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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, 2014

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1345 Avenue of the Americas, 46<sup>th</sup> Fl.  
New York, New York 10105

Tel. (212) 798-6100  
Fax. (212) 798-6075  
[www.fortress.com](http://www.fortress.com)

**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).

FIG LLC is registered with the SEC as an investment adviser. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

## **ITEM 2**

### **MATERIAL CHANGES**

Fortress is required to identify and discuss any material changes that were made to this brochure since its last annual update dated March 31, 2013. Accordingly, please note the following:

- Item 9 has been updated to include the final outcome of a disciplinary action against Fortress by the CBOT Business Conduct Committee, which was previously reported in this brochure.

**ITEM 3**  
**TABLE OF CONTENTS**

ITEM 1 COVER PAGE.....	i
ITEM 2 MATERIAL CHANGES .....	ii
ITEM 3 TABLE OF CONTENTS .....	iii
ITEM 4 ADVISORY BUSINESS .....	1
ITEM 5 FEES AND COMPENSATION .....	6
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	10
ITEM 7 TYPES OF CLIENTS .....	11
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	12
ITEM 9 DISCIPLINARY INFORMATION .....	17
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	18
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	21
ITEM 12 BROKERAGE PRACTICES .....	27
ITEM 13 REVIEW OF ACCOUNTS.....	32
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION.....	33
ITEM 15 CUSTODY .....	34
ITEM 16 INVESTMENT DISCRETION .....	35
ITEM 17 VOTING CLIENT SECURITIES.....	36
ITEM 18 FINANCIAL INFORMATION .....	37

## 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 in and manages private equity funds, hedge funds and publicly traded alternative investment vehicles. Fortress also provides alternative and traditional investment management services to institutional managed accounts. 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, 2013, Fortress employed 1074 people.

**The descriptions of Fortress’s funds in this brochure, including the type of investments made and strategies used, fees and expenses charged, risk factors and conflicts of interests that may arise in Fortress’s management of such funds and investments are qualified in their entirety by reference to each of the fund’s relevant agreement between Fortress and its 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 or Managed Accounts, as applicable (collectively referred to herein as the “Offering Documents”).**

