lower compensation and benefits, and $4.0 million in higher general and administrative expense. The portion of fee-related earnings attributable to our Class A units was $0.32 and $0.37 per unit for the three months ended September 30, 2015 and 2014, respectively.

The effective tax rate applicable to fee-related earnings for the three months ended September 30, 2015 and 2014, including discrete items, was -4% and 10%, respectively, resulting from full-year effective tax rates of 1% and 15%, excluding discrete items. The rate used for interim fiscal periods is based on the estimated full-year effective tax rate, which is subject to change as the year progresses. In general, the annual effective tax rate increases as annual fee-related earnings increase, and vice versa.

Nine Months Ended September 30, 2015 Compared to the Nine Months Ended September 30, 2014

Fee-related earnings decreased $26.6 million, or 14.4%, to $158.2 million for the nine months ended September 30, 2015, from $184.8 million for the nine months ended September 30, 2014. The decrease reflected $16.5 million of lower management fees, $16.1 million in higher compensation and benefits, and $7.4 million in lower general and administrative expense. The portion of fee-related earnings attributable to our Class A units was $0.98 and $1.03 per unit for the nine months ended September 30, 2015 and 2014, respectively.

The effective tax rate applicable to fee-related earnings for the nine months ended September 30, 2015 and 2014 was 2% and 13%, respectively. The rate used for interim fiscal periods is based on the estimated full-year effective tax rate, which is subject to change as the year progresses. In general, the annual effective tax rate increases as annual fee-related earnings increase, and vice versa.

The following table reconciles fee-related earnings and ANI to net income attributable to Oaktree Capital Group, LLC:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Fee-related earnings [1]	$48,487	$63,506	$158,162	$184,764
Incentive income	16,925	86,324	230,952	438,398
Incentive income compensation	(7,596)	(39,814)	(127,252)	(207,789)
Investment income (loss)	(19,950)	(2,361)	56,873	98,318
Equity-based compensation [2]	(8,836)	(5,185)	(27,760)	(14,279)
Interest expense, net of interest income	(8,388)	(7,419)	(26,103)	(20,978)
Other income (expense), net	—	10	(3,546)	(1,679)
Adjusted net income	20,642	95,061	261,326	476,755
Incentive income [3]	(8,676)	3,234	(20,249)	(55,124)
Incentive income compensation [3]	2,689	(3,234)	20,242	36,988
Equity-based compensation [4]	(3,658)	(5,372)	(12,523)	(15,947)
Acquisition-related items [5]	(1,433)	(488)	(4,935)	(488)
Income taxes [6]	(1,893)	(5,341)	(15,253)	(19,088)
Non-Operating Group expenses [7]	(464)	(264)	(1,424)	(1,149)
Non-controlling interests [7]	(5,320)	(64,683)	(167,230)	(320,054)
Net income attributable to Oaktree Capital Group, LLC	$1,887	$18,913	$59,954	$101,893

(1) Fee-related earnings is a component of adjusted net income and is comprised of segment management fees less segment operating expenses other than incentive income compensation expense and non-cash equity-based compensation expense related to unit grants made after our initial public offering.

(2) This adjustment adds back the effect of equity-based compensation expense related to unit grants made after our initial public offering, which is excluded from fee-related earnings because it is non-cash in nature and does not impact our ability to fund our operations or make equity distributions.

(3) This adjustment adds back the effect of timing differences associated with the recognition of incentive income and incentive income compensation expense between adjusted net income and net income attributable to OCG.

(4) This adjustment adds back the effect of (a) equity-based compensation expense related to unit grants made before our initial public offering, which is excluded from adjusted net income and fee-related earnings because it is a non-cash charge that does not affect our financial position, and (b) differences arising from EVUs that are classified as liability awards under GAAP, but classified as equity awards for segment reporting purposes.

(5) This adjustment adds back the effect of acquisition-related items associated with the amortization of intangibles and changes in the contingent consideration liability.

(6) Because adjusted net income and fee-related earnings are pre-tax measures, this adjustment adds back the effect of income tax expense.

(7) Because adjusted net income and fee-related earnings are calculated at the Operating Group level, this adjustment adds back the effect of items applicable to OCG, its Intermediate Holding Companies or non-controlling interests.

The following table reconciles fee-related earnings-OCG and adjusted net income-OCG to net income attributable to Oaktree Capital Group, LLC:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Fee-related earnings-OCG [1]	$15,324	$15,969	$46,331	$43,493
Incentive income attributable to OCG	5,325	24,562	69,510	117,777
Incentive income compensation attributable to OCG	(2,391)	(11,328)	(38,180)	(55,847)
Investment income (loss) attributable to OCG	(6,277)	(672)	16,790	26,879
Equity-based compensation attributable to OCG [2]	(2,781)	(1,475)	(8,588)	(3,969)
Interest expense, net of interest income attributable to OCG	(2,611)	(2,109)	(7,972)	(5,810)
Other income (expense) attributable to OCG	—	3	(1,097)	(437)
Non-fee-related earnings income taxes attributable to OCG [3]	(1,389)	(4,369)	(11,866)	(10,911)
Adjusted net income-OCG [1]	5,200	20,581	64,928	111,175
Incentive income attributable to OCG [4]	(2,730)	920	(6,015)	(14,148)
Incentive income compensation attributable to OCG [4]	846	(920)	5,893	9,420
Equity-based compensation attributable to OCG [5]	(1,151)	(1,529)	(3,843)	(4,415)
Acquisition-related items attributable to OCG [6]	(451)	(139)	(1,515)	(139)
Non-controlling interests attributable to OCG [6]	173	—	506	—
Net income attributable to Oaktree Capital Group, LLC	$1,887	$18,913	$59,954	$101,893

(1) Fee-related earnings-OCG and adjusted net income-OCG are calculated to evaluate the portion of adjusted net income and fee-related earnings attributable to Class A unitholders. These measures are net of income taxes and other income or expenses applicable to OCG or its Intermediate Holding Companies.

(2) This adjustment adds back the effect of equity-based compensation expense attributable to OCG related to unit grants made after our initial public offering, which is excluded from fee-related earnings-OCG because it is non-cash in nature and does not impact our ability to fund our operations or make equity distributions.

(3) This adjustment adds back income taxes associated with segment incentive income, incentive income compensation expense or investment income or loss, which are not included in the calculation of fee-related earnings-OCG.

(4) This adjustment adds back the effect of timing differences associated with the recognition of incentive income and incentive income compensation expense attributable to OCG between adjusted net income-OCG and net income attributable to OCG.

(5) This adjustment adds back the effect of (a) equity-based compensation expense attributable to OCG related to unit grants made before our initial public offering, which is excluded from adjusted net income-OCG and fee-related earnings-OCG because it is a non-cash charge that does not affect our financial position, and (b) differences arising from EVUs that are classified as liability awards under GAAP, but classified as equity awards for segment reporting purposes.

(6) This adjustment adds back the effect of (a) acquisition-related items associated with the amortization of intangibles and changes in the contingent consideration liability and (b) non-controlling interests.

Three Months Ended September 30, 2015 Compared to the Three Months Ended September 30, 2014

Segment Revenues

Management Fees

A summary of management fees is set forth below:

	Three Months Ended September 30,	
	2015	2014
	(in thousands)	
Management Fees:		
Closed-end funds	$123,260	$135,631
Open-end funds	44,241	45,075
Evergreen funds	14,396	13,803
Total	$181,897	$194,509

Management fees decreased $12.6 million, or 6.5%, to $181.9 million for the three months ended September 30, 2015, from $194.5 million for the three months ended September 30, 2014, for the reasons described below.

- Closed-end funds. Management fees attributable to closed-end funds decreased $12.3 million, or 9.1%, to $123.3 million for the three months ended September 30, 2015, from $135.6 million for the three months ended September 30, 2014. The decline reflected an aggregate decrease of $20.0 million primarily among closed-end funds in liquidation, partially offset by $4.4 million from closed-end funds for which management fees are based on drawn capital or NAV, $2.0 million attributable to the Highstar acquisition and $1.3 million from CLOs. Of the $12.3 million decrease, $5.1 million reflected an unfavorable change in foreign currency exchange rates.
- Open-end funds. Management fees attributable to open-end funds decreased $0.9 million, or 2.0%, to $44.2 million for the three months ended September 30, 2015, from $45.1 million for the three months ended September 30, 2014, primarily as a result of market-value declines.
- Evergreen funds. Management fees attributable to evergreen funds increased $0.6 million, or 4.3%, to $14.4 million for the three months ended September 30, 2015, from $13.8 million for the three months ended September 30, 2014, primarily reflecting drawdowns of capital commitments by Strategic Credit, largely offset by net outflows and market-value declines for Value Opportunities. The period-end weighted average annual management fee rate for evergreen funds decreased to 1.46% as of September 30, 2015, from 1.55% as of September 30, 2014, largely as a result of Strategic Credit, for which the average management fee rate is lower than 1.55%.

