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**PART 2A OF FORM ADV: FIRM BROCHURE**

**FIG LLC**  
**(d/b/a Fortress Investment Group)**

A Delaware Limited Liability Company registered with the U.S. Securities and Exchange Commission as an Investment Adviser

March 31, 2011

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*This brochure provides information about the qualifications and business practices of FIG LLC (d/b/a Fortress Investment Group). If you have any questions about the contents of this brochure, please contact us at (212) 798-6100. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.*

*Additional information about FIG LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)*

*Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

## **ITEM 2**

### **Material Changes**

In 2010, the United States Securities and Exchange Commission (the “SEC”) amended the disclosure document that investment advisers provide to their clients. This brochure, dated March 31, 2011, is a new disclosure document prepared according to the SEC’s amendments. This brochure is different in structure and requires new information that our previous brochure did not require. FIG LLC (and its other SEC registered investment advisory affiliates) will update this brochure: (1) annually, and (2) promptly when certain information becomes materially inaccurate. In the future, this section will contain a discussion of any material changes to the brochure since the last annual update.

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## **ITEM 4**

### **ADVISORY BUSINESS**

Founded in 1998 and headquartered in New York, Fortress Investment Group LLC and its affiliates (collectively “Fortress”) is a global asset manager that raises, invests and manages private equity funds, hedge funds and publicly traded alternative investment vehicles. Fortress also provides alternative investment management services to institutional managed accounts. In addition, Fortress provides traditional fixed income asset management services to institutional clients, hedge funds and open-end mutual funds. Fortress Investment Group LLC is a publicly traded holding company, listed on the New York Stock Exchange (NYSE: FIG), and had its initial public offering in February 2007. As of December 31, 2010, Fortress employed approximately 900 people.

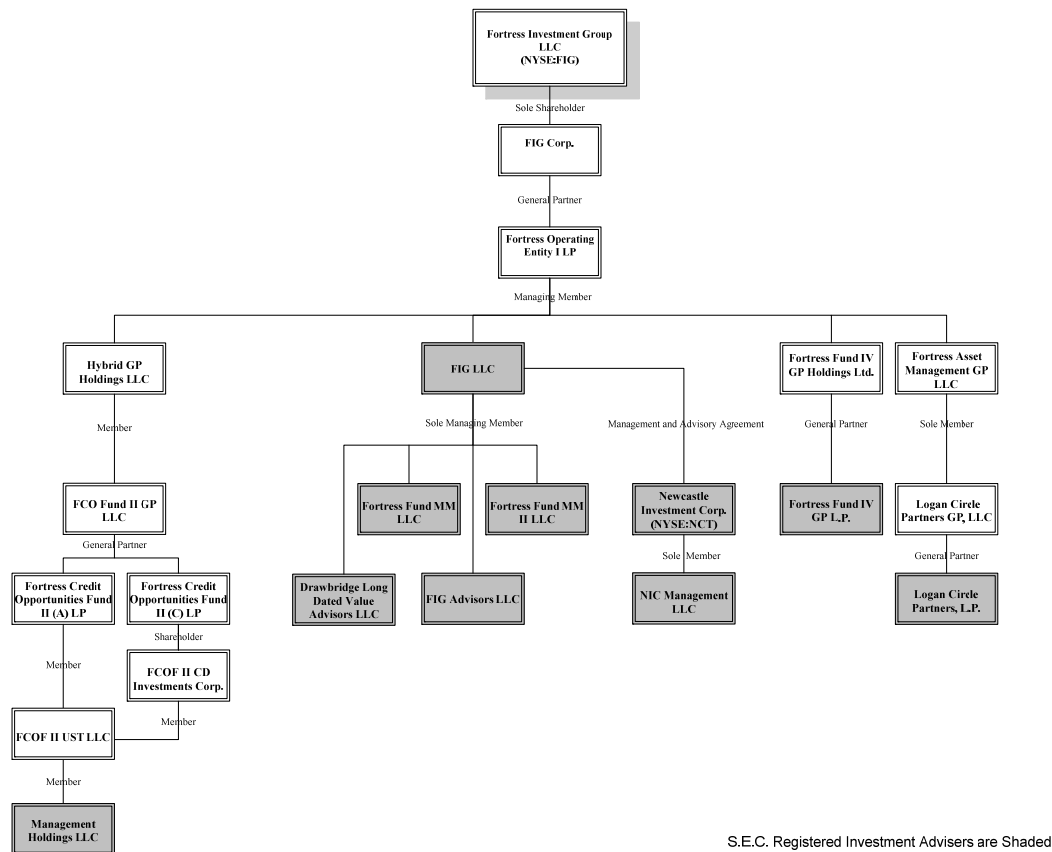
#### *Fortress’s Registered Advisors*

Fortress conducts its investment management business through its subsidiary, FIG LLC, and through a variety of other investment advisory affiliates, all of which are either wholly owned by or under common control with FIG LLC (801-62982) (each an “Investment Advisory Affiliate”) and either registered with the SEC or conduct themselves as though they were so registered. As such, this Form ADV Part 2 is intended to be comprehensive with respect to the investment advisory activities of FIG LLC and all of its Investment Advisory Affiliates. With respect to Logan Circle Partners, L.P. and CWC Capital Investments LLC, which are under common control with, and advisory affiliates of, FIG LLC, they filed separate ADV Parts 1 and 2, which are available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The Investment Advisory Affiliates that are currently registered with the SEC pursuant to the U.S. Investment Advisers Act of 1940, in addition to FIG LLC, include: (i) FIG Advisors LLC (801-56886); (ii) Fortress Fund MM LLC (801-57084); (iii) Fortress Fund MM II LLC (801-61456); (iv) Fortress Fund IV GP L.P. (801-66828); (v) Drawbridge Long Dated Value Advisors LLC (801-66928); (vi) Logan Circle Partners, L.P. (801-67753); (vii) Management Holdings LLC (801-71906); (viii) CWC Capital Investments LLC (801-69737); and (ix) NIC Management LLC (801-72108). This Form ADV also serves as the Form ADV Part 2 for Newcastle Investment Corp., a publicly held company traded on the NYSE (NYSE: NCT) that is applying for SEC registration contemporaneously with the filing of this Form ADV Part 2. The information contained herein is more comprehensive than the information that would be found in a separate Form ADV Part 2 prepared for each individual SEC registered Investment Advisory Affiliate. For ease of reference, the term “Fortress” is used throughout this brochure and should be understood to include FIG LLC and, where applicable, all of its various Investment Advisory Affiliates with the exception of Logan Circle Partners, L.P. (“Logan Circle”) and CWC Capital Investments LLC, which have their own brochures.

### Principal Owners of Fortress's SEC Registered Investment Advisory Affiliates

An organization chart depicting the “principal owners” of Fortress’s SEC registered Investment Advisory Affiliates is set forth below.



### Fortress's Advisory Services

Fortress has four primary business lines as follows:

#### *Private Equity*

The private equity business manages a series of funds that make significant, primarily control-oriented investments in North America and Western Europe, with a focus on acquiring and building asset-based businesses with significant cash flows.

#### *The Castle Entities*

Fortress manages two publicly traded companies, Newcastle Investment Corp. (NYSE: NCT) and Eurocastle Investment Limited (Euronext Amsterdam: ECT), which currently invest in real estate, real estate securities and other real estate-related assets (collectively referred to herein as the “Castle Entities”).

## *Credit*

The Credit business invests globally in credit and assets and includes both private equity style credit focused funds and hedge fund structures. The Credit business includes the following: hedge funds focused on making highly diversified investments globally in undervalued and distressed assets, including loans, assets and corporate securities; hedge funds focused on investments in private investment funds as well as direct investments; closed end funds that focus on opportunistic investments in distressed and undervalued credit and assets; closed end funds that invest in real estate loans and related assets in Japan; closed end funds focused on undervalued assets with long dated cash flows; closed end funds focused on direct investments in real estate, capital assets, natural resources and intellectual property; closed end funds focused on investing in portfolios of life insurance policies; and closed end funds that focus on investments in net leased commercial real estate and related assets.