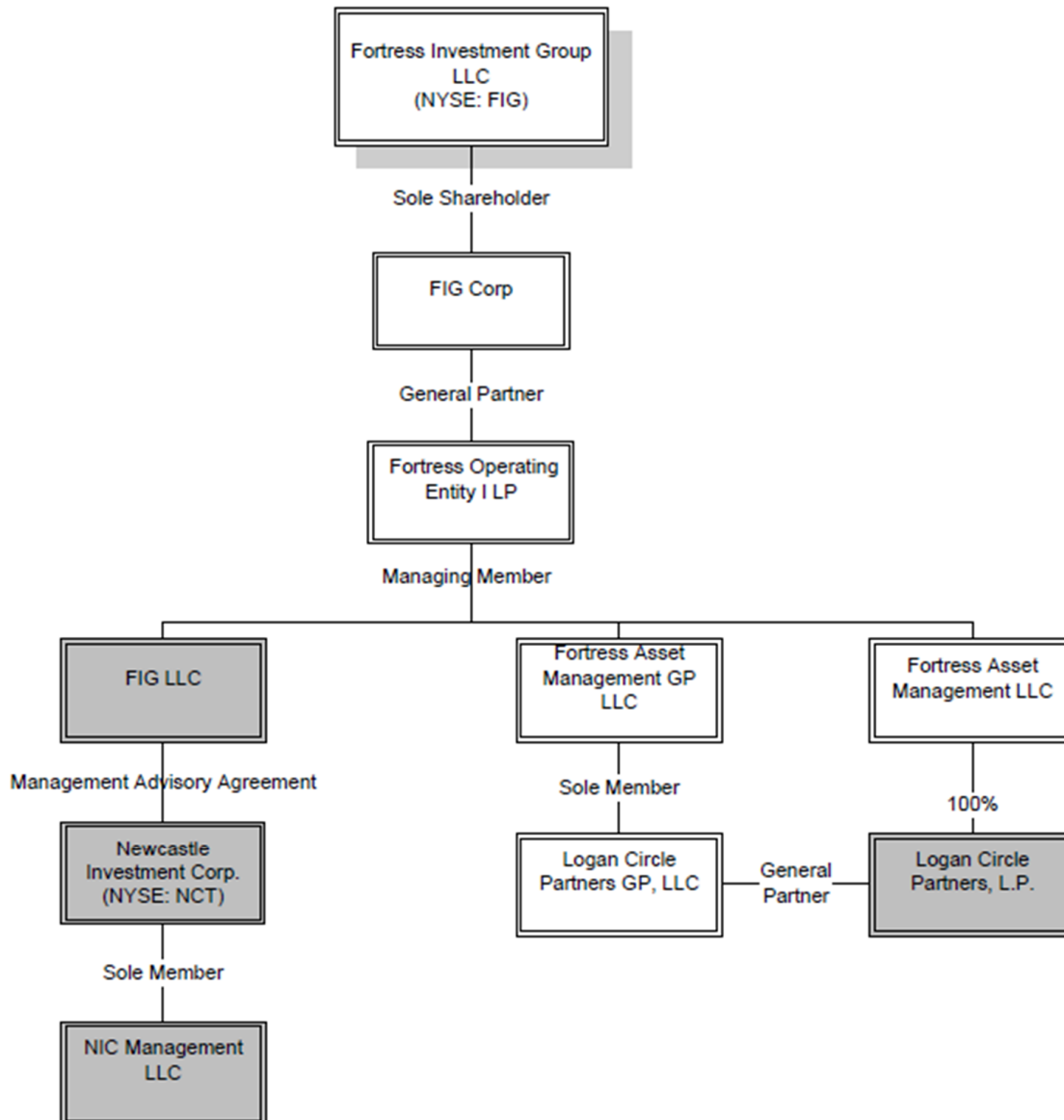
### *Fortress’s Registered Advisors*

Fortress conducts its investment management business through its subsidiary, FIG LLC (801-62982), and through a variety of other investment advisory affiliates, all of which are either wholly owned by or under common control with FIG LLC (each an “Investment Advisory Affiliate”). FIG LLC is registered with the SEC as an investment adviser. The Investment Advisory Affiliates are either registered with the SEC or are covered by FIG LLC’s registration as relying advisors pursuant to applicable SEC guidance. As such, with limited exceptions noted below, this Form ADV Part 2 is intended to cover the investment advisory activities of FIG LLC and all of its Investment Advisory Affiliates. With respect to Logan Circle Partners, L.P. and CWCcapital 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 Investment Advisers Act of 1940, in addition to FIG LLC, include: (i) Logan Circle Partners, L.P. (801-67753); (ii) CWCcapital Investments LLC (801-69737); (iii) NIC Management LLC (801-72108) and (iv) Newcastle Investment Corp. (801-72277). The information contained herein is generally broader 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 excluding Logan Circle Partners, L.P. (“Logan Circle”) and CWCcapital Investments LLC, which have their own brochures.

Principal Owners of Fortress's SEC Registered Investment Advisory Affiliates

The following is an organizational chart depicting the “principal owners” of Fortress’s SEC registered Investment Advisory Affiliates which are shaded below. Please see Item 10 (Other Financial Industry Activities and Affiliations) for a list of all Investment Advisory Affiliates.



### Fortress's Advisory Services

Fortress's advisory services are limited to the four primary business lines as follows:

#### *Private Equity*

The private equity business manages a series of funds that generally make significant, primarily control-oriented investments in North America, Western Europe and Asia, with a focus on acquiring and building asset-based businesses with significant cash flows. The private equity business also manages funds that invest in transportation and infrastructure assets, non-performing loans, and mortgage servicing rights.

#### *Permanent Capital Vehicles*

Fortress manages four publicly traded companies: Newcastle Investment Corp. (NYSE: NCT), New Residential Investment Corp. (NYSE: NRZ), New Media Investment Corp. (NYSE: NEWM), and Eurocastle Investment Limited (Euronext Amsterdam: ECT) (collectively referred to herein as the "Permanent Capital Vehicles"). The Permanent Capital Vehicles have broad investment mandates to make investments in a wide variety of assets, including real-estate related securities (e.g., residential mortgage-backed securities, commercial mortgage-backed securities, etc.), loans, mortgage servicing rights, senior living facilities, real estate properties, golf courses, and print and digital media companies.

#### *Credit*

The Credit business manages a number of Private Funds and managed accounts that invest 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 diversified investments globally in undervalued and distressed assets, including loans, corporate debt and securities, portfolios and orphaned assets, real estate, and structured finance; 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; closed end funds that focus on investments in net leased commercial real estate and related assets; closed end funds that focus on opportunistic investment in commercial real estate and real estate-related assets; and open end funds that invest in a diversified portfolio consisting primarily of long-term, stable, income-generating assets in Japan.