Incentive Income

A summary of incentive income is set forth below:

	Three Months Ended September 30,	
	2015	2014
	(in thousands)	
Incentive Income:		
Closed-end funds	$16,921	$86,274
Evergreen funds	4	50
Total	$16,925	$86,324

Incentive income decreased $69.4 million, or 80.4%, to $16.9 million for the three months ended September 30, 2015, from $86.3 million for the three months ended September 30, 2014. Tax-related incentive distributions relating to tax year 2014 accounted for $13.5 million of the current-year period's $16.9 million; there were no comparable distributions in the prior-year period. Oaktree Opportunities Fund VIIb ("Opps VIIb") accounted for zero and $77.8 million of the incentive income in the current and prior-year periods, respectively.

Investment Income

A summary of investment income (loss) is set forth below:

	Three Months Ended September 30,	
	2015	2014
Income (loss) from investments in funds:	(in thousands)	
Oaktree funds:		
Corporate Debt	$(2,763)	$(1,475)
Convertible Securities	(1,257)	(712)
Distressed Debt	(30,177)	(21,774)
Control Investing	(1,156)	5,751
Real Estate	3,339	7,989
Listed Equities	(4,413)	209
Non-Oaktree funds	3,316	898
Income from investments in companies	13,161	6,753
Total investment income (loss)	$(19,950)	$(2,361)

Investment income (loss) decreased $17.6 million, to a loss of $20.0 million for the three months ended September 30, 2015, from a loss of $2.4 million for the three months ended September 30, 2014. The decline primarily reflected lower overall returns from our fund investments amid generally weaker financial markets. DoubleLine accounted for investment income of $13.2 million and $10.5 million in the current and prior-year periods, respectively, of which performance fees accounted for $1.3 million and $1.2 million, respectively.

Segment Expenses

Compensation and Benefits

Compensation and benefits decreased $2.7 million, or 2.7%, to $96.7 million for the three months ended September 30, 2015, from $99.4 million for the three months ended September 30, 2014, largely as a result of a $1.5 million decline in expense associated with our phantom equity awards stemming from the respective period's change in our Class A unit trading price.

Equity-based Compensation

Equity-based compensation increased $3.6 million, or 69.2%, to $8.8 million for the three months ended September 30, 2015, from $5.2 million for the three months ended September 30, 2014, primarily reflecting non-cash amortization expense associated with vesting of restricted unit grants made to employees and directors subsequent to our 2012 initial public offering.

Incentive Income Compensation

Incentive income compensation expense decreased $32.2 million, or 80.9%, to $7.6 million for the three months ended September 30, 2015, from $39.8 million for the three months ended September 30, 2014, primarily reflecting the 80.4% decline in incentive income.

General and Administrative

General and administrative expense increased $4.0 million, or 13.5%, to $33.7 million for the three months ended September 30, 2015, from $29.7 million for the three months ended September 30, 2014. Excluding the impact of foreign currency-related items, which stemmed primarily from foreign currency hedges used to economically hedge our non-U.S. dollar denominated management fees and expenses, general and administrative expense decreased $2.3 million, or 7.1%, to $30.1 million from $32.4 million. The decline was primarily attributable to lower legal and other professional fees.

Depreciation and Amortization

Depreciation and amortization expense increased $1.1 million, or 57.9%, to $3.0 million for the three months ended September 30, 2015, from $1.9 million for the three months ended September 30, 2014, primarily reflecting our plan to exercise an early-termination right and relocate our London office at year-end 2016, triggering accelerated amortization of existing leasehold improvements through that date.

Interest Expense, Net of Interest Income

Interest expense, net increased $1.0 million, or 13.5%, to $8.4 million for the three months ended September 30, 2015, from $7.4 million for the three months ended September 30, 2014, primarily reflecting the senior notes issued in September 2014.

Other Income (Expense), Net

Other income (expense), net was zero and income of $10,000 for the three months ended September 30, 2015 and 2014, respectively.

Adjusted Net Income

ANI decreased $74.5 million, or 78.3%, to $20.6 million for the three months ended September 30, 2015, from $95.1 million for the three months ended September 30, 2014, primarily reflecting decreases of $37.2 million in net incentive income, $17.6 million in investment income (loss) and $15.0 million in fee-related earnings.

Income Taxes-OCG

Income taxes decreased $5.4 million, or 87.1%, to $0.8 million for the three months ended September 30, 2015, from $6.2 million for the three months ended September 30, 2014. The decrease was primarily attributable to the decline in adjusted net income-OCG before income taxes. The effective tax rate applied to ANI for the three months ended September 30, 2015 and 2014 was 14% and 23%, respectively, resulting from estimated full-year effective rates of 16% and 13%. The 14% effective tax rate applied to ANI for the three months ended September 30, 2015 was based on an estimated full-year effective tax rate on income that can be reliably forecasted, combined with the tax expense in the current period on incentive income and any other income that cannot be reliably estimated. We would expect variability in tax rates between quarters and full years, because the effective tax rate is a function of the mix of income and other factors, each of which can have a material impact on the particular period's income tax expense and may vary significantly within or between years.

Nine Months Ended September 30, 2015 Compared to the Nine Months Ended September 30, 2014

Segment Revenues

Management Fees

A summary of management fees is set forth below:

	Nine Months Ended September 30,	
	2015	2014
	(in thousands)	
Management Fees:		
Closed-end funds	$377,370	$404,925
Open-end funds	135,259	128,273
Evergreen funds	42,876	38,830
Total	$555,505	$572,028

Management fees decreased $16.5 million, or 2.9%, to $555.5 million for the nine months ended September 30, 2015, from $572.0 million for the nine months ended September 30, 2014, for the reasons described below.

- Closed-end funds. Management fees attributable to closed-end funds decreased $27.5 million, or 6.8%, to $377.4 million for the nine months ended September 30, 2015, from $404.9 million for the nine months ended September 30, 2014. The decrease reflected an aggregate decline of $57.5 million primarily among closed-end funds in liquidation, partially offset by $14.1 million attributable to the Highstar acquisition, $11.2 million from closed-end funds for which management fees are based on drawn capital or NAV, and $4.7 million from CLOs. Of the $27.5 million decrease, $12.9 million reflected an unfavorable change in foreign currency exchange rates.

- Open-end funds. Management fees attributable to open-end funds increased $7.0 million, or 5.5%, to $135.3 million for the nine months ended September 30, 2015, from $128.3 million for the nine months ended September 30, 2014, primarily as a result of net inflows to Emerging Markets Equities.
- Evergreen funds. Management fees attributable to evergreen funds increased $4.1 million, or 10.6%, to $42.9 million for the nine months ended September 30, 2015, from $38.8 million for the nine months ended September 30, 2014, primarily reflecting drawdowns of capital commitments by Strategic Credit and Value Equities, partially offset by net outflows and market-value declines for Value Opportunities. The period-end weighted average annual management fee rate for evergreen funds decreased to 1.46% as of September 30, 2015, from 1.55% as of September 30, 2014, largely as a result of Strategic Credit, for which the average management fee rate is lower than 1.55%.

Incentive Income

A summary of incentive income is set forth below:

	Nine Months Ended September 30,	
	2015	2014
	(in thousands)	
Incentive Income:		
Closed-end funds	$230,948	$437,509
Evergreen funds	4	889
Total	$230,952	$438,398

Incentive income decreased $207.4 million, or 47.3%, to $231.0 million for the nine months ended September 30, 2015, from $438.4 million for the nine months ended September 30, 2014. Tax-related incentive distributions relating to tax year 2014 accounted for $142.9 million of the $231.0 million in the current-year period, down from a corresponding $219.7 million of the prior-year period’s $438.4 million. Of the remaining $88.1 million and $218.7 million for the current and prior-year periods, respectively, Opps VIIb accounted for $59.0 million and $174.6 million.

Investment Income

A summary of investment income is set forth below:

	Nine Months Ended September 30,	
	2015	2014
Income (loss) from investments in funds:	(in thousands)	
Oaktree funds:		
Corporate Debt	$13,250	$15,689
Convertible Securities	(246)	227
Distressed Debt	(34,889)	17,419
Control Investing	18,127	22,433
Real Estate	12,362	20,727
Listed Equities	4,737	6,380
Non-Oaktree funds	8,049	2,201
Income from investments in companies	35,483	13,242
Total investment income	$56,873	$98,318

Investment income decreased $41.4 million, or 42.1%, to $56.9 million for the nine months ended September 30, 2015, from $98.3 million for the nine months ended September 30, 2014, primarily reflecting lower overall returns from our fund investments. DoubleLine accounted for investment income of $40.4 million and $30.7

million in the nine months ended September 30, 2015 and 2014, respectively, of which performance fees accounted for $3.9 million and $5.3 million, respectively.

Segment Expenses

Compensation and Benefits

Compensation and benefits increased $16.1 million, or 5.5%, to $306.3 million for the nine months ended September 30, 2015, from $290.2 million for the nine months ended September 30, 2014. The increase primarily reflected growth in headcount, including the Highstar acquisition.