## *Liquid Markets*

The Liquid Markets business manages a numbers of hedge funds that may invest globally in, among other things, fixed income, currency, equity and commodity markets and related derivatives to capitalize on imbalances in the financial markets.

## *Traditional Asset Management*

Fortress's Traditional Asset Management Business has multiple strategies involving single investor managed accounts and a limited number of funds, including core/core plus, short, intermediate and long duration, corporate and high yield.<sup>1</sup>

## *Fortress Clients*

For the most part, Fortress's Clients can be broadly categorized as either (i) pooled investment vehicles that are structured as limited partnerships, limited liability companies or corporations and which comply with Section 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940 (the "Investment Company Act"), for the purpose of pursuing one or more alternative asset investment strategies, which may be either limited life entities, such as Fortress's private equity funds, or "open-end", perpetual life entities, such as Fortress's hedge funds (collectively, the "Private Funds"); (ii) single investor managed accounts or funds, the investment strategies of which typically parallel all or a portion of the investment strategies of one of the Private Funds ("Managed Accounts"); (iii) entities organized for the purposes of investing in real estate, real estate securities and other real estate-related assets, and are themselves publicly traded vehicles (the "Castle Entities"); and (iv) structured products for which Fortress serves as the collateral manager ("Structured Products"). The Private Funds, taken together with the Managed Accounts, Castle Entities and Structured Products, are referred to throughout this brochure as the "Clients."

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<sup>1</sup> Additional information regarding Fortress's Traditional Asset Management business may be found in Logan Circle Partners, L.P.'s brochure, which is available upon request or by accessing the following link: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

Fortress also provides investment advisory services to Investment Advisory Affiliates that are wholly owned by Fortress Clients (*e.g.*, Management Holdings LLC and NIC Management LLC). In other words, in limited circumstances, Fortress Clients themselves own investment advisers that Fortress employees provide services to. In these circumstances, any compensation received for services provided to clients of the Investment Advisory Affiliate is retained by such Investment Advisory Affiliate or the Fortress Clients that own such Investment Advisory Affiliate.

#### *Customized Services for Individual Clients*

As described above, Fortress provides investment advisory management services to a number of institutional Managed Accounts, which, unlike the Private Funds described above, are generally formed for the specific purpose of managing the assets of a single institutional investor. The investment strategies for the Managed Accounts may, and generally do, parallel all or a portion of the investment strategies of one of the Private Funds, but there are, on occasion, differences between the investment strategies of a Managed Account and any other Fortress Client. Fortress enters into agreements to advise Managed Accounts only under limited circumstances and the advisory services provided to each such Client, and the related terms and fees, are negotiated on a case-by-case basis.

#### *Assets Under Management*

As of December 31, 2010, Fortress had approximately \$44.6 billion in discretionary *fee paying* assets under management.

## **ITEM 5**

### **FEES AND COMPENSATION**

Fortress's Clients are generally qualified purchasers, as defined in section 2(a)(51)(A) of the Investment Company Act. As such, a detailed Client fee schedule is not included in this brochure. However, most of Fortress's Clients pay some or all of the following fees to Fortress:

- (i) a management fee that is generally equal to 1.0% to 3.0% of the total capital committed under management or invested for the relevant Client (a "Management Fee"); and
- (ii) a performance fee (or in the case of certain other Clients, an incentive allocation, not a performance fee; the phrase "Promote" is used throughout this Form to refer to both a performance fee or an incentive allocation) that is generally equal to 10% to 25% of the net capital appreciation of such Client's account at the end of the relevant fiscal period, or upon realization, and in certain cases subject to, or only in excess of, specified performance thresholds.

Certain Clients, principally Private Equity funds, may also pay an "Administrative Fee" of up to 0.50% of committed or invested capital for the relevant Client; and an "Advisory Fee" of up to 1.00% of the lesser of the Client's invested capital, the Client's daily net asset value, or the Client's quarter-end or average quarterly assets under management.

With respect to the collateral management services Fortress or, in limited circumstances, Fortress's Clients, provides to its Structured Products Clients, collateral management fees are generally paid monthly or quarterly in arrears based on the total amount of collateral at the end of each calendar month or quarter. Fortress may also earn credit enhancement fees based on the funded or unfunded portions of certain tranches of the Structured Products and structuring and exchange fees. In general, the collateral manager can be terminated by a Structured Product's trustee and upon a vote of the holders of the securities of the Structured Products. Full disclosure of the terms of the compensation and termination provisions is contained in the related trust indenture and collateral management agreement.

Fortress generally deducts fees from Clients' assets on a monthly, quarterly, semi annual or annual basis, depending on the Client involved and the nature of the fee (*e.g.*, Management Fee or Promote).

More detailed information about specific fees and expenses that Clients may pay is provided in the relevant agreement between Fortress and the relevant Client as well as in formal offering materials (*i.e.*, the Client's offering memorandum, memorandum and articles of association or limited partnership agreement, as the case may be, and subscription document) provided to investors in the Private Funds, as applicable (collectively referred to herein as the "Offering Documents").

Underlying investors in Fortress's hedge fund Clients have the right to redeem their interest in a hedge fund in accordance with the terms of the relevant Clients' organizational



documents. Certain Clients pay Management Fees on a monthly/quarterly/semi-annual basis in advance; in such cases, Fortress Clients may be entitled to a refund of Management Fees that are paid in advance, depending on the facts and circumstances. If such a situation arises, however, Fortress will determine in its sole discretion, on a case-by-case basis, whether to rebate such fees and, in all cases, will do so in accordance with the relevant Client's documents.

With respect to Promote fees that may be assessed on certain Clients before the disposition of every investment made by such Client, such fees are generally subject to a "clawback" (meaning that amounts distributed to Fortress may be repayable to the Client in certain circumstances) depending on the final overall performance of that Client; alternatively, any loss incurred by the Client is carried forward so that no Promote is charged unless and until losses incurred during a prior period or periods have been recouped, subject to certain adjustments (also referred to as a "high water mark provision").

Additional information related to the timing of the fees Fortress charges its Clients is provided in the relevant agreement between Fortress and the relevant Client (as well as in formal Offering Documents provided to investors in the Private Funds, as applicable).

#### Additional Fees and Expenses

In addition to those fees described above, Clients may pay additional fees and expenses, including expenses associated with specific investment transactions, such as the following non exhaustive list of items:

- brokerage commissions
- expenses relating to short sales
- hedging expenses
- clearing and settlement charges
- custodial fees
- bank service fees
- administrative expenses
- valuation and appraisal expenses
- organizational expenses (including the cost of the offering and ongoing sale of fund interests)
- costs of winding-up a fund
- interest expenses
- financing costs
- investment-related travel expenses
- risk management expenses
- legal and compliance expenses
- auditing and tax preparation expenses
- accounting and operations expenses (including the cost of accounting software packages)
- extraordinary expenses (including litigation, indemnification and contribution expenses)
- taxes
- expenses related to un consummated investments
- expenses of asset management personnel
- third party administrator expenses
- insurance costs
- fees and expenses of sub-advisors
- cost of software in connection with investments (including fees of third party software developers)
- fees and reimbursable expenses to members of a fund's Board of Directors
- expenses associated with Advisory Boards and meetings of the limited partners
- expenses relating to quantitative analysis and software management services

- fees and expenses of servicers of specific assets owned by a fund
- costs of research, information systems, software and hardware
- permissible overhead expenses, as applicable
- professional fees relating to investments (including expenses of consultants and experts)
- expenses associated with the distribution of reports and capital demand notices to investors.