#### *Liquid Markets*

The Liquid Markets business manages a number of hedge funds and managed accounts 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. The Liquid Markets business also includes an Endowment and Hedge Fund-of-Fund Strategy. This strategy involves a broad investment mandate,

similar to endowment portfolios of large universities, and invests in portfolio funds as well as direct investments and customized bespoke portfolio solutions.

### *Traditional Asset Management*

Logan Circle Partners, L.P., a Fortress affiliate, operates a traditional asset management business with multiple fixed income strategies involving managed accounts and a limited number of funds, including core/core plus, short, intermediate and long duration, investment grade credit, high yield and emerging market debt. Logan Circle also offers growth equity strategies focused on investing and managing concentrated portfolios of publicly traded U.S. equities. Additional information may be found in Logan Circle Partners, L.P.'s brochure, which is available upon request or by accessing the following website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### *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) the Permanent Capital Vehicles, which are 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; and (iv) structured products for which Fortress serves as the collateral manager ("Structured Products"). The Private Funds, taken together with the Managed Accounts, Permanent Capital Vehicles and Structured Products, are referred to throughout this brochure as the "Clients."

Fortress also provides investment advisory services to Investment Advisory Affiliates that are wholly-owned by Fortress Clients such as NIC Management LLC. In other words, in limited circumstances, Fortress Clients themselves own investment advisers to which Fortress employees provide services. In these circumstances, any compensation received for services provided to clients of such 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 or more 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, 2013, Fortress had approximately \$61.8 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"; 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.

Generally, fees are not negotiable; however, in certain cases, Fortress affiliates have waived or reduced Management Fees and Promote for certain investors including, for example, employees and certain affiliated entities.

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.

In limited circumstances, certain Clients may also pay acquisition fees, disposition fees, withdrawal fees and underwriting fees, in each case in accordance with the applicable Client's Offering Documents.

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 or Fortress Clients, as the case may be, may also pay credit enhancement fees based on the funded or unfunded portions of certain tranches of the Structured Products and structuring and exchange fees.

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.

More detailed information about specific fees and expenses that Clients may pay is provided in the Offering Documents.

Underlying investors in Fortress's open end 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 that may be payable by 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 owed 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 the 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 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 expenses, including travel and due diligence 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 unconsummated 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 may 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 owns; alternatively, a company that a Fortress Client 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 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 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, to the extent such Client is an open end Private Fund, 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. In addition, senior Fortress attorneys who oversee conflict management and the allocation of investment opportunities participate in the investment review process for certain investments and routinely consult 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 Permanent Capital Vehicles, 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 Fortress personnel who qualify as "knowledgeable employees" under Rule 3(c)-5 of the Investment Company Act). Fortress also generally 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 \$20,000,000 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, in 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.

#### *Private Equity Strategies*

The investment program of the Private Equity Strategies involves making control-oriented investments in cash flow generating, asset-based businesses in Asia, 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. The investment program of the Private Equity Strategies also involves making investments in transportation and infrastructure assets, Italian non-performing loans, and mortgage servicing rights.

#### *Permanent Capital Vehicles*

The investment program of the Permanent Capital Vehicles involves investing in a wide variety of assets, including real-estate related securities (e.g., residential mortgage-backed securities, commercial mortgage-backed securities, etc.), loans, mortgage servicing rights, senior living facilities, real estate properties, golf courses, and print and digital media companies.

#### *Credit Strategies*

The investment program of the Credit Strategies involves investing in a wide array of financial instruments, including loans, corporate debt and securities, portfolios and orphaned assets, and real estate and structured finance on a global basis and throughout the capital structure with a value orientation. All of these investments are based on fundamental bottom up analyses and are typically event driven. This segment includes Private Funds that seek to invest in: (a) a diversified portfolio of undervalued and distressed investments, (b) opportunistic investments in distressed and undervalued credit and assets; (c) distressed opportunities in Japanese real estate-related performing, sub-performing and non-performing loans, securities and similar

instruments; (d) undervalued assets with long dated cash flows; (e) direct investments in real estate, capital assets, natural resources and intellectual property; (f) portfolios of life insurance policies; (g) commercial real estate and related assets; (h) investments in net leased commercial real estate and related assets; and (i) diversified portfolios consisting primarily of long-term, stable, income-generating assets in Japan.

### *The Macro Strategies*

The investment program of the Macro Strategies seeks to invest globally in, among other things, fixed income, currency, equity and commodity markets, and related derivatives to capitalize on imbalances in the financial markets. Overall, the investment program pursues global macro directional and relative value strategies. In addition, this segment includes Private Funds that seeks to generate returns by executing a positively convex investment strategy.