Equity-based Compensation

Equity-based compensation increased $13.5 million, or 94.4%, to $27.8 million for the nine months ended September 30, 2015, from $14.3 million for the nine months ended September 30, 2014, primarily reflecting non-cash amortization expense associated with vesting of restricted unit grants made to employees and directors subsequent to our 2012 initial public offering.

Incentive Income Compensation

Incentive income compensation expense decreased $80.5 million, or 38.7%, to $127.3 million for the nine months ended September 30, 2015, from $207.8 million for the nine months ended September 30, 2014. The percentage decrease was smaller than the corresponding decline of 47.3% in incentive income, primarily as a result of catch-up tax distributions related to incentive interests awarded to certain investment professionals in 2014.

General and Administrative

General and administrative expense decreased $7.4 million, or 8.1%, to $84.0 million for the nine months ended September 30, 2015, from $91.4 million for the nine months ended September 30, 2014. Excluding the impact of foreign currency-related items, which stemmed primarily from foreign currency hedges used to economically hedge our non-U.S. dollar denominated management fees and expenses, general and administrative expense decreased $7.3 million, or 7.5%, to $89.5 million from $96.8 million. The decline was primarily attributable to lower legal and professional fees and other general operating expenses, partially offset by higher placement fees.

Depreciation and Amortization

Depreciation and amortization expense increased $1.3 million, or 22.8%, to $7.0 million for the nine months ended September 30, 2015, from $5.7 million for the nine months ended September 30, 2014, primarily reflecting our plan to exercise an early-termination right and relocate our London office at year-end 2016, triggering the accelerated amortization of existing leasehold improvements through that date.

Interest Expense, Net of Interest Income

Interest expense, net increased $5.1 million, or 24.3%, to $26.1 million for the nine months ended September 30, 2015, from $21.0 million for the nine months ended September 30, 2014, primarily reflecting the senior notes issued in September 2014.

Other Income (Expense), Net

Other income (expense), net were expenses of $3.5 million and $1.7 million for the nine months ended September 30, 2015 and 2014, respectively. The current-year period primarily reflected losses associated with certain non-operating corporate activities. The prior-year period reflected a $3.0 million write-off of unamortized debt issuance costs associated with the refinancing of our corporate credit facility, partially offset by $1.5 million of income attributable to proceeds received as part of a 2010 arbitration award.

Adjusted Net Income

ANI decreased $215.5 million, or 45.2%, to $261.3 million for the nine months ended September 30, 2015, from $476.8 million for the nine months ended September 30, 2014, primarily reflecting decreases of $126.9 million in net incentive income, $41.4 million in investment income and $26.6 million in fee-related earnings.

Income Taxes-OCG

Income taxes decreased $4.8 million, or 27.4%, to $12.7 million for the nine months ended September 30, 2015, from $17.5 million for the nine months ended September 30, 2014. The decrease was primarily attributable to the decline in adjusted net income-OCG before income taxes. The effective tax rates applied to ANI for the nine months ended September 30, 2015 and 2014 were 16% and 14%, respectively. The 16% effective tax rate applied to ANI for the nine months ended September 30, 2015 was based on an estimated full-year effective tax rate on income that can be reliably forecasted, combined with the tax expense in the current period on incentive income and any other income that cannot be reliably estimated. We would expect variability in tax rates between quarters and full years, because the effective tax rate is a function of the mix of income and other factors, each of which can have a material impact on the particular period's income tax expense and may vary significantly within or between years.

Segment Statements of Financial Condition

Since our founding, we have managed our financial condition in a way that builds our capital base and maintains sufficient liquidity for known and anticipated uses of cash. We have issued debt largely to help fund our corporate investments in funds and companies, favoring longer terms to better match the multi-year nature of our typical investment. Our segment assets do not include accrued incentives (fund level), an off-balance sheet metric, nor do they reflect the fair-market value of our 20% interest in DoubleLine, which is carried at cost, as adjusted under the equity method of accounting. For a reconciliation of segment total assets to our consolidated total assets, please see the "Segment Reporting" note to our condensed consolidated financial statements included elsewhere in this quarterly report.

The following table presents our segment statements of financial condition:

	As of		
	September 30, 2015	June 30, 2015	September 30, 2014
Assets:	(in thousands)		
Cash and cash-equivalents	$417,168	$308,192	$595,610
U.S. Treasury securities	656,120	681,197	480,362
Corporate investments	1,465,195	1,560,235	1,465,211
Deferred tax assets	430,797	430,756	373,037
Receivables and other assets	263,680	269,112	331,294
Total assets	$3,232,960	$3,249,492	$3,245,514
Liabilities and Capital:			
Liabilities:			
Accounts payable and accrued expenses	$314,757	$267,925	$347,329
Due to affiliates	370,949	371,276	321,430
Debt obligations	850,000	850,000	850,000
Total liabilities	1,535,706	1,489,201	1,518,759
Capital:			
OCGH non-controlling interest in consolidated subsidiaries	1,097,164	1,146,303	1,182,870
Unitholders' capital attributable to Oaktree Capital Group, LLC	600,090	613,988	543,885
Total capital	1,697,254	1,760,291	1,726,755
Total liabilities and capital	$3,232,960	$3,249,492	$3,245,514

Corporate Investments

A summary of corporate investments is set forth below:

	As of September 30, 2015	June 30, 2015	September 30, 2014
Investments in funds:	(in thousands)		
Oaktree funds:			
Corporate Debt	$446,151	$491,685	$338,414
Convertible Securities	18,452	19,709	18,782
Distressed Debt	388,459	416,532	480,555
Control Investing	255,798	256,963	249,896
Real Estate	148,853	142,513	132,124
Listed Equities	123,152	152,914	149,395
Non-Oaktree funds	69,146	65,351	48,886
Investments in companies	15,184	14,568	47,159
Total corporate investments	$1,465,195	$1,560,235	$1,465,211

Liquidity and Capital Resources

We manage our liquidity and capital requirements by focusing on our cash flows before the consolidation of our funds and the effect of normal changes in short-term assets and liabilities. Our primary cash flow activities on an unconsolidated basis involve (a) generating cash flow from operations, (b) generating income from investment activities, including strategic investments in certain third parties, (c) funding capital commitments that we have made to our funds, (d) funding our growth initiatives, (e) distributing cash flow to our owners and (f) borrowings, interest payments and repayments under credit agreements, our senior notes and other borrowing arrangements. As of September 30, 2015, we had $1.1 billion of cash and U.S. Treasury securities and $850 million in outstanding debt. Additionally, we have a $500 million revolving credit facility available to us, which was undrawn as of September 30, 2015. Oaktree's investments in funds and companies had a carrying value of $1.5 billion as of September 30, 2015. Ongoing sources of cash, or distributable earnings, include (a) management fees, which are collected monthly or quarterly, (b) incentive income, which is volatile and largely unpredictable as to amount and timing, and (c) distributions stemming from our corporate investments in funds and companies. As of September 30, 2015, corporate investments of $1.5 billion included unrealized investment income proceeds of $300 million, of which $150 million was in closed-end funds in their liquidation period. We primarily use cash flow from operations and distributions from our corporate investments to pay compensation and related expenses, general and administrative expenses, income taxes, debt service, capital expenditures and distributions. This same cash flow, together with proceeds from equity and debt issuances, is also used to fund corporate investments, fixed assets and other capital items. If cash flow from operations was insufficient to fund distributions, we expect that we would suspend paying such distributions.

We use distributable earnings, which is derived from our segment results, to assess performance and assist in the determination of equity distributions from the Operating Group. Our quarterly distributable earnings may be affected by potential seasonal factors that may, in turn, affect the level of the cash distributions applicable to a particular quarter. For example, we generally receive tax-related incentive distributions from certain closed-end funds in the first quarter of the year, which if received generate distributable earnings in that period. Additionally, DoubleLine's corporate distributions to us may vary in length of period covered. For example, the quarterly distributions made in the second and fourth quarters typically have covered two and four months of activity, respectively. The distribution amount for any given period is likely to vary materially due to these and other factors.

Tax distributions are not required in respect of the Class A units and are only required from the Oaktree Operating Group entities if and to the extent that there is sufficient cash available for distribution. Accordingly, if there were insufficient cash flow from operations to fund quarterly or tax distributions by the Oaktree Operating Group entities, we expect that these distributions would not be made. We believe that we have sufficient access to cash from existing balances, our operations and the revolving credit facility described below to fund our operations and commitments.

Consolidated Cash Flows

The accompanying condensed consolidated statements of cash flows include our consolidated funds, despite the fact that we typically have only a minority economic interest in those funds. The assets of consolidated funds, on a gross basis, are substantially larger than the assets of our business and, accordingly, have a substantial effect on the cash flows reflected in our condensed consolidated statements of cash flows. The primary cash flow activities of our consolidated funds involve:

- raising capital from third-party investors;
- using the capital provided by us and third-party investors to fund investments and operating expenses;
- financing certain investments with indebtedness;
- generating cash flows through the realization of investments, as well as the collection of interest and dividend income; and
- distributing net cash flows to fund investors and to us.