To the extent that Fortress and its affiliates perform all or a portion of certain of the services listed above, the costs of such services will be reimbursed by the Client. Such costs would generally be comparable to the costs that Fortress believes would be borne by the Client had such services been provided by third parties. To the extent that a third-party performs such services and Fortress incurs all or a portion of the corresponding expenses listed above, the costs of such expenses will be reimbursed by the Client. In addition, certain funds in the Private Equity business rely on a Fortress affiliate for certain specialized functions and the operating expenses of such Fortress affiliate are allocated among and paid for by the respective Private Equity funds under a formula based on the proportion of their respective invested or committed capital, as the case may be, and the aggregate of such capital across such funds. Employees of such Fortress affiliate are compensated in a manner that Fortress generally considers to be consistent with the market for comparable professionals. Fortress may have a conflict of interest in determining the costs of such services that will be charged to the relevant Client.

From time to time, a Fortress affiliate may provide services to, and receive compensation from, a company that a Fortress Client (or Clients) owns; alternatively, a company that a Fortress Client (or Clients) owns may provide services to, and receive compensation from, a Fortress affiliate. For example, a Fortress affiliate may provide investment advisory services to a portfolio company owned by a Fortress Client; alternatively, a portfolio company owned by a Fortress Client may service loans owned by a Fortress Client. Such compensation will be in addition to any Management Fees and Promote received by Fortress from the Clients that invest in those portfolio companies, subject to limitations set forth in the formal Offering Documents provided to investors in the Private Funds, as applicable, and receipt of Advisory Board approval, to the extent required.

More detailed information about the types of fees and/or expenses that a particular Client may pay in connection with the advisory services that Fortress provides is contained in the relevant agreement between Fortress and the relevant Client (as well as in the formal Offering Documents provided to investors in the Private Funds, as applicable). In addition, please see Item 12 for a further discussion of the brokerage and other transaction costs that Clients pay.

#### *Class Action Lawsuits*

From time to time, Fortress may receive notices regarding class action lawsuits involving securities that are or were held by Clients. As a matter of policy, Fortress generally refrains from serving as the lead plaintiff in securities class action matters and also refrains from submitting proofs of claim where Fortress believes that the recovery amounts are likely to be negligible, Fortress cannot be assured of confidential treatment of the data submitted in connection with the proof of claim, or Fortress otherwise believes it is not in the best interests of one or more Clients for Fortress to be involved in such a claim. Fortress makes these

determinations in its sole discretion. As a result, Fortress in some cases does not participate in class action securities lawsuits in which it may be entitled to participate.

If Fortress does participate in a class action securities lawsuit and later receives any recovery amounts, those amounts will be credited to the participating Clients at the time the recovery amounts are received, which may be materially after the relevant conduct alleged in the lawsuit took place and investors in the relevant Client have redeemed their interests.

## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described in Item 5 above, certain Fortress Clients pay both a Management Fee, which is generally equal to 1.0% to 3.0% of the total capital committed under management or invested for the relevant Client, and Promote, which is generally equal to 10% to 25% of the net capital appreciation of such Client's account at the end of the relevant fiscal period, or upon realization, and in certain cases subject to, or only in excess of, specified performance thresholds. Certain other Fortress Clients pay just a Management Fee. Managing assets for different Clients with different fee structures, including ones that may allow for the possibility of earning Promote at the same time as others that do not, can create a conflict of interest for Fortress because such an arrangement creates an incentive to favor accounts for which Fortress has the ability to earn Promote. Such situations give rise to potential conflicts of interest including: (1) the allocation of investment opportunities, and (2) transactions among Clients (*i.e.*, cross trades).

As a result, Fortress employs policies and procedures governing the identification, assessment and monitoring of conflicts of interest and potential conflicts of interest. In addition, a senior Fortress attorney dedicated to conflict management participates in the investment review process for certain investments and routinely consults with Fortress senior management for the purpose of identifying conflicts. Additional information regarding the allocation of investment opportunities and the manner in which Fortress manages any related potential conflicts of interest is set forth in Item 11 of this brochure.

## **ITEM 7 TYPES OF CLIENTS**

As described in Item 4 above, Fortress currently offers investment advisory services to Private Funds, Managed Accounts, the Castle Entities, and Structured Products. The underlying investors in such Fortress Clients are typically institutional and high net worth investors.

Fortress's Private Funds and Managed Accounts generally have \$100 million or more in capital under management or capital commitments. With limited exception where permitted by applicable law, Fortress requires that the underlying investors in the Private Funds and Managed Accounts be "qualified purchasers" as that term is defined in Section 2(a)(51) of the Investment Company Act (with the exception of certain persons who qualify as "knowledgeable employees" under Rule 3(c)-5 of the Investment Company Act). Fortress also requires, with some exceptions granted at the discretion of Fortress, that the underlying investors in the Private Funds and Managed Accounts invest no less than \$1,000,000 and, in some cases, as much as \$10,000,000 in the applicable Client.

## **ITEM 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

#### *Methods of Analysis and Investment Strategies*

As previously described, Fortress offers a variety of investment strategies across its four core businesses units. Each strategy involves significant risks, many of which are outside of Fortress's control. Investing in securities and other investments involve significant risks, including the risk that Clients (and, it turn, the underlying investors in such Clients), could lose some or all of any invested capital. An investment in a Fortress Client will provide limited liquidity as there are significant restrictions on transferability of and withdrawals from interests in a Fortress Client. Furthermore, to the extent that any of the below strategies engage in frequent trading, such frequent trading can increase costs, including brokerage and other transaction costs and taxes, which can affect investment performance.

A description of the significant investment strategies, as well as the risks that such Clients may face in employing such strategies, are set forth below.

#### *The Macro Strategies*

The investment program of the Macro Strategies involves investing in various types of financial instruments that may include, but are not limited to, currencies, fixed income securities, equities, convertible securities, options, commodity future contracts, forwards, swaps, and other derivative instruments.

#### *Commodities Strategy*

The investment program of the Commodities Strategy involves investing in various types of financial instruments that may include, but are not limited to, commodity-related securities, commodity interests, energy investments, natural resources, precious metals, agriculture, commodity futures contracts, currencies, fixed income securities, equity securities, options, forwards, swaps, and other derivative instruments.

#### *Private Equity Strategy*

The investment program of the Private Equity Strategy involves making control oriented investments in asset based businesses in North America and Western Europe and includes investing in equity and debt investments in public and private companies, leading the restructuring and recapitalization of distressed businesses, and the acquisition of assets on a standalone basis or as the foundation for building a business to own and manage assets.

#### *Publicly Traded Alternative Investment Vehicles (the Castle Entities)*

The investment program of the Castles involves investing primarily in real estate and real estate related debt investments, including real estate securities, real estate loans, residential mortgage loans and interests in operating real estate.

### *Special Opportunities Strategy*

The investment program of the Special Opportunities Strategy involves investing in distressed and undervalued credit investments, including asset-based transactions, loan originations and corporate securities.

### *Credit Opportunities Strategy*

The investment program of the Credit Opportunities Strategy involves investing opportunistically in distressed and undervalued credit investments.

### *Japan Opportunities Strategy*

The investment program of the Japan Opportunities Strategy involves investing primarily in Japanese real estate related loans, securities, assets, and similar instruments.

### *Endowment Strategy*

The investment program of the Endowment Strategy involves a broad investment mandate and invests in portfolio funds as well as direct investments.