### *Endowment and Hedge Fund-of-Funds Strategy*

The investment program of the Endowment and Hedge Fund-of-Fund Strategy involves a broad investment mandate, similar to endowment portfolios of large universities, and invests in portfolio funds as well as direct investments and customized bespoke portfolio solutions.

### *Investment Risks*

All investments involve the risk of loss of capital. The nature of the investment instruments certain Fortress Clients may utilize and the strategies such Clients employ may 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
- risks related to limitations on quantitative models
- risks related to investing pursuant to a volatility strategy with a convex return profile that are the direct result of the Client owning option positions that have time value as a significant component of their worth
- 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)
- risks related to the allocation of opportunities among Fortress Clients and the overlapping investment programs of Fortress Clients
- dissolution risk
- risks arising as a result of being a subsidiary of a public company
- recourse to Client assets
- risks related to investing in transportation and infrastructure assets (including, among other things, risks associated with the general economic climate, the financial condition of lessees, buyers, and sellers of transportation assets, supply and demand for transportation assets, prevailing economic conditions in the markets in which transportation assets generally operate, a substantial or extended decline in world trade, and risks inherent generally in investing in (i) the aviation industry, (ii) containers, (iii) the shipping industry, (iv) energy, including processing, storing, distributing, mining and marketing, (v) utility assets, (vi) the railroad industry, (vii) port assets, and (viii) the telecommunication industry)
- risks related to investing in excess mortgage servicing rights (including, among other things, changes in interests rates, prepayment speeds, delinquency rates,

recapture rates, frequency and size of defaults, ineffective risk management efforts, information systems disruptions, limited sources of financing, inability to properly hedge transactions, the ability of third party servicers to service mortgage loans underlying mortgage servicing rights, ratings agency risk, and risks related to lack of available market comparisons)

- risks related to investing in non-performing loans and related assets (including, among other things, risks due to the dependence on cash flows, investments in distressed assets, the financial condition of the borrowers of the non-performing loans, changes in availability of debt financing or financing at attractive pricing, law, local governmental regulations and various administrative guidelines relating to owning and servicing non-performing loans that are complex or unclear or otherwise difficult to comply with, changes in tax and other laws and regulations applicable to real estate assets and non-performing loans, and special servicer related risks)

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's (or prospective Client's) evaluation of Fortress's advisory business.

We note, however, that in late October 2010, the CME Group Market Regulation Department ("CME") notified Fortress that it was approaching a single month speculative position limit of the Chicago Board of Trade ("CBOT"), a designated contract market of the CME, in wheat futures contracts. Upon receiving that notification, the firm immediately reviewed its position, and after concluding that it had in fact exceeded the speculative position limit, quickly reduced the excess position and brought the position back into compliance with the applicable limit. On August 24, 2012, the CME initiated an action before the CBOT Business Conduct Committee ("BCC") based on the violation that occurred in October 2010, seeking penalties and disgorgement of approximately \$350,000 in profits resulting from the excess position. The October 2010 violation involved an unintentional overage of approximately 7%, which was corrected within approximately three regular trading hours. Fortress chose to defend the action rather than settling it, arguing that, based on applicable rules, the appropriate sanction was only a warning letter. This was Fortress' first ever violation of any CBOT, CME or CFTC rule. Prior to the violation, Fortress was in the process of implementing an automated system to monitor applicable limits across client accounts. Shortly after the violation, Fortress completed the implementation, and there have been no subsequent position limit violations. On November 27, 2012, Fortress appeared before the BCC in a contested hearing and was fined \$90,000 and ordered to pay disgorgement of approximately \$350,000. Following an appeal, the decision became final on July 22, 2013.

## ITEM 10

### OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

#### Broker-Dealer

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.

#### Commodity Pool Operator

Effective January 1, 2013, certain of Fortress’s Investment Advisory Affiliates registered as a commodity pool operator (“CPO”) with the Commodity Futures Trading Commission (“CFTC”) and became members of the National Futures Association (“NFA”). Generally, Fortress’s CPOs provide its services exclusively to “qualified eligible persons” under CFTC Rule 4.7 or to funds operating pursuant to CFTC Rule 4.13(a)(3). The CPOs are Fortress Macro Advisors LLC, Fortress Asia Macro Advisors LLC, Fortress Convex Asia Advisors LLC, Fortress Credit Advisors LLC, and Japan Opportunity Management LLC. In addition, (i) Fortress Partners Advisors LLC filed a claim for relief from CPO registration under CFTC Letter No. 12-38 and (ii) Newcastle Investment Corp. and New Residential Investment Corp. each filed a claim for relief from CPO registration under CFTC Letter No. 12-44.