Because most of our consolidated funds are treated as investment companies for accounting purposes, their investing cash flow amounts are included in our cash flows from operations. We believe that each of the consolidated funds and Oaktree has sufficient access to cash to fund their respective operations in the near term.

Significant amounts from our condensed consolidated statements of cash flows for the nine months ended September 30, 2015 and 2014 are discussed below.

Operating Activities

Net cash used in operating activities was $2.2 billion and $2.9 billion in the first nine months of 2015 and 2014, respectively. These amounts included, for the first nine months of 2015 and 2014, respectively, (a) net purchases of securities by the consolidated funds of $2.5 billion and $3.3 billion; (b) net realized gains on investments of the consolidated funds of $1.7 billion and $1.6 billion; and (c) changes in unrealized depreciation on investments of the consolidated funds of $3.3 billion and $168.4 million.

Investing Activities

Investing activities used $17.4 million and provided $168.5 million of cash in the first nine months of 2015 and 2014, respectively. Investing activities were primarily driven by net U.S. Treasury investment activities. Net activity from purchases, maturities and sales of U.S. Treasury securities included net purchases of $0.6 million and net proceeds of $196.2 million for the first nine months of 2015 and 2014, respectively. Corporate investments in funds and companies of $41.3 million and $23.4 million for the first nine months of 2015 and 2014, respectively, consisted of the following:

	Nine Months Ended September 30,	
	2015	2014
	(in thousands)	
Funds	$237,111	$442,457
Eliminated in consolidation	(195,822)	(423,557)
Unconsolidated companies	—	4,481
Total investments	$41,289	$23,381

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Distributions and proceeds from corporate investments in funds and companies of $45.6 million and $26.3 million for the first nine months of 2015 and 2014, respectively, consisted of the following:

	Nine Months Ended September 30, 2015	2014
	(in thousands)	
Funds	$260,190	$268,550
Eliminated in consolidation	(238,633)	(262,992)
Unconsolidated companies	24,013	20,693
Total proceeds	$45,570	$26,251

Purchases of fixed assets were $21.1 million and $4.9 million for the first nine months of 2015 and 2014, respectively. Additionally, the prior-year period included a $25.6 million payment, net of cash acquired, for the Highstar acquisition.

Financing Activities

Financing activities provided $2.1 billion and $3.9 billion of cash in the first nine months of 2015 and 2014, respectively. For the first nine months of 2015 and 2014, respectively, financing activities included (a) net contributions from non-controlling interests in consolidated funds of $59.7 million and $1.2 billion; (b) net borrowings on credit facilities of the consolidated funds of $1.5 billion and $1.9 billion; (c) distributions to unitholders of $299.5 million and $449.3 million; (d) proceeds from debt obligations issued by our CLOs of $882.6 million and $978.5 million; (e) payments for debt issuance costs of $17.2 million and $20.0 million; and (f) purchases of OCGH units, net of issuance of Class A units, of $4.5 million and $1.8 million. Additionally, the first nine months of 2014 included net proceeds associated with the refinancing of our corporate credit facility of $268.3 million.

Future Sources and Uses of Liquidity

We expect to continue to make distributions to our Class A unitholders pursuant to our distribution policy. In the future, we may also issue additional units or debt and other equity securities with the objective of increasing our available capital. In addition, we may, from time to time, repurchase our Class A units in open market or privately negotiated purchases or otherwise, or redeem our Class A units pursuant to the terms of our operating agreement.

In addition to our ongoing sources of cash that include management fees, incentive income and fund distributions related to our corporate investments in funds and companies, we also have access to liquidity through our debt financings and credit agreements. We believe that the sources of liquidity described below will be sufficient to fund our working capital requirements for at least the next twelve months.

In September 2014, our subsidiaries Oaktree Capital Management, L.P. (the “Issuer”) and Oaktree Capital I, L.P., Oaktree Capital II, L.P. and Oaktree AIF Investments, L.P. (the “Guarantors” and together with the Issuer, the “Obligors”) issued and sold to certain accredited investors $50.0 million aggregate principal amount of our 3.91% Senior Notes, Series A, due September 3, 2024 (the “Series A Notes”), $100.0 million aggregate principal amount of our 4.01% Senior Notes, Series B, due September 3, 2026 (the “Series B Notes”) and $100.0 million aggregate principal amount of our 4.21% Senior Notes, Series C, due September 3, 2029 (the “Series C Notes” and together with the Series A Notes and the Series B Notes, the “2014 Notes”) pursuant to a note and guarantee agreement (the “Note Agreement”). The 2014 Notes are senior unsecured obligations of the Issuer, guaranteed by the Guarantors on a joint and several basis. Interest on the 2014 Notes is payable semi-annually.

The Note Agreement provides for certain affirmative and negative covenants, including financial covenants relating to the Obligors’ combined leverage ratio and minimum assets under management. In addition, the Note Agreement contains customary representations and warranties of the Obligors and customary events of default, in certain cases, subject to cure periods. The Issuer may prepay all, or from time to time any part of, the 2014 Notes at any time, subject to the Issuer’s payment of the applicable make-whole amount determined with respect to such principal amount prepaid. Upon the occurrence of a change of control, the Issuer will be required to make an offer to prepay the 2014 Notes together with the applicable make-whole amount determined with respect to such principal amount prepaid.

In November 2009, our subsidiary Oaktree Capital Management, L.P. issued $250 million in aggregate principal amount of senior notes due December 2, 2019 (the "2009 Notes"). The indenture governing the 2009 Notes contains customary financial covenants and restrictions that, among other things, limit Oaktree Capital Management, L.P. and the guarantors' ability, subject to certain exceptions, to incur indebtedness secured by liens on voting stock or profit-participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The 2009 Notes do not contain financial maintenance covenants.

In addition to the 2009 Notes, as of September 30, 2015, we had two other series of senior notes outstanding, with an aggregate remaining principal balance of $100.0 million due in 2016. These senior notes contain customary financial covenants and restrictions that, among other things, restrict our subsidiaries from incurring additional indebtedness and our subsidiaries and us from merging, consolidating, transferring, leasing or selling assets, incurring certain liens and making restricted payments, subject to certain exceptions. In addition, the agreements contain the following financial covenants: (a) a maximum consolidated leverage ratio covenant that requires us and our subsidiaries to maintain a ratio, calculated by dividing consolidated total debt (for us and our subsidiaries) by Consolidated EBITDA (as defined in each agreement) for the last four fiscal quarters, below 3.0-to-1.0, (b) a maximum interest coverage ratio covenant that requires us and our subsidiaries to maintain a ratio, calculated by dividing Consolidated EBITDA for the last four fiscal quarters by consolidated interest expense (for us and our subsidiaries), below 4.0-to-1.0, and (c) an assets under management covenant that requires us to maintain assets under management above $20 billion.

In March 2014, our subsidiaries Oaktree Capital Management, L.P., Oaktree Capital II, L.P., Oaktree AIF Investments, L.P. and Oaktree Capital I, L.P. entered into a credit agreement with a bank syndicate for senior unsecured credit facilities (the "Credit Facility"), consisting of a $250 million fully-funded term loan (the "Term Loan") and a $500 million revolving credit facility (the "Revolver"), each with a five-year term. The Credit Facility replaced the amortizing term loan, which had a principal balance of $218.8 million, and the undrawn revolver under the Company's prior credit facility. The Term Loan matures in March 2019, at which time the entire principal amount of $250 million is due. Borrowings under the Credit Facility generally bear interest at a spread to either LIBOR or an alternative base rate. Based on the current credit ratings of Oaktree Capital Management, L.P., the interest rate on borrowings is LIBOR plus 1.00% per annum and the commitment fee on the unused portions of the Revolver is 0.125% per annum. Utilizing interest-rate swaps, the majority of the Term Loan's annual interest rate is fixed at 2.69% through January 2016 and 2.22% for the twelve months thereafter, based on our current credit ratings. The Credit Facility contains customary financial covenants and restrictions, including ones regarding a maximum leverage ratio of 3.0-to-1.0 and a minimum required level of assets under management (as defined in the credit agreement) of $50 billion. As of September 30, 2015, we had no outstanding borrowings under the Revolver and were able to draw the full amount available without violating any financial maintenance covenants.

We are required to maintain minimum net capital balances for regulatory purposes in the U.S. and certain non-U.S. jurisdictions in which we do business, which are met in part by retaining cash and cash-equivalents in those jurisdictions. As a result, we may be restricted in our ability to transfer cash between different jurisdictions. As of September 30, 2015, we were required to maintain approximately $65.4 million in net capital at these subsidiaries and were in compliance with all regulatory minimum net capital requirements as of such date.

Oaktree Holdings, Inc. and Oaktree AIF Holdings, Inc. have entered into a tax receivable agreement with OCGH unitholders that, as amended, provides for the payment to an exchanging or selling OCGH unitholder of 85% of the amount of cash savings, if any, in U.S. federal, state, local and foreign income taxes that they actually realize (or are deemed to realize in the case of an early termination payment by Oaktree Holdings, Inc. or Oaktree AIF Holdings, Inc., or a change of control) as a result of an increase in the tax basis of the assets owned by the Oaktree Operating Group. Assuming no material changes in the relevant tax law and that the Company earns sufficient taxable income to realize the full tax benefit of the increased amortization of the assets, as of September 30, 2015, future payments of this nature were estimated to aggregate $40.4 million over the period ending approximately in 2029 with respect to the 2007 Private Offering and $79.0 million over the period ending approximately in 2034 with respect to our initial public offering.