### *Investment Risks*

All investments involve the risk of loss of capital. The nature of the investment instruments certain Fortress's Clients may utilize and the strategies such Clients employ may only amplify this risk. Such risks may include, without limitation:

- dependence on key individuals
- risks related to broad investment mandates
- limited diversification
- risks of country-specific or region-specific investing
- general economic, political and capital market conditions
- risk of a continued economic slowdown or recession
- risks inherent to a global investment portfolio, including political, social and economic uncertainty
- operating in a difficult and unpredictable credit environment
- investing in companies that could face intense competition
- changing business and economic conditions that could adversely impact investment performance
- changes in the quality, pricing and availability of suitable investments
- risks related to highly volatile investments
- risks related to illiquid investments or decreased liquidity of investments
- risks of investing in undervalued and difficult to value investments
- risks related to interest rates and credit spreads
- credit risk
- prepayment risk
- currency risk
- risks related to borrower fraud

- risks related to subordinated debt investments
- risks related to structured finance investments
- risks related to derivative investments
- counterparty risk
- custodial risk
- risks related to short selling
- risks related to hedging transactions
- increased governmental and regulatory intervention and restrictions that could adversely impact investments
- risks related to the use of leverage
- changes in the availability of debt financing or financing at attractive prices
- risk related to real estate investing (including, among other things, risks associated with the general economic climate, local real estate conditions, risks due to dependence on cash flow, risk and operating problems arising out of the absence of certain construction materials, changes in supply of, or demand for, competing properties in an area, the financial condition of tenants, buyers and sellers of properties, energy and supply shortages and fluctuations in energy prices, changes in tax, real estate, environmental and zoning laws and regulations, various uninsured and uninsurable risks, the ability of Fortress or third party service providers to manage real property, and natural disasters)
- increase in default rates on commercial and residential mortgages
- risks inherent in investing in portfolio funds (including, without limitation, limited operating histories of portfolio funds, limited disclosure of proprietary investment strategies of the portfolio funds, independence of investment decisions by the managers of portfolio funds that can result in economically offsetting positions or large exposures in certain positions, limitations on the information received from portfolio fund managers and inability to independently verify such information, reliance on valuations provided by portfolio fund managers, and the risk that the third party manager may engage in negligent, grossly negligent or fraudulent conduct in connection with managing a given portfolio fund)

A complete description of the risks associated with each particular investment strategy is included in the Offering Documents of the respective Private Funds, where applicable, a copy of which is provided to prospective investors and should be carefully reviewed prior to investing.

### *Investment Instruments Utilized*

Fortress does not recommend a particular type of investment instrument (*e.g.*, equity securities) to its Clients, but rather, recommends and invests in multiple investment instruments to correspond with the particular investment strategy that a given Client employs. Indeed, in the course of providing investment advice to its various Clients, Fortress may utilize a wide variety of investment instruments (depending on the nature of the Client involved), including but not limited to: equity securities; warrants; corporate debt securities; commercial paper; certificates of deposit; municipal securities; investment company securities; U.S. government securities; option contracts on securities and commodities; futures contracts; equity indices; equity index futures; unregistered, illiquid or unlisted equity or debt securities; any of the foregoing or other securities issued by sovereign, foreign or private issuers; notes, debentures, repurchase and reverse repurchase agreements, loans, participation, financial investments, investment contracts and certificates of interest; swaps;



foreign exchange commitments; commodity forwards; currencies; bank loans; trust preferred securities; trade claims and privately and publicly issued securities of companies that have defaulted on obligations, filed for reorganization or that appear vulnerable to bankruptcy or reorganization; real estate-related assets such as mortgage loans, real estate-related financings, mortgage-backed securities, asset-backed securities, real property, residual interests in trusts or other entities formed as special purpose vehicles; equity interests in corporations, limited partnerships, limited liability companies (or other investment vehicles, including partnerships) that own real estate-related or other tangible or intangible assets (including oil and gas interests); life settlement portfolios; various receivables; instruments that derive their value from any of the foregoing and other types of securities or assets; and various other private equity investments.

Fortress's portfolio managers may, from time to time, purchase equity or debt securities in initial or secondary public offerings on behalf of Clients when such securities become available and are otherwise consistent with the investment objectives of the relevant Client.

All of these investment types are highly speculative in nature, and there can be no assurance that the Client's investment objectives will be achieved. Fortress Clients (and, in turn, the underlying investors in such Clients) must be prepared to bear the risk of a total loss of their investment.

More detailed information about the types of investments that Fortress may make on behalf of Clients, and the corresponding risks, is provided in the Offering Documents provided to investors in the Private Funds, as applicable.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

Fortress does not believe that there are any legal or disciplinary events that are material to a Fortress Client (or prospective Client's) evaluation of Fortress's advisory business.

We note, however, that, on March 11, 2011, the staff of the SEC notified counsel for Fortress's Chief Executive Officer, Mr. Daniel Mudd, that it is recommending that the SEC commence a civil enforcement action against him in connection with his service at his previous employer, Fannie Mae. The period of the SEC's inquiry predates Mr. Mudd's employment with Fortress and does not relate to any Fortress activities. Under the SEC's rules, Mr. Mudd is permitted to make a "Wells Submission" in which he seeks to persuade the SEC that no such action should be commenced. Mr. Mudd has informed Fortress that he intends to make such a submission.

## **ITEM 10**

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

All interests in Fortress Private Funds are offered through Fortress Capital Formation LLC, a Fortress affiliate and member of FINRA, as placement agent (“Placement Agent”). Representatives of the Placement Agent may also be employees of an Investment Advisory Affiliate (generally, FIG LLC) that controls or is under common control with an Investment Advisory Affiliate that provides investment advisory services to the Private Fund being placed. In the event that the Placement Agent offers interests in Private Funds to investors and receives compensation in relation thereto, the Placement Agent’s relations with any such Private Funds, and its relations with Fortress generally, may conflict with the interests of those investors. However, the Placement Agent is not currently compensated for selling interests in Fortress Private Funds; rather, Placement Agent has an expense sharing agreement with a Fortress affiliate, and, on a monthly basis, is paid for its placement agent services with an amount equal to the expenses incurred by the Placement Agent in the prior month plus 1%. In addition, Placement Agent is a limited purpose broker-dealer and is not utilized by Fortress to execute securities transactions on behalf of Clients.

Neither Fortress’s Investment Advisory Affiliates nor its management persons are registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities. Generally, Fortress’s Investment Advisory Affiliates are exempt from such registration pursuant to Rule 4.13(a)(4) and/or 4.14(a)(8) of the Commodity Exchange Act .

Fortress also manages a variety of other pools of capital and Fortress Clients rarely have the exclusive right to any investment opportunity and, therefore, Fortress may have a potential conflict of interest with respect to the allocation of a given investment opportunity. Fortress’s employees also may have conflicts in allocating their time and services among Clients. Fortress’s employees will devote as much time to each Client as Fortress deems appropriate to perform its duties in accordance with its management agreements. Additional information regarding Fortress’s management of any such potential conflict is discussed in Item 11 below.

As described above, Fortress has a variety of other Investment Advisory Affiliates, both domestically and abroad, some of which are registered with either the SEC or a foreign regulatory authority. All of these Investment Advisory Affiliates are either wholly owned by, or under common control with, FIG LLC and, therefore, Fortress does not believe that such relationships create a material conflict of interest for Fortress’s Clients.

Certain Fortress Clients, directly or indirectly, own or control two insurance companies, Alea Group Holdings Bermuda Ltd. and subsidiary entities of Springleaf Finance Inc. Additionally, Fortress Real Estate Asia GK (“FREA”), a Fortress affiliate, holds a real estate brokerage license, which is required for an entity to engage in the business of selling real estate in Japan, which FREA may do on behalf of certain Fortress Clients. Fortress does not currently believe that these relationships pose a material conflict of interest to Fortress’s Clients.

In addition, a Fortress affiliate maintains a minority interest in a third party investment adviser that provides advisory services to an unaffiliated fund in which a Fortress Client has invested. Fortress rebates the Fortress Client's fees to offset the fee income received by the Fortress affiliate from the third party manager as a result of the Fortress Client's investment.

**ITEM 11**  
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**  
**AND PERSONAL TRADING**

*Code of Ethics.*

Fortress employees may purchase or sell for themselves securities that Fortress's Clients also hold. In addition, Fortress may purchase or sell for a Client securities of an issuer in which its employees also have a position or interest. It is possible that a Fortress Principal or employee may buy or sell the same securities at a better price for its own account than a Client that buys or sells the same securities on the same day.

To govern such personal transactions, Fortress adopted personal securities trading policies and procedures that outline the conditions under which a Fortress Principal or employee may purchase or sell securities when such securities are also held or traded by Clients, and to govern other potential conflicts of interest (the "Code of Ethics"). Certain aspects of Fortress's Code of Ethics are discussed below, but Clients and investors (and prospective investors) in Fortress Clients may request a copy of Fortress's complete Code of Ethics.