#### Investment Adviser

As described further in Item 4 (Advisory Business), Fortress is affiliated with the following Investment Advisory Affiliates:

Drawbridge Global Macro Advisors LLC  
Drawbridge LDVF Patent Advisors LLC  
Drawbridge Long Dated Value Advisors LLC  
Drawbridge Real Assets Advisors LLC  
Drawbridge Special Opportunities Advisors LLC  
FCO MA LSS Advisors LLC  
FCO MA SC Advisors LLC  
FCO MA Centre Advisors LLC  
FCO MA Sup Advisors LLC  
FCO MA III Advisors LLC  
FIG Transportation Fund Management LLC

FM Falstaff Advisors LLC  
 Fortress Asia Macro Advisors LLC  
 Fortress Convex Asia Advisors LLC  
 Fortress Credit Advisors LLC  
 Fortress Credit Funding III GP LLC  
 Fortress Credit Funding IV GP LLC  
 Fortress Credit Funding V GP LLC  
 Fortress Credit Funding VI GP LLC  
 Fortress Credit Opportunities Advisors LLC  
 Fortress Credit Opportunities I GP LLC  
 Fortress Credit Opportunities III Advisors LLC  
 Fortress Credit Opportunities MA Advisors LLC  
 Fortress Credit Opportunities MA II Advisors LLC  
 Fortress Credit Opportunities MA MAPLE LEAF Advisors LLC  
 Fortress Global Opportunities (Yen) Advisors LLC  
 Fortress Japan Opportunity Management LLC  
 Fortress Life Settlements Advisors LLC  
 Fortress Macro Advisors LLC  
 Fortress Mortgage Opportunities Advisors LLC  
 Fortress MSR Opportunities Fund Management LLC  
 Fortress Net Lease Advisors LLC  
 Fortress Partners Advisors LLC  
 Fortress Real Estate Opportunities Advisors LLC  
 Fortress Special Opportunities Advisors LLC  
 Fortress VRF Advisors I LLC  
 FRO REOC Advisors LLC  
 ATP Management LLC  
 Pangea CLO Management, LLC  
 Sargas Asset Management, LLC  
 Taberna European Capital Management, LLC  
 TP Management LLC  
 Drawbridge (UK) LLP  
 Fortress Investment Group (Australia) Pty Ltd  
 Fortress Investment Group (Singapore) Pte Ltd  
 Fortress Investment Group (UK) LTD  
 Fortress Real Estate (Asia) GK  
 FC BSL CM LLC  
 FC BSL II CM LLC  
 Fortress Italian NPL Opportunities Fund Advisors LLC  
 Fortress Japan Income Management LLC  
 Fortress MSR Opportunities MA I Management LLC  
 Fortress Real Estate Opportunities Advisors LLC  
 Fund I Liquidating MM LLC  
 MSR Opportunities Fund II Management LLC  
 FCO III CLO GP LLC

All of these Investment Advisory Affiliates are either wholly owned by, or under common control with, FIG LLC.

Insurance Company and Real Estate Broker

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.

#### Interests in Third Party Investment Advisers

Fortress affiliates maintain minority interests in certain third party investment advisers. Such investment advisers provide advisory services to unaffiliated funds in which Fortress Clients have invested. To the extent that fees are charged by such investment adviser with respect to the Fortress Client’s investment, Fortress rebates the Client’s fees to offset the fee income received by the Fortress affiliate as a result of such investment.

#### Affiliated Manager Platform

Fortress, within its Liquid Markets business, launched an affiliated manager platform as part of the firm's growth strategy in the liquid alternative investment space. The platform will allow Fortress to take an economic interest in high potential start-up and established funds, and to provide a fee-for-services model for funds seeking to leverage Fortress’s technology, infrastructure and client relationships. The first fund to join the new platform will be the firm’s own Singapore-based Fortress Asia Macro Fund (“FAMF”).

Over the course of 2014, FAMF, staffed with the current FAMF team, will transition into an autonomous asset management business – to be called Graticule Asset Management Asia – with Fortress as a non-control partner and provider of FAMF’s infrastructure services. It is also anticipated that FAMF will change its name to Graticule Asia Macro Fund.