In May 2013, we issued and sold 8,050,000 Class A units in a public offering (the "May 2013 Offering"), resulting in $419.9 million in net proceeds to us. We did not retain any proceeds from the sale of Class A units in the May 2013 Offering, and we used the net proceeds from the May 2013 Offering to acquire interests in our business from certain

Oaktree directors, employees and other investors, including certain senior executives and other members of our senior management. The exchange of OCGH units in connection with the May 2013 Offering resulted in increases in the tax basis of the tangible and intangible assets of the Oaktree Operating Group. As a result, we recorded a deferred tax asset of $134.4 million and an associated liability of $114.2 million for payments to OCGH unitholders under the tax receivable agreement, which together increased capital by $20.2 million. As of September 30, 2015, future payments with respect to the May 2013 Offering were estimated to aggregate $109.0 million over the period ending approximately in 2035.

In March 2014, we issued and sold 5,000,000 Class A units in a public offering (the "March 2014 Offering"), resulting in $296.7 million in proceeds to us. We did not retain any proceeds from the sale of Class A units in the March 2014 Offering. The proceeds from the March 2014 Offering were used to acquire interests in our business from certain Oaktree directors, employees and other investors, including certain senior executives and other members of our senior management. The exchange of OCGH units in connection with the March 2014 Offering resulted in increases in the tax basis of the tangible and intangible assets of the Oaktree Operating Group. As a result, we recorded a deferred tax asset of $94.2 million and an associated liability of $80.0 million for payments to OCGH unitholders under the tax receivable agreement, which together increased capital by $14.1 million. As of September 30, 2015, future payments with respect to the March 2014 Offering were estimated to aggregate $80.0 million over the period ending approximately in 2036.

In March 2015, we issued and sold 4,600,000 Class A units in a public offering (the "March 2015 Offering"), resulting in $237.8 million in proceeds to us. We did not retain any proceeds from the sale of Class A units in the March 2015 Offering. The proceeds from the March 2015 Offering were used to acquire interests in our business from certain Oaktree directors, employees and other investors, including certain senior executives and other members of the Company's senior management. The exchange of OCGH units in connection with the March 2015 Offering resulted in increases in the tax basis of the tangible and intangible assets of the Oaktree Operating Group. As a result, we recorded a deferred tax asset of $73.5 million and an associated liability of $62.5 million for payments to OCGH unitholders under the tax receivable agreement, which together increased capital by $11.0 million. As of September 30, 2015, future payments with respect to the March 2015 Offering were estimated to aggregate $62.5 million over the period ending approximately in 2037.

No amounts were paid under the tax receivable agreement during the nine months ended September 30, 2015.

Contractual Obligations, Commitments and Contingencies

In the ordinary course of business, Oaktree and our consolidated funds enter into contractual arrangements that may require future cash payments. The following table sets forth information related to anticipated future cash payments as of September 30, 2015:

	Remaining Three Months of 2015	2016-2017	2018-2019	Thereafter	Total
	(in thousands)				
Oaktree and Operating Subsidiaries:					
Operating lease obligations (1)	$3,479	$20,176	$20,760	$60,490	$104,905
Debt obligations payable	—	100,000	500,000	250,000	850,000
Interest obligations on debt (2)	12,769	66,313	57,735	82,489	219,306
Tax receivable agreement	15,825	39,869	43,445	271,810	370,949
Contingent consideration (3)	31,603	—	—	—	31,603
Commitments to Oaktree and third-party funds (4)	436,614	—	—	—	436,614
Subtotal	500,290	226,358	621,940	664,789	2,013,377
Consolidated Funds:					
Debt obligations payable	6,228,361	—	—	—	6,228,361
Interest on debt obligations	38,579	—	—	—	38,579
Debt obligations of CLOs	—	51,436	97,603	2,202,233	2,351,272
Interest on debt obligations of CLOs (2)	13,559	108,335	104,714	367,741	594,349
Commitments to fund investments (5)	1,492,219	—	—	—	1,492,219
Total	$8,273,008	$386,129	$824,257	$3,234,763	$12,718,157

(1) We lease our office space under agreements that expire periodically through 2030. The table includes only guaranteed minimum lease payments for these leases and does not project other lease-related payments.

These leases are classified as operating leases for financial statement purposes and as such are not recorded as liabilities in our condensed consolidated financial statements.

(2) Interest obligations include accrued interest on outstanding indebtedness. Where applicable, current interest rates are applied to estimate future interest obligations on variable-rate debt.

(3) This represents the undiscounted contingent consideration obligation as of September 30, 2015 related to the Highstar acquisition, which is payable in a combination of cash and fully-vested OCGH units. The amount of the contingent consideration obligation is based on the achievement of certain performance targets over a period of up to seven years from the acquisition date. Due to uncertainty in the timing of payment, if any, the entire amount is presented in the 2015 column.

(4) These obligations represent commitments by us to provide general partner capital funding to our funds and limited partner capital funding to funds managed by unaffiliated third parties. These amounts are generally due on demand and are therefore presented in the 2015 column. Capital commitments are expected to be called over a period of several years.

(5) These obligations represent commitments by our funds to make investments or fund uncalled contingent commitments. These amounts are generally due either on demand or by various contractual dates that vary by investment and are therefore presented in the 2015 column. Capital commitments are expected to be called over a period of several years.

In some of our service contracts or management agreements, we have agreed to indemnify third-party service providers or separate account clients under certain circumstances. The terms of the indemnities vary from contract to contract and the amount of indemnification liability, if any, cannot be determined and has neither been included in the above table nor recorded in our condensed consolidated financial statements as of September 30, 2015.

As of September 30, 2015, none of the incentive income we had recognized was subject to clawback by the funds.

Off-Balance Sheet Arrangements

As of December 31, 2014, we leased a corporate airplane for business purposes. We were responsible for any unreimbursed costs and expenses incurred in connection with the operation, crew, registration, maintenance, service and repair of the airplane. An unaffiliated third party provided certain services with respect to the operations of the plane. On March 23, 2015, we exercised a purchase option for $12.5 million.

Critical Accounting Policies

We prepare our condensed consolidated financial statements in accordance with GAAP. In applying many of these accounting principles, we need to make assumptions, estimates or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our condensed consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates or judgments, however, are both subjective and subject to change, and actual results may differ from our assumptions and estimates. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. We believe our critical accounting policies could potentially produce materially different results if we were to change underlying assumptions, estimates or judgments. For a summary of our significant accounting policies, please see the notes to our condensed consolidated financial statements included elsewhere in this quarterly report and the notes to our consolidated financial statements in our annual report. For a summary of our critical accounting policies, please see "Management's Discussion and Analysis of Financial Condition and Result of Operations—Critical Accounting Policies" in our annual report.

The table below summarizes the investments and other financial instruments, by fund structure and fair-value hierarchy levels, held by our consolidated funds for each period presented in our condensed consolidated statements of financial condition (in thousands):

As of September 30, 2015	Level I	Level II	Level III	Total
Closed-end funds	$3,451,760	$8,518,210	$27,529,703	$39,499,673
Open-end funds	1,093,655	4,625,075	60,610	5,779,340
Evergreen funds	416,542	624,223	664,044	1,704,809
Total	$4,961,957	$13,767,508	$28,254,357	$46,983,822
As of December 31, 2014				
Closed-end funds	$4,169,235	$8,518,277	$25,497,911	$38,185,423
Open-end funds	1,084,571	4,996,824	51,174	6,132,569
Evergreen funds	721,422	730,022	742,613	2,194,057
Total	$5,975,228	$14,245,123	$26,291,698	$46,512,049

Recent Accounting Developments

Please see note 2 to our condensed consolidated financial statements included elsewhere in this quarterly report for information regarding recent accounting developments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to a broad range of risks inherent in the financial markets in which we participate, including price risk, interest-rate risk, access to and cost of financing risk, liquidity risk, counterparty risk and foreign exchange-rate risk. Potentially negative effects of these risks may be mitigated to a certain extent by those aspects of our investment approach, investment strategies, fundraising practices or other business activities that are designed to benefit, either in relative or absolute terms, from periods of economic weakness, tighter credit or financial market dislocations.

Our predominant exposure to market risk is related to our role as general partner or investment adviser to our funds and the sensitivities to movements in the fair value of their investments on management fees, incentive income and investment income. The fair value of the financial assets and liabilities of our funds may fluctuate in response to changes in, among many factors, the fair value of securities, foreign exchange rates, commodities prices and interest rates.