Under the Code of Ethics, Fortress employees are not permitted to purchase or sell, directly or indirectly, any security that is currently held by a Client or that is, to his or her knowledge, being considered for purchase or sale by a Client (but excluding, as described in further detail in the Code of Ethics, securities transactions in which such Principal or employee does not exercise investment discretion); provided, however, that the Chief Compliance Officer or General Counsel (or authorized designee of either) may approve such a trade when the proposed purchase or sale is: (a) determined to be a transaction that is unlikely to have an economic impact on any Client or on any Client's ability to purchase or sell the same or similar securities; or (b) is an equity transaction involving less than 1% of the trailing 50-day average daily volume of an issuer, provided that such issuer has a market capitalization greater than \$1 billion.

Other restrictions applicable to the personal trading of Fortress employees include, for example, a 30-day holding period, a prohibition against short selling, prohibitions against writing options or futures contracts, and a prohibition against participating in any joint transaction with a Client in violation of applicable law.

In addition, the Code of Ethics requires, with limited exceptions, that all personal securities transactions by a Fortress Principal or employee be pre-approved by an authorized member of the Fortress Legal and Compliance Department, and, in some cases, by senior business personnel.

*Recommendations of Securities in which Fortress or a Related Person has some Financial Interest*

Fortress engages in a broad spectrum of activities, including direct (or principal) investment activities for its own account and investment advisory activities that, with respect to any particular Client, are independent from, and may from time to time conflict with, overlap with or compete with, the investment activities of other Clients. As a result, Fortress is subject to various potential conflicts of interest.

Fortress invests in and provides investment advisory services with respect to initial public offerings (“IPOs”) or other new issues, including those sold or issued by companies that are owned, in whole or in part, by Fortress Clients (such as portfolio companies). Fortress may cause Clients to invest in securities or other interests sold or issued by entities in which Fortress or a related party, including a Principal, has an interest. Such interest may result from, among other things, a direct or indirect investment in the applicable entity, a Fortress employee or Principal serving as an officer or director of the entity or from Fortress receiving Management, Performance or other fees from such entity. This may also result in causing Clients to invest in the IPOs or other new issues of companies that are owned by other Clients that Fortress manages.

In addition, Fortress employees may have a direct or indirect ownership interest in a Private Fund, Managed Account, or Castle Entity as a result of (1) direct investments in such Clients; and (2) ownership interests in Fortress affiliates (including, without limitation, Investment Advisory Affiliates) that are entitled to receive Management Fees and/or Promote from each such Client (often referred to as “points” or “carry”).

Further, certain Clients, from time to time and consistent with applicable investment guidelines and disclosures, are invested in Fortress’s other Clients.

#### Cross Transactions and Principal Trades

From time to time, subject to applicable investment guidelines and restrictions, Fortress may acquire a security in a proprietary account temporarily on behalf of a Client and then transfer the security to the Client account (*e.g.*, through a “warehousing” transaction).

In addition, Fortress may direct one Client account to sell securities to another Client account, including Client accounts in which Fortress or its personnel may have a proprietary investment, through a so called “cross transaction”, when Fortress deems the transaction to be in the best interest of each participating Client. Such cross transactions will usually be made without the services of a broker-dealer. When effecting cross transactions between Clients, Fortress may have conflicting loyalties and responsibilities with respect to each participating Client. To the extent that any such transaction qualifies as a “principal transaction” (*i.e.*, where Fortress is acting as principal for its own account and knowingly transacts with a Client) under the Investment Advisers Act, Fortress will conduct such transaction in accordance with the provisions of Section 206(3) of the Investment Advisers Act.

In addition, Fortress conducts a number of activities to address, monitor and manage such potential conflicts, including retaining a senior attorney whose sole function is to monitor potential conflicts, including those related to cross trades between and/or among Fortress and its Clients. Where Fortress deems it necessary, the efforts of the aforementioned attorney are documented. Furthermore, where an actual conflict is perceived by Fortress (as opposed to the appearance of a conflict) in connection with a cross trade, such matters are brought to Clients’ advisory boards for approval and are documented accordingly. Furthermore, various members of the Firm’s Legal and Compliance Department are involved in oversight, review and approval of cross trades in a variety of different ways, depending on the context of such trades.

If Fortress determines that it is permissible to engage in a cross transaction, it will ensure that the trade is in the best interest of all Clients involved, ensure that the transaction is consistent with the duty to obtain best execution, and will rely on its valuation procedures to determine the appropriate price to effect the transaction.

#### *Allocating Investment Opportunities and Related Conflicts of Interest*

The investment objectives and programs of a Client, or of Fortress itself, may be similar to, or overlap with, the investment objectives and proposed investment programs of other Fortress Clients or Fortress itself and, therefore, certain Clients regularly compete for investment opportunities with each other and potentially with Fortress. Further, information relating to investment opportunities may be shared across such investment management teams. As a result, the allocation of investment opportunities gives rise to potential and actual conflicts of interest.

##### *Allocation of limited investment opportunities*

In making allocation decisions with respect to limited investment opportunities that could reasonably be expected to fit the investment objectives of multiple Fortress Clients, portfolio companies of Fortress Clients, or of Fortress itself, Fortress anticipates that it may consider one or more of the following factors that it deems relevant: the investment objectives of Clients, the source of the investment opportunity, any exclusive rights to investment opportunities that may have been granted to particular Clients, the expected duration of the investment in light of Clients' investment objectives and policies (including diversification policies), the amount of available capital, the size of the investment opportunity, regulatory and tax considerations, the degree of risk arising from an investment, the expected investment return, relative liquidity, likelihood of current income or such other factors as Fortress deems to be appropriate. These factors provide substantial discretion to Fortress in allocating investment opportunities. Further, two or more Clients may hold an investment for which there is extremely limited, or zero, liquidity or that is subject to legal or other restrictions on transfer. In a situation where Fortress is limited in its ability to dispose of an investment, Fortress may make allocation decisions in a manner similar to that described above in respect of such sale.

Certain Private Funds managed by Fortress have a right of first refusal with respect to investments falling within the scope of such fund's "primary investment objective" (such provision being known as an "exclusivity grant"). While exclusivity grants are limited in scope and duration, they may nonetheless result in an investment opportunity being offered solely to a Client with an exclusivity grant even though the investment opportunity is within the investment objective(s) of one or more additional Clients.

If an investment opportunity is available in limited quantities, or Fortress or its employees have sufficient available capital and desire to make a proprietary investment in such opportunity, or Fortress or its employees have more of their capital invested in a particular Fortress Client (or businesses in which they or another Fortress Client have invested), Fortress may have an incentive to allocate such investment opportunity to Fortress or its employees or to one such Fortress Client rather than to other Clients. The economic interests of Fortress and its employees in

certain of these Fortress Clients (or such businesses), when combined with their rights to Management and/or Promote or other fees from such Fortress Clients, may be significantly larger than their direct and indirect economic interests in other Clients. Moreover, Fortress and certain of its employees will receive a higher percentage of profits attributable to an investment if made by them directly, rather than a percentage of profits made by Clients. Accordingly, Fortress may have a substantial incentive to allocate investment opportunities to Fortress or its employees, rather than to Fortress Clients, or to otherwise make decisions that favor Fortress or its employees. This may lead to fewer, and less attractive, investment opportunities being made available to Clients than would have been the case had Fortress and its employees been restricted from pursuing proprietary investments and/or investment programs on behalf of Clients.

Fortress's portfolio managers may, from time to time, seek to purchase equity or debt securities in initial or secondary public offerings on behalf of multiple Clients, including those sold or issued by companies that are owned, in whole or in part, by Fortress Clients (*i.e.*, Fortress portfolio companies). In certain cases, such initial or secondary public offerings may be limited in nature. Fortress has policies and procedures for allocating such offerings among eligible Clients.