#### Property Management Business

Fortress has a senior living property management subsidiary and has agreements to manage 17 senior living properties, including 15 that are owned by NCT and two that are owned by third parties.

#### Conflicts

Fortress does not currently believe that such relationships create a material conflict of interest for Fortress’s Clients.

Information regarding Fortress’ management of potential conflicts is discussed in Item 11 below.

**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 generally 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; provided, however, that the Fortress Legal and Compliance Department may approve such a trade for employees who are not involved in portfolio management or trading on behalf of a specific Client within the relevant business when the proposed purchase or sale is: (a) 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; or (b) 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.

Other restrictions applicable to the personal trading of Fortress employees include, for example, a 30-day holding period, a prohibition against trading securities listed on Fortress's Restricted Trading List, 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 reportable 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 which may include 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 Permanent Capital Vehicles 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 law and agreements, 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 (e.g., for rebalancing or tax purposes, liquidity purposes or to reduce transaction costs that may arise in an open market transaction). Such cross transactions may be made with or 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 who is responsible for monitoring potential conflicts, including those related to cross trades between and/or among Fortress and its Clients. Various members of the Firm’s Legal and Compliance Department are involved in oversight, review and approval of cross trades in a number of ways depending on the context of such trades. Furthermore, actual conflicts and, where deemed necessary, potential conflicts in connection with a cross trade are brought to Clients’ advisory boards for approval.

### *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 the investment management teams for the different Clients of Fortress. 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 no, 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 consider the factors described above in allocating the sale of such an investment.

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, Fortress may have an incentive to allocate such investment opportunity to Fortress or its employees or to one Fortress Client rather than other Clients. For example, such an incentive may arise if the economic interests of Fortress and its employees in certain of these Fortress Clients, when combined with their rights to Management and/or Promote or other fees, are significantly larger than their direct and indirect economic interests in other Clients. Such an instance 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 such 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 invest in securities on behalf of one Client (or Fortress itself or its employees may purchase such securities) that may differ from investments made on behalf of other Clients, even though the investment objectives of other Clients may be similar. Moreover, Fortress, Fortress's Clients, or its employees may make investments or engage in other activities that express inconsistent views with respect to an investment, a particular security or relevant market conditions.

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 held by other Fortress Clients. Consequently, Fortress, on behalf of certain Fortress Clients, may choose not to hedge certain risks that other Fortress Clients hedge, or certain Fortress 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.

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 and could have an effect (either positive or negative) on the market price of the initial investment.

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 ("MNPI"). 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 Permanent Capital Vehicles), 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 MNPI in the ordinary course of their investment activities, which acquisition may result in restrictions on a Clients' 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 MNPI. 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 MNPI with respect to any 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 the next two paragraphs 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 or ideas concerning actual or potential investments.

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, including but not limited to 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 that are applicable only because other Fortress Clients are 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.

#### *Potential Benefits from Portfolio Companies*

In order to encourage greater knowledge and understanding of their products and services, or as a general matter for “friends and family,” certain portfolio companies owned by Fortress Clients may, from time to time, offer product and service discounts to Fortress employees.

## 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 mark-ups 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 mark-ups 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 utilizes Client Commission Arrangements ("CCA") or Commission Sharing Arrangements ("CSA") to obtain research that falls within Section 28(e) of the Exchange Act's safe harbor. Under these types of arrangements,

Fortress requests 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 subsequently directs 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 is not used exclusively for the Client generating the brokerage credit. Because the full amount of brokerage commissions, including any portion thereof attributable to research services received from any brokers or dealers is excluded from the calculation of the expense caps applicable to certain Clients, Fortress may have a conflict in determining (i) the commission rate attributable to pay for research expenses in order to increase the total “credit pool” used to pay for such research expenses and (ii) the allocation of such research expenses among the “credit pools” of its Clients.

#### *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, Fortress Clients may 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.

#### *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 and may, under certain circumstances, 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, 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 and are being executed by the same trader. 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. It is Fortress policy that Clients participating in an aggregated order generally receive the same average price or pay a pro rata share of the commissions. Any partially filled orders are generally allocated pro-rata among participating 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, trades may be executed on behalf of Fortress Clients that are inconsistent with the trading instructions of a portfolio manager or are the result of some other error in the trading process. Such trades are known as "Trade Errors" and are deemed to have occurred when, as a result of such inconsistency or other error in process: (i) the wrong instrument is purchased or sold; (ii) the wrong quantity of an instrument is purchased or sold; (iii) a purchase is made instead of a sale or