Price Risk

Impact on Net Change in Unrealized Appreciation (Depreciation) on Consolidated Funds' Investments

As of September 30, 2015, we had investments at fair value of $47.7 billion related to our consolidated funds. We estimate that a 10% decline in market values would result in a decrease in unrealized appreciation on the consolidated funds' investments of $4.8 billion. Inasmuch as this effect would primarily be attributable to non-controlling interests, net income attributable to Oaktree Capital Group, LLC would be largely unaffected.

Impact on Segment Management Fees

Management fees are generally assessed in the case of (a) our open-end and evergreen funds, based on NAV; and (b) our closed-end funds, based on committed capital or drawn capital during the investment period and, during the liquidation period, based on the lesser of (i) the total funded committed capital or (ii) the cost basis of assets remaining in the fund. Management fees are affected by short-term changes in market values to the extent they are based on NAV, in which case the effect is prospective. For the nine months ended September 30, 2015 and 2014, NAV-based management fees represented approximately 36% and 33%, respectively, of total management fees. Based on investments held as of September 30, 2015, we estimate that a 10% decline in market values of the investments held in our funds would result in an approximate $6.6 million decrease in the amount of quarterly management fees. These estimated effects are without regard to a number of factors that would be expected to increase or decrease the magnitude of the change to degrees that are not readily quantifiable, such as the use of leverage facilities in certain of our funds or the timing of fund flows.

Impact on Segment Incentive Income

Incentive income is recognized only when it is known or knowable, which in the case of (a) our closed-end funds, generally occurs only after all contributed capital and an annual preferred return on that capital (typically 8%) have been distributed to the fund's investors and (b) our active evergreen funds, generally occurs as of December 31, based on the increase in the fund's NAV during the year, subject to any high-water marks or hurdle rates. In the case of closed-end funds, the link between short-term fluctuations in market values and a particular period's incentive income is indirect at best and, in certain cases, non-existent. Thus, the effect on incentive income of a 10% decline in market values is not readily quantifiable. Over a number of years, a decline in market values would be expected to cause a decline in incentive income.

Impact on Segment Investment Income

Investment income or loss arises from our pro-rata share of income or loss from our investments, generally in our capacity as general partner in our funds and as an investor in our CLOs and third-party managed funds or companies. This income is directly affected by changes in market risk factors. Based on investments held as of September 30, 2015, a 10% decline in fair values of the investments held in our funds and other holdings would result in a $279.2 million decrease in the amount of investment income. The estimated decline of $279.2 million is greater than 10% of the September 30, 2015 corporate investments balance primarily because of our investments in levered senior loan products. These estimated effects are without regard to a number of factors that would be expected to increase or decrease the magnitude of the change to degrees that are not readily quantifiable, such as the use of leverage facilities in certain of our funds, the timing of fund flows or the timing of new investments or realizations.

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Exchange-rate Risk

Our business is affected by movements in the rate of exchange between the U.S. dollar and non-U.S. dollar currencies in the case of (a) management fees that vary based on the NAV of our funds that hold investments denominated in non-U.S. dollar currencies, (b) management fees received in non-U.S. dollar currencies, (c) operating expenses for our foreign offices that are denominated in non-U.S. dollar currencies and (d) cash balances we hold in non-U.S. dollar currencies. We manage our exposure to exchange-rate risks through our regular operating activities and, when appropriate, through the use of derivative instruments.

We estimate that for the nine months ended September 30, 2015, without considering the impact of derivative instruments, a 10% decline in the average rate of exchange of the U.S. dollar would have resulted in the following approximate effects on our segment results:

- our management fees (relating to (a) and (b) above) would have increased by $7.8 million;
- our operating expenses would have increased by $10.2 million;
- OCGH interest in net income of consolidated subsidiaries would have decreased by $1.6 million; and
- our income tax expense would have decreased by $0.3 million.

These movements would have decreased our net income attributable to OCG by $0.5 million.

At any point in time, some investments held in the closed-end and evergreen funds are carried in non-U.S. dollar currencies on an unhedged basis. Changes in currency rates could affect incentive income, incentives created (fund level) and investment income for closed-end and evergreen funds, although the degree of impact is not readily determinable because of the many indirect effects that currency movements may have on individual investments.

Credit Risk

We are party to agreements providing for various financial services and transactions that contain an element of risk in the event that the counterparties are unable to meet the terms of such agreements. In such agreements, we depend on the respective counterparty to make payment or otherwise perform. We generally endeavor to minimize our risk of exposure by limiting to reputable financial institutions the counterparties with which we enter into financial transactions. In other circumstances, availability of financing from financial institutions may be uncertain due to market events, and we may not be able to access these financing markets.

Interest-rate Risk

As of September 30, 2015, Oaktree and its operating subsidiaries had $850.0 million in debt obligations consisting of four senior notes issuances and a funded term loan. Each senior notes issuance accrues interest at a fixed rate. The funded term loan accrues interest at a variable rate; however, we entered into interest-rate swaps that effectively converted the majority of the term loan's floating interest rate to fixed through January 2017. As a result, for the nine months ended September 30, 2015, there would not have been a material impact to interest expense of Oaktree and its operating subsidiaries resulting from a 100-basis point increase in interest rates. Of the $1.1 billion of aggregate segment cash and U.S. Treasury securities as of September 30, 2015, we estimate that Oaktree and its operating subsidiaries would generate an additional $10.8 million in interest income on an annualized basis as a result of a 100-basis point increase in interest rates.

Our consolidated funds have debt obligations that include revolving credit agreements, debt issued by our CLOs and certain other investment financing arrangements. Most of these debt obligations accrue interest at variable rates, and changes in these rates would affect the amount of interest payments that we would have to make, impacting future earnings and cash flows. As of September 30, 2015, $8.6 billion was outstanding under these debt obligations. We estimate that interest expense relating to variable-rate debt would increase on an annualized basis by $84.3 million in the event interest rates were to increase by 100 basis points.

As credit-oriented investors, we are also subject to interest-rate risk through the securities we hold in our consolidated funds. A 100-basis point increase in interest rates would be expected to negatively affect prices of securities that accrue interest income at fixed rates and therefore negatively impact the net change in unrealized appreciation (depreciation) on consolidated funds' investments. The actual impact is dependent on the average duration of such holdings. Conversely, securities that accrue interest at variable rates would be expected to benefit from a 100-basis point increase in interest rates because these securities would generate higher levels of current income and therefore positively impact interest and dividend income. Inasmuch as these effects are almost entirely attributable to non-controlling interests, net income attributable to OCG would largely be unaffected. In cases

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where our funds pay management fees based on NAV, we would expect our segment management fees to experience a change in direction and magnitude corresponding to that experienced by the underlying portfolios.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC 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 timely decisions regarding required disclosure. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon 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. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are effective at the reasonable assurance level to accomplish their objectives of ensuring that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC 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 timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

No changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during our most recent quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of legal proceedings, please see the section entitled “Legal Actions” in note 13 to our condensed consolidated financial statements included elsewhere in this quarterly report, which section is incorporated herein by reference.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, please see the information under “Risk Factors” in our annual report. There have been no material changes to the risk factors disclosed in our annual report.

The risks described in our annual report are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations.

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

Under our operating agreement, we are required to issue one Class B unit for each OCGH unit issued. Accordingly, during the third quarter of 2015, we issued an aggregate of 187,721 Class B units to OCGH which corresponded to the number of OCGH units issued by OCGH to certain of our employees pursuant to our 2011 Equity Incentive Plan, subject to time-based vesting.

No purchase price was paid by OCGH to the Company for the issuances of the Class B units to OCGH. These issuances, to the extent they constitute sales, were exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act, as transactions by an issuer not involving any public offering.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Fund Data

Information regarding our closed-end, open-end and evergreen funds, together with benchmark data where applicable, is set forth below. For our closed-end and evergreen funds, no benchmarks are presented in the tables as there are no known comparable benchmarks for these funds’ investment philosophy, strategy and implementation.