Please see Item 12 (under the header "*Order Aggregation*") for further information related to allocating liquid investment opportunities.

*Potential conflicts due to overlapping Client investments*

Where Fortress's Clients, Fortress itself, or its employees hold the same investment, the differing investment objectives of such Clients, as well as other factors applicable to the specific situation may result in a determination to dispose of, or retain, all or a portion of an investment on behalf of a Client (or on behalf of Fortress itself or its employees) at different times as such investment or portion thereof is being disposed of, or retained, by other Clients. In addition, particularly with respect to illiquid or private investments, conflicts of interest can arise when disposing of a particular investment would be beneficial for one Client while retaining such investment would be beneficial for another Client. Fortress may also recommend investments to or purchase securities for the account of one Client (or Fortress itself or its employees may purchase such securities) that may differ from investments recommended or bought for other Clients, even though the investment objectives of other Clients may be similar. Moreover, Fortress's Clients (or Fortress itself, or its employees) may make investments or engage in other activities that express inconsistent views with respect to an entity in which they have invested, a particular security or relevant market conditions. For example, if Fortress makes an investment on behalf of a Client that expresses a negative outlook on a particular investment in which other Clients have also invested, this may reduce the value of the other Clients' investments.

In addition, Fortress expects to make other business decisions on behalf of certain Clients relating to investments independently of the manner in which it approaches a similar or even the same investment by other Fortress Clients. Consequently, Fortress, on behalf of certain Clients, may choose not to hedge certain risks that other Fortress Clients hedge, or certain Clients may be exposed to risks of financing on an



investment when other Fortress Clients are not. Further, in some instances, Fortress may choose to coordinate its Clients' activities (such as timing dispositions in an orderly way in order to avoid affecting the share price of an investment in an unduly volatile manner) with respect to investments held by more than one Client, when it would theoretically be possible for Fortress to act unilaterally with respect to a particular Client's holdings in such investment. Such coordination could have the effect of lowering returns with respect to an investment relative to what might have been achieved absent such coordination. However, Fortress is not obligated to engage in such coordination and in fact may elect, in its sole discretion, not to do so in any particular circumstance.

Should a particular Client invest in entities or assets in which other Fortress Clients hold an investment, the investment by such Client could be viewed, especially in hindsight, to have been made on a non-arm's length basis. Similarly, other Fortress Clients may later invest in entities such Client has invested in, which may have an effect (either positive or negative) on the market price of this Client's investments.

It is not uncommon for a Fortress Client, or Fortress itself, to hold interests in an entity that are of a different class or type than the class or type of interest held by another Fortress Client. For example, one Client may hold securities in an entity and other Fortress Clients may hold equity or debt of such entity that are senior or junior to the securities held by the Client, which could mean that the Clients will be entitled to different payment or other rights, or that in a workout or other distressed scenario the interests of one Client might be adverse to those of other Clients and such Client might recover all or part of its investment while the other Clients might not. Fortress's Clients will not be required to take any action or refrain from taking any action to mitigate another Client's losses in such a scenario, and Fortress will make decisions on how to resolve such situations in its sole discretion.

#### *Restrictions on Client Trading Activities Resulting from the Acquisition of Material Non-Public Information*

Fortress employees regularly acquire confidential information and Fortress may enter into confidentiality and/or "standstill agreements" when assessing investment opportunities. By reason of its various activities, Fortress may have access to material non-public information about an issuer ("Inside Information"). For example, an employee of Fortress may serve from time to time as a director, or in a similar capacity, or as an executive officer, with respect to companies (including Castle Entities), the securities of which may be purchased or sold on behalf of Clients, which service may prohibit all Fortress Clients from engaging in transactions in certain issuers. Additionally, employees of Fortress may acquire Inside Information in the ordinary course of their investment activities, which acquisition may result in restrictions on a Client's ability to sell a portfolio investment at a time when it might otherwise have done so. Any of these activities could prevent Clients from buying or selling securities or other interests in an issuer, potentially for an extended period.

Fortress has adopted certain policies and procedures concerning the handling of Inside Information. These policies and procedures are designed to prevent insider trading and violations of applicable securities laws by each employee, Fortress Clients and Fortress itself. As such, in the event that an employee of Fortress obtains Inside Information with respect to any company, including as a result of being a director or officer of such company, or

otherwise becomes restricted from trading the securities of such company for any reason, Fortress may be prohibited for a period of time from engaging in transactions on behalf of some or all its Clients with respect to the securities of such company, which prohibitions may have an adverse effect on such Clients.

#### Potential Regulatory Limitations/Obligations

For the purposes of this section and for ease of reference, Fortress and its non-Logan Circle affiliates and personnel will be referred to as “Fortress Parties”. The activities of the Fortress Parties are generally separate from Logan Circle as Fortress has adopted policies and procedures to establish and maintain an information barrier between the Fortress Parties and Logan Circle (the “Information Barrier”) that are designed: (1) to establish a wall between the Fortress Parties and Logan Circle for the purpose of shielding the Fortress Parties and Logan Circle and their respective personnel from material non-public information that may exist from time-to-time on the opposite side of the Information Barrier, and (2) to prevent coordinated investment activities among the Fortress Parties’ investment professionals and Logan Circle’s investment professionals. Consequently, the Fortress Parties and Logan Circle will generally manage investment portfolios on a separate basis and will not exchange information concerning actual or potential investments or portfolios thereof.

Notwithstanding the policies and procedures in place between the Fortress Parties and Logan Circle, conflicts of interest may exist among and between the Fortress Parties and Logan Circle. In certain cases, the investment objectives and programs of Logan Circle clients are similar to, or overlap with, the investment strategies and objectives of Fortress Clients.

Fortress invests capital in a broad range of investments. These investments may give rise to numerous situations where interests may conflict between the Fortress Parties and Logan Circle, including issues arising out of the investments of Fortress Clients in entities or assets in which Logan Circle may invest for its clients.

Further, certain Clients may be subject to regulatory or legal restrictions or constraints that may not have been applicable had other Fortress Clients not also invested in the same entity (for example, investments in a single company or securitization vehicle by multiple Fortress Clients may be aggregated for contractual or regulatory purposes, and, in the case of a public issuer, may result in public disclosure of the investment). In addition, position limits – *i.e.*, the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument – imposed by various regulators may limit Fortress’s ability to effect certain desired trades for Clients. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if one Client’s account does not exceed applicable position limits, it is possible that positions held by other Clients may be aggregated together for purposes of applying position limits. If at any time the aggregated positions managed by Fortress were to exceed applicable position limits, Fortress would be required to liquidate positions in Client accounts to the extent necessary to come within those limits. Furthermore, to avoid exceeding the position limits, Clients might have to forego or modify certain of their contemplated investments.

Fortress Investment Group LLC is a publicly traded company

As mentioned above, Fortress's ultimate parent is publicly traded on the NYSE. As a public company, Fortress is subject to the risk of investigation or litigation by regulators or its public shareholders arising from an array of possible claims, including shareholder dissatisfaction with the performance of its businesses or its share price, allegations of misconduct by its officers and directors or claims that it has inappropriately dealt with conflicts of interest or investment allocations. As Fortress Investment Group LLC is the indirect parent of all of Fortress's Investment Advisory Affiliates, any such investigations into or claims brought against Fortress could divert time, attention and resources away from its investment advisory business. Additionally, as a public company, Fortress is subject to a number of reporting and regulatory regimes, including the U.S. Sarbanes-Oxley Act of 2002 and the reporting provisions of U.S. Securities Exchange Act of 1934 (the "Exchange Act"). Compliance with such laws similarly requires the time, attention and resources of Fortress and its executive officers that might otherwise be devoted to its Clients, which diversion may result in an adverse effect on its Clients.

In addition, Fortress may have certain obligations to its public equity holders, which may pose potential conflicts of interest regarding the activities conducted, and decisions made, on behalf of Fortress's Clients, including Fortress's ability to disclose certain Clients' performance information.

## **ITEM 12**

### **BROKERAGE PRACTICES**

#### *Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.*

Clients' securities transactions can be expected to generate a substantial amount of brokerage commissions and other compensation, all of which the Clients, not Fortress, will be obligated to pay. Fortress has discretion in deciding which brokers and dealers a Client will use and in negotiating the rates of commissions a Client will pay. Fortress will buy and sell securities directly from or to dealers acting as principal at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers. In selecting brokers and dealers to effect portfolio transactions for its Clients, Fortress seeks to obtain best execution, taking into consideration the price of a security offered by a broker-dealer, as well as the full range and quality of such broker-dealer's services, including, among other things and to the extent applicable, price, transaction costs, ability to effect transactions, reliability and financial responsibility, responsiveness to Fortress, access to company management, access to deal flow and precedent transactions, ability to provide financing commitments, the broker-dealers' provision or payment of the costs of research and other services or property that are of benefit to the applicable Client or to Fortress and other factors that Fortress deems appropriate to consider under the circumstances. If Fortress decides, based on the factors set forth above, to execute over-the-counter ("OTC") transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider one or more of the following factors when choosing to use one ECN over another: the ease of use, the flexibility of the ECN compared to other ECNs, and the level of care and attention that will be given to smaller orders. Fortress does not in all cases solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Accordingly, if Fortress determines that the amount of commissions charged by a broker-dealer is reasonable in relation to the value of the brokerage and products or services provided by such broker-dealer, the Client may pay commissions to such broker-dealer in an amount greater than the amount another broker-dealer might charge. In addition, in the ordinary course of business, Fortress may and will utilize broker-dealers that employ friends or family members of Fortress employees, including individuals who have personal relationships with those who make investment decisions or execution decisions on behalf of Fortress Clients and may benefit, directly or indirectly, from Fortress's brokerage business.

#### *Research and Other Soft Dollar Benefits*

Generally, research services provided by broker-dealers may include, but may not be limited to, information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, and meetings arranged with corporate and industry spokespersons, economists, academics, and government representatives. Finally, brokerage services may include post-trade

services or communication services related to executing, clearing and settlement of transactions.

In accordance with the Section 28(e) of the Exchange Act, Fortress is permitted to pay higher commissions to broker-dealers than could have otherwise been negotiated in the market if it receives research or brokerage products or services from that broker-dealer if Fortress determines, in good faith, that the commission paid is reasonable in relation to the value of the brokerage and research services provided. Fortress may from time to time pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting Client transactions in excess of that which another broker-dealer might have charged for effecting the same transaction in recognition of the value of the research and brokerage services provided by the broker-dealer. The use of Client brokerage commissions (or markups or markdowns) to obtain research or other products or services is beneficial to Fortress because it consequently does not have to produce or pay for the research, products or services. Fortress may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than the Fortress Clients' interest in receiving most favorable execution. Fortress will effect such transactions, and receive such research and brokerage services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Exchange Act, or as otherwise disclosed in a Client's offering documents.

Research and brokerage services obtained with "soft dollars" generated by one or more Clients may be used by Fortress to service one or more other Clients, and there will be instances where the research and brokerage services obtained by Fortress will not benefit a particular Client to the extent of the expense of such services for that Client. In the event that Fortress does enter into a formal soft dollar arrangement in the future, goods and services that might be provided under such arrangements could include mixed use products where Fortress may determine that a research product or service has both a research and non-research use. In this case an allocation must be made between the research and non-research functions, with the portion allocable to research being paid with commission dollars, and the non-research portion being paid by Fortress.

At least annually, Fortress considers, among other things, the amount and nature of brokerage and products or services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Clients on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. However, a broker-dealer is not excluded from receiving business from a Fortress Client because it has not been identified as providing research or brokerage services.

In addition, Fortress is anticipating utilizing Client Commission Arrangements ("CCA") or Commission Sharing Arrangements ("CSA") in the near future to obtain research that falls within Section 28(e) of the Exchange Act's safe harbor.

Under these types of arrangements, Fortress can request that executing brokers allocate a portion of total commissions paid to a pool of “credits” maintained by the broker that can be used to obtain research. After accumulating a number of credits within the pool, Fortress may subsequently direct that those credits be used to pay appropriate parties in return for eligible research. The research obtained by Fortress in connection with Client commission credits may or may not be used exclusively for the Client generating the brokerage credit.

#### *Brokerage for Client Referrals*

Fortress has entered into agreements on behalf of certain Clients with certain broker-dealers that act as prime brokers on behalf of those Clients. From time to time, Fortress is introduced to potential investors by its prime brokers and may receive other benefits from its prime brokers. Similarly, Fortress, on occasion, receives similar benefits from other broker-dealers or counterparties it transacts with from time-to-time. Currently, neither Fortress nor its Clients compensate such third party brokers for introducing Fortress to potential investors or for any investments ultimately made by such investors (although Fortress may do so in the future). Such introductions and other products or services Fortress may receive from such third party brokers may present a potential conflict of interest to the extent Fortress uses such brokers in connection with brokerage, financing and other activities on behalf of its Clients.

From time to time, the Private Funds managed by Fortress accept subscriptions from full-service financial firms (or their related persons) that are investing on their own behalf or on behalf of third-parties. The financial service firms may have related entities that include broker-dealers and Fortress may from time to time utilize these broker-dealers when Fortress believes that use of a particular broker-dealer is appropriate under the circumstances, in its sole discretion.

#### *Directed Brokerage*

Fortress has discretion in deciding which broker-dealer its Clients will use and in negotiating the rates of commissions that Clients will pay. Fortress does not currently permit Clients to direct brokerage.

#### *Order Aggregation*

With respect to liquid investments, which are not generally limited in quantity, Fortress may determine that the purchase or sale of the same security or instrument is in the best interest of more than one Client. In that case, Fortress may, but may in its sole discretion choose not to, combine or aggregate orders to the extent permitted by applicable law. When an aggregated order is executed in a series of transactions, at different prices, each Client participating in the order will receive the average price, with transaction costs shared pro-rata based on each Client’s participation in the order.

If the aggregated order is not filled in its entirety, the securities acquired are generally allocated to Client accounts on a pro-rata basis. Notwithstanding the foregoing, Fortress may allocate an order on a basis other than pro-rata if, for example, a partially filled order results in a Client receiving a *de minimis* allocation.

Furthermore, subject to the aggregation being in the best interest of Clients, same directional orders for the same security received by the trading desk for Fortress's Liquid Markets Clients from different portfolio managers may also be aggregated at the trading desk level if such orders are received simultaneously by the trading desk. Subsequent orders for the same security entered during the trading day may be aggregated with any previously unfilled orders. In that case, filled orders shall be allocated separately from subsequent orders. No Client will be favored over any other Client and all Clients participating in each aggregated order shall receive the same average share price and generally pay a pro-rata share of commissions. Any partially filled orders will be allocated pro-rata among participating Clients. The aggregation of orders by the trading desk may allow Fortress to execute trades in a more timely and equitable manner, and may reduce overall costs to Clients.

In some cases, certain of Fortress's portfolio managers may be responsible for investing capital of more than one Client. In such cases, the securities purchased and sold by such portfolio manager will generally be allocated to the various Clients on a trade by trade basis and in direct proportion to the amount of capital each Client has allocated to such portfolio manager (subject to such exceptions as may be determined to be appropriate under the circumstances of a particular trade).

In some cases, where a new Client is formed or where a Client has not participated in an investment opportunity when it was initially allocated, Fortress may, wherever practicable and suitable, purchase for such Client's account investments that are the same as those already held for other existing Client accounts; and, in such instances, allocations to such Client's account may be given priority over accounts of Client's with pre-existing positions in such investment.