Closed-end Funds

As of September 30, 2015

	Investment Period											IRR Since Inception (4)		
	Start Date	End Date	Total Committed Capital	Drawn Capital (1)	Fund Net Income Since Inception	Distri-butions Since Inception	Net Asset Value	Manage-ment Fee-gener-ating AUM	Oaktree Segment Incentive Income Recog-nized	Accrued Incentives (Fund Level) (2)	Unreturned Drawn Capital Plus Accrued Preferred Return (3)	Gross	Net	Mu of Dra Cap (5)
	(in millions)													
Distressed Debt														
Oaktree Opportunities Fund Xb	TBD	—	$7,042	$—	$—	$—	$—	$—	$—	$—	$—	n/a	n/a	n/a
Oaktree Opportunities Fund X (6)	TBD (7)	—	2,808	211	(12)	—	199	205	—	—	214	nm	nm	1.0
Oaktree Opportunities Fund IX	Jan. 2014	Jan. 2017	5,066	4,813	(235)	3	4,575	4,966	—	—	5,399	0.1 %	(3.4)%	1.0
Oaktree Opportunities Fund VIIIb	Aug. 2011	Aug. 2014	2,692	2,692	550	643	2,599	2,319	52	—	2,809	9.1	5.7	1.3
Special Account B	Nov. 2009	Nov. 2012	1,031	1,094	497	950	641	642	15	—	564	14.0	11.6	1.5
Oaktree Opportunities Fund VIII	Oct. 2009	Oct. 2012	4,507	4,507	2,033	3,945	2,595	2,236	143	252	2,152	13.1	8.9	1.6
Special Account A	Nov. 2008	Oct. 2012	253	253	291	463	81	75	42	16	—	28.7	23.2	2.2
OCM Opportunities Fund VIIb	May 2008	May 2011	10,940	9,844	8,767	17,328	1,283	1,491	1,453	251	—	22.1	16.8	2.0
OCM Opportunities Fund VII	Mar. 2007	Mar. 2010	3,598	3,598	1,438	4,597	439	783	81	—	550	10.3	7.6	1.5
OCM Opportunities Fund VI	Jul. 2005	Jul. 2008	1,773	1,773	1,307	2,833	247	380	134	121	—	12.0	8.8	1.8
OCM Opportunities Fund V	Jun. 2004	Jun. 2007	1,179	1,179	954	2,049	84	—	170	17	—	18.5	14.1	1.9
Legacy funds (8).	Various	Various	9,543	9,543	8,199	17,695	47	—	1,113	10	—	24.2	19.3	1.9
												22.2 %	16.5 %	
Real Estate Opportunities														
	TBD	—	$1,629	$—	$—	$—	$—	$96	$—	$—	$—	n/a	n/a	n/a

Oaktree Real Estate Opportunities Fund VII														
Oaktree Real Estate Opportunities Fund VI	Aug. 2012	Aug. 2016	2,677	2,677	863	52	3,488	2,610	2	164	2,986	23.3%	15.6 %	1.4
Oaktree Real Estate Opportunities Fund V	Mar. 2011	Mar. 2015	1,283	1,283	866	913	1,236	618	30	135	771	19.2	14.1	1.8
Special Account D	Nov. 2009	Nov. 2012	256	263	170	254	179	93	2	15	118	15.4	13.2	1.7
Oaktree Real Estate Opportunities Fund IV	Dec. 2007	Dec. 2011	450	450	382	556	276	174	15	57	106	16.6	11.3	2.0
OCM Real Estate Opportunities Fund III	Sep. 2002	Sep. 2005	707	707	637	1,290	54	—	115	11	—	15.5	11.5	2.0
Legacy funds [8].	Various	Various	1,634	1,610	1,399	3,009	—	—	112	—	—	15.2	12.0	1.9
												15.8%	12.3 %	
Real Estate Debt														
Oaktree Real Estate Debt Fund [9].	Sep. 2013	Sep. 2016	$1,112	$173	$37	$27	$183	$189	$—	$5	$157	24.6%	17.6 %	1.3
Oaktree PPIP Fund [10] .	Dec. 2009	Dec. 2012	2,322	1,113	457	1,570	—	—	47	—	—	28.2	n/a	1.4
European Principal Investments [11]														
Oaktree European Principal Fund III	Nov. 2011	Nov. 2016	€3,164	€2,650	€1,128	€284	€3,494	€3,228	€—	€219	€2,821	23.2%	14.9 %	1.5
OCM European Principal Opportunities Fund II	Dec. 2007	Dec. 2012	€1,759	€1,685	€809	€1,475	€1,019	€1,041	€29	€69	€926	12.7	8.3	1.6
OCM European Principal Opportunities Fund	Mar. 2006	Mar. 2009	$495	$473	$452	$822	$103	$93	$30	$57	$—	11.7	8.9	2.1

												15.1%	10.3 %	
European Private Debt														
Oaktree European Dislocation Fund [9].	Oct. 2013	Oct. 2016	€294	€157	€18	€49	€126	€144	€—	€3	€115	25.7%	18.1%	1.1
Special Account E	Oct. 2013	Apr. 2015	€379	€261	€34	€31	€264	€233	€—	€5	€250	14.9	11.4	1.1
												17.6%	13.1%	

100

	Investment Period		As of September 30, 2015									IRR Since Inception [4]		
	Start Date	End Date	Total Committed Capital	Drawn Capital [1]	Fund Net Income Since Inception	Distributions Since Inception	Net Asset Value	Management Fee-generating AUM	Oaktree Segment Incentive Income Recognized	Accrued Incentives (Fund Level) [2]	Unreturned Drawn Capital Plus Accrued Preferred Return [3]	Gross	Net	Mu of Dr Ca [5]
	(in millions)													
Global Principal Investments														
Oaktree Principal Fund VI [6]	TBD [7]	—	$1,083	$97	$23	$26	$94	$95	$—	$5	$73	nm	nm	1.3
Oaktree Principal Fund V	Feb. 2009	Feb. 2015	2,827	2,586	571	1,103	2,054	1,839	50	—	2,309	10.4 %	6.2 %	1.3
Special Account C	Dec. 2008	Feb. 2014	505	460	236	297	399	389	16	30	332	13.8	9.6	1.6
OCM Principal Opportunities Fund IV	Oct. 2006	Oct. 2011	3,328	3,328	2,013	3,438	1,903	1,207	22	135	1,736	10.9	8.1	1.7
OCM Principal Opportunities Fund III	Nov. 2003	Nov. 2008	1,400	1,400	876	2,159	117	—	147	22	—	13.9	9.5	1.8
Legacy funds [8].	Various	Various	2,301	2,301	1,839	4,137	3	—	236	1	—	14.5	11.6	1.8
												13.1 %	9.6 %	
Power Opportunities														
Oaktree Power Opportunities Fund IV	TBD	—	$1,106	$—	$—	$—	$—	$—	$—	$—	$—	n/a	n/a	n/a
Oaktree Power Opportunities Fund III	Apr. 2010	Apr. 2015	1,062	649	227	362	514	447	—	43	419	20.4 %	10.9 %	1.5
OCM/GFI Power Opportunities Fund II	Nov. 2004	Nov. 2009	1,021	541	1,453	1,982	12	—	100	1	—	76.1	58.8	3.9
OCM/GFI Power Opportunities Fund	Nov. 1999	Nov. 2004	449	383	251	634	—	—	23	—	—	20.1	13.1	1.8

												34.7 %	26.6 %	
Infrastructure Investing														
Highstar Capital IV [12].	Nov. 2010	Nov. 2016	$2,346	$1,858	$305	$302	$1,861	$1,882	$—	$—	$1,499	14.7 %	7.5 %	1.3
Mezzanine Finance														
Oaktree Mezzanine Fund IV [6] [9]	Oct. 2014	Oct. 2019	$647	$132	$4	$3	$133	$127	$—	$—	$136	nm	nm	1.1
Oaktree Mezzanine Fund III [13].	Dec. 2009	Dec. 2014	1,592	1,423	334	1,146	611	559	1	23	584	15.3 %	10.4% / 8.1%	
OCM Mezzanine Fund II	Jun. 2005	Jun. 2010	1,251	1,107	525	1,396	236	257	—	—	245	11.4	7.9	1.6
OCM Mezzanine Fund [14].	Oct. 2001	Oct. 2006	808	773	302	1,073	2	—	38	—	—	15.4	10.8 / 10.5	1.5
												13.3 %	8.9 %	
Emerging Markets Opportunities														
Oaktree Emerging Market Opportunities Fund	Sep. 2013	Sep. 2016	$384	$162	$(23)	$—	$139	$364	$—	$—	$179	(7.6)%	(11.2)%	0.9
Special Account F	Jan. 2014	Jan. 2017	253	112	(16)	—	96	95	—	—	123	(9.0)	(11.2)	0.9
				70,873 [11]				29,417 [11]		1,701 [11]		(8.1)%	(11.2)%	
		Other [15]		11,795				7,437		31				
		Total [16]		$82,668 [17]				$36,854		$1,732				

(1) Drawn capital reflects the capital contributions of investors in the fund, net of any distributions to such investors of uninvested capital.

(2) Accrued incentives (fund level) exclude Oaktree segment incentive income previously recognized.

(3) Unreturned drawn capital plus accrued preferred return reflects the amount the fund needs to distribute to its investors as a return of capital and a preferred return (as applicable) before Oaktree is entitled to receive incentive income (other than tax distributions) from the fund.

(4) The internal rate of return ("IRR") is the annualized implied discount rate calculated from a series of cash flows. It is the return that equates the present value of all capital invested in an investment to the present value of all returns of capital, or the discount rate that will provide a net present value of all cash flows equal to zero. Fund-level IRRs are calculated based upon the actual timing of cash contributions/distributions to investors and the residual value of such investor's capital accounts at the end of the applicable period being measured. Gross IRRs reflect returns before allocation of management fees, expenses and any incentive allocation to the fund's general partner. To the extent material, gross returns include certain transaction, advisory, directors or other ancillary fees ("fee income") paid directly to us in connection with our funds' activities (we credit all such fee income back to the respective fund(s) so that our funds' investors share pro rata in the fee income's economic benefit). Net IRRs reflect returns to

non-affiliated investors after allocation of management fees, expenses and any incentive allocation to the fund’s general partner.