#### Liability of Fortress for Certain Acts or Omissions, including Trade Errors

On occasion, Trade Errors (as defined below) may occur with respect to trades executed on behalf of Fortress Clients. "Trade Errors" are deemed to have occurred: (i) when the wrong instrument is accidentally purchased or sold (e.g., ABM is accidentally purchased instead of IBM); (ii) purchasing or selling the wrong quantity of an instrument; (iii) purchasing an instrument when the intention was to sell it or selling an instrument when the intention was to purchase it; and (iv) purchasing or selling an instrument in violation of regulatory or contractual obligations. "Trade Errors" do not include situations that do not result in a trade. Trade Errors frequently result in losses but may, occasionally, result in gains. Fortress will endeavor to detect Trade Errors before settlement and correct and/or mitigate them in an expeditious manner. To the extent a Trade Error is caused by a third party, such as a broker or agent, Fortress may seek to recover any losses associated with the Trade Error from such third party, but may choose not to do so in its discretion and Fortress will not be liable for such losses, provided that such third party was selected, engaged or retained by Fortress in good faith. Fortress will determine in its sole discretion whether any Trade Error has resulted from willful misconduct or gross negligence on its part. Absent such a determination, Fortress will not be obligated to reimburse the Client for such Trade Errors. If Fortress elects not to reimburse for errors in such a situation, the loss will be borne by the relevant Clients. Any gains resulting from a Trade Error will similarly be for the benefit of the relevant Client(s). Investors should be aware that, in making such determinations, Fortress will have a conflict of interest.

In addition, Fortress will not generally be liable to any Client or investor in such Client for any of Fortress's acts or omissions in connection with a Client or any investment made or held by a Client unless such act or omission constituted gross negligence or willful misconduct. Fortress may consult with legal counsel and accountants with respect to its Clients' affairs and will be fully protected and justified in any action or inaction that is taken in accordance with the advice or opinion of such counsel and/or accountants, provided that they have been selected in good faith. The foregoing should not be construed so as to provide for the exculpation of Fortress (including liability under federal securities laws which, under certain circumstances, impose liability even on persons that act in good faith), to the extent that such liability may not be waived, modified or limited under applicable law, but will be construed so as to effectuate the foregoing to the fullest extent permitted by law.



### **ITEM 13 REVIEW OF ACCOUNTS**

Designated personnel of Fortress review investment positions on a periodic basis, and in many cases as frequently as daily. The individuals primarily responsible for account reviews are investment professionals at the managing director level, including those individuals acting as portfolio managers or chief investment officers of a given Fortress Client, although other persons who are not investment professionals at the managing director level may be substantially involved and/or responsible for carrying out such reviews. In addition, members of the Legal and Compliance Department and, in certain instances, dedicated risk management personnel, review investment position reports on a periodic basis, and in some cases as frequently as daily. As described earlier, Fortress advises Clients on a wide variety of investments. Many of these investments require regular asset management and oversight to ensure that business plan projections, which are determined at asset acquisition, are being realized. Such positions are often monitored through proprietary asset management models, which enable Fortress to identify variations from business plan projections and take appropriate measures as necessary. For other investments, such as those in corporate securities, global fixed income, commodities, currency and equity markets, Fortress, from time to time, utilizes, among other things, directional and relative value strategies based on macroeconomic fundamental analysis and market momentum analysis to monitor investments.

#### *Content and Frequency of Account Reports to Clients*

Fortress prepares periodic reports/letters to provide to its Clients and/or the Client's underlying investors, detailing the performance and composition of such Client's investments. As a general matter, such reports/letters are prepared and issued monthly for the Fortress hedge funds and quarterly for the Fortress private equity funds, and, with respect to the Castle Entities, are made publicly available on a quarterly basis. The Private Funds and Castle Entities are also subject to review by independent public accountants, which results in annual audited financial statements being produced for each such Client. Managed Accounts will generally receive reports with the same frequency as the Private Funds to which they relate or as otherwise determined on a case-by-case basis and may also be reviewed by an independent public accountant, resulting in the production of annual audited financial statements. In addition, Fortress prepares weekly performance estimates for certain hedge funds Clients.

For additional information related to the types and frequency of reports provided to Clients, please see the relevant Offering Documents, to the extent applicable.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

Fortress does not generally utilize third-party placement agents in connection with Client referrals, but may do so in the future. Fortress does utilize third-party placement agents in connection with the sale of interests in certain Clients to underlying investors and compensates such third-party placement agents for their services. Any compensation paid to third-party placement agents in connection with either Client referrals or the sale of interests in certain Clients to underlying investors would ultimately be borne by Fortress.

## **ITEM 15**

### **CUSTODY**

With respect to its Private Fund Clients and certain Managed Accounts, Fortress generally complies with the custody requirements applicable to registered investment advisers (the “Custody Provisions”) by delivering audited financial statements to the investors in the Private Funds or Managed Accounts within the applicable required time frame. In certain other instances where Fortress has custody of Client assets (including holding, directly or indirectly, Client funds or securities or having the authority to obtain possession of them), Fortress may comply with the Custody Provisions by requiring that a qualified custodian send quarterly, or more frequent, account statements directly to Clients. In these instances, Clients should carefully review the statements sent by such qualified custodian. In addition, we urge Clients receiving such statements to compare the account statements received directly from the qualified custodian with those provided by Fortress.

## **ITEM 16**

### **INVESTMENT DISCRETION**

Subject to limitations in the various agreements Fortress has with particular Clients, Fortress has full discretion and authority to make all investment decisions with respect to the types or amounts of securities to be bought or sold for its Clients, broker-dealers to be used and the commission rates paid. Fortress will buy and sell securities directly from or to dealers acting as principal at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

As discussed above, the investment strategies for the Managed Accounts may, on occasion, restrict Fortress's ability to invest in certain securities or types of securities, as the case may be. Fortress enters into agreements to advise Managed Accounts only under limited circumstances and the advisory services provided to each such Client, are negotiated on a case-by-case basis.

The specific contours of Fortress's discretionary authority is generally set forth in the particular agreement between Fortress and the particular Client.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

Fortress recognizes its fiduciary duty to vote proxies solely in the best interests of its Clients. Toward that end, Fortress has adopted policies and procedures related to voting proxies on behalf of its Clients. The general policy of Fortress is to vote proxy proposals, as well as amendments, consents or resolutions relating to Client securities (including interests in private investment funds, if any) in a manner that serves the best interests of its Clients. With respect to certain Client accounts and securities, Fortress has engaged the services of a third-party proxy voting service, Institutional Shareholder Services, Inc. (“ISS”). Fortress relies upon the service to vote both domestic and certain global proxies. For certain other Client accounts and securities (including certain securities of issuers located outside the United States, privately held securities, and certain other securities of U.S. issuers where a Client initially owned the securities on a private-placement basis), Fortress determines, in its sole discretion, how to vote the proxies and processes and votes the securities itself. In determining how to vote such proxies, Fortress may take into account factors such as: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; (iv) industry and business practices; and (v) the degree to which Client interests are aligned with those of an issuer's management. In some circumstances, Fortress will refrain from voting proxies where Fortress believes, among other reasons, that voting would be inappropriate taking into consideration the cost of voting the proxy, the anticipated benefit to Clients, whether Fortress's Clients continue to hold the securities on the voting date, or where the resolution of the proxy is not relevant to the investment thesis. In those instances where the Client has reserved to itself the right to vote proxies, Fortress will not participate in the voting of proxies.

Though generally deemed unlikely, it is possible for conflicts of interest to arise in the context of Fortress's proxy voting. However, if an actual conflict of interest with respect to proxy voting arose, Fortress's senior attorney dedicated to conflict management would be involved in the process for the particular proxy vote to help manage and mitigate any such conflicts of interest.

A copy of Fortress's proxy voting policies and procedures can be obtained upon request. Clients that have questions about these policies and procedures, or how we voted a particular proxy should feel free to contact Fortress's Capital Formation (or “Investor Relations”) group.

**ITEM 18**  
**FINANCIAL INFORMATION**

Fortress is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.

Fortress's required Exchange Act filings, including its latest Form 10-Q and Form 10-K, are publicly available for review on the SEC's website at [www.sec.gov](http://www.sec.gov)