(5) Multiple of drawn capital is calculated as drawn capital plus gross income and, if applicable, fee income before fees and expenses divided by drawn capital.

(6) The IRR is not considered meaningful (“nm”) as the period from the initial capital contribution through September 30, 2015 was less than 18 months.

(7) As of September 30, 2015, Oaktree has not yet commenced the fund's investment period and, as a result, as of September 30, 2015 management fees were assessed only on the drawn capital, and management fee-generating AUM included only that portion of committed capital.

(8) Legacy funds represent certain predecessor funds within the relevant strategy that have substantially or completely liquidated their assets, including funds managed by certain Oaktree investment professionals while employed at the Trust Company of the West prior to Oaktree’s founding in 1995. When these employees joined Oaktree upon, or shortly after, its founding, they continued to manage the fund through the end of its term pursuant to a sub-advisory relationship between the Trust Company of the West and Oaktree.

(9) Management fees during the investment period are calculated on drawn, rather than committed, capital. As a result, as of September 30, 2015 management fee-generating AUM included only that portion of committed capital that had been drawn.

(10) Due to the differences in allocations of income and expenses to this fund’s two primary limited partners, the U.S. Treasury and Oaktree PPIP Private Fund, a combined net IRR is not presented. Oaktree PPIP Fund had liquidated all of its investments and made its final liquidating distribution as of December 31, 2013. Oaktree PPIP Fund and Oaktree PPIP Private Fund were dissolved as of December 31, 2013. Of the $2,322 million in capital commitments, $1,161 million related to the Oaktree PPIP Private Fund. The gross and net IRR for the Oaktree PPIP Private Fund were 24.7% and 18.6%, respectively.

(11) Aggregate IRRs or totals are based on the conversion of cash flows or amounts, respectively, from Euros to USD using the September 30, 2015 spot rate of $1.12.

(12) The fund includes co-investments of $461 million in AUM for which we earn no management fees or incentive allocation. Those co-investments have been excluded from the calculation of gross and net IRR, as well as the unreturned drawn capital plus accrued preferred return amount and multiple of drawn capital. The fund follows the American-style distribution waterfall, whereby the general partner may receive an incentive allocation as soon as it has returned the drawn capital and paid a preferred return on the fund's realized investments (i.e., on a deal-by-deal basis). However, such cash distributions of incentives may be subject to repayment, or clawback. As of September 30, 2015, Oaktree had not recognized any incentive income from this fund. Additionally, under the terms of the Highstar acquisition, Oaktree is effectively entitled to approximately 8% of the potential incentives generated by this fund.

(13) The fund's partnership interests are divided into Class A and Class B interests, with the Class A interests having priority with respect to the distribution of current income and disposition proceeds. The net IRR for Class A interests was 10.4% and Class B interests was 8.1%. The combined net IRR for Class A and Class B interests was 9.5%.

(14) The fund's partnership interests are divided into Class A and Class B interests, with the Class A interests having priority with respect to the distribution of current income and disposition proceeds. The net IRR for Class A interests was 10.8% and Class B interests was 10.5%. The combined net IRR for the Class A and Class B interests was 10.6%.

(15) This includes our closed-end Senior Loan funds, Oaktree Asia Special Situations Fund, OCM Asia Principal Opportunities Fund, CLOs, one separate account and, in the case of management fee-generating AUM and accrued incentives (fund level), a non-Oaktree fund, one separate account, two co-investments and certain evergreen separate accounts in our Real Estate Debt, Emerging Markets Opportunities and Emerging Markets Total Return strategies.

(16) This excludes two closed-end funds with management fee-generating AUM aggregating $510 million as of September 30, 2015, which has been included as part of the Strategic Credit strategy within the evergreen funds table, and includes certain evergreen separate accounts in our Real Estate Debt, Emerging Markets Opportunities and Emerging Markets Total Return strategies with an aggregate $337 million of management fee-generating AUM.

(17) The aggregate change in drawn capital for the three months ended September 30, 2015 was $1.8 billion.

Open-end Funds

	Strategy Inception	Management Fee-generating AUM as of Sept. 30, 2015 (in millions)	Twelve Months Ended September 30, 2015 Rates of Return [1] Oaktree Gross	Net	Relevant Benchmark	Since Inception through September 30, 2015 Annualized Rates of Return [1] Oaktree Gross	Net	Relevant Benchmark	Sharpe Ratio Oaktree Gross	Relevant Benchmark
U.S. High Yield Bonds	Jan. 1986	$ 15,313	(2.8)%	(3.3)%	(4.4)%	9.3 %	8.8 %	8.3 %	0.77	0.53
Global High Yield Bonds	Nov. 2010	4,249	(2.5)	(3.0)	(3.2)	6.6	6.0	5.7	0.98	0.91
European High Yield Bonds	May 1999	1,143	1.5	1.0	0.8	7.9	7.4	6.0	0.65	0.38
U.S. Convertibles	Apr. 1987	4,488	(3.6)	(4.1)	(2.2)	9.5	9.0	8.0	0.48	0.34
Non-U.S. Convertibles	Oct. 1994	2,297	3.7	3.2	5.2	8.6	8.0	5.8	0.78	0.40
High Income Convertibles	Aug. 1989	876	1.6	0.9	(4.5)	11.5	10.6	8.0	1.03	0.56
U.S. Senior Loans	Sept. 2008	2,696	(0.8)	(1.3)	1.2	6.2	5.7	5.2	1.07	0.59
European Senior Loans	May 2009	1,564	2.8	2.2	3.2	8.9	8.4	10.0	1.68	1.76
Emerging Markets Equities	Jul. 2011	3,214	(24.8)	(25.4)	(19.3)	(5.8)	(6.5)	(6.0)	(0.30)	(0.33)
Total		$ 35,840								

(1) Returns represent time-weighted rates of return, including reinvestment of income, net of commissions and transaction costs. The returns for Relevant Benchmarks are presented on a gross basis.

Evergreen Funds

	Strategy Inception	As of September 30, 2015 AUM (in millions)	Management Fee-generating AUM	Accrued Incentives (Fund Level)	Twelve Months Ended September 30, 2015 Rates of Return [1] Gross	Net	Since Inception through September 30, 2015 Annualized Rates of Return [1] Gross	Net
Strategic Credit [2].	Jul. 2012	$3,040	$ 2,022	$ n/a	(5.7)%	(6.4)%	8.0 %	5.8 %
Value Opportunities	Sept. 2007	1,511	1,453	— [3]	(14.8)	(16.1)	9.5	5.2
Value Equities [4].	Apr. 2014	311	197	— [3]	nm	nm	nm	nm
	Apr. 1997	142	123	— [3]	(8.3)	(8.8)	13.3	8.9

Emerging Markets Absolute Return		
	3,795	—
Restructured funds [5]	—	5
Total [2][6]	$ 3,795	$5

(1) Returns represent time-weighted rates of return.

(2) Includes two closed-end funds with an aggregate $756 million and $510 million of AUM and management fee-generating AUM, respectively.

(3) As of September 30, 2015, the aggregate depreciation below high-water marks previously established for individual investors in the fund totaled approximately $223 million for Value Opportunities, $18 million for Value Equities and $13 million for Emerging Markets Absolute Return.

(4) Rates of return are not considered meaningful ("nm") because the since-inception period as of September 30, 2015 was less than 18 months.

(5) Oaktree manages three restructured evergreen funds that are in liquidation: Oaktree European Credit Opportunities Fund, Oaktree High Yield Plus Fund and Oaktree Japan Opportunities Fund (Yen class). As of September 30, 2015, these funds had gross and net IRRs since inception of (2.2)% and (4.7)%, 7.5% and 5.2%, and (4.9)% and (5.8)%, respectively, and in the aggregate had AUM of $107 million. Additionally, Oaktree High Yield Plus Fund had accrued incentives (fund level) of $5 million as of September 30, 2015.

(6) Total excludes certain evergreen separate accounts in our Real Estate Debt, Emerging Markets Opportunities and Emerging Markets Total Return strategies with an aggregate $337 million of management fee-generating AUM as of September 30, 2015.

Item 6. Exhibits

For a list of exhibits filed with this report, refer to the Exhibits Index on the page immediately preceding the exhibits, which Exhibit Index is incorporated herein by reference.

SIGNATURE

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

Date: November 5, 2015

Oaktree Capital Group, LLC

By: /s/ Susan Gentile

Name: Susan Gentile

Title: Chief Accounting Officer and Managing Director and Authorized Signatory

EXHIBITS INDEX

Exhibit No.	Description of Exhibit
3.1	Restated Certificate of Formation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1, filed with the SEC on June 17, 2011).
3.2	Third Amended and Restated Operating Agreement of the Registrant dated as of August 31, 2011 (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-1, filed with the SEC on September 2, 2011).
3.3	Amendment to Third Amended and Restated Operating Agreement of the Registrant dated as of March 29, 2012 (incorporated by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form S-1, filed with the SEC on March 30, 2012).
31.1	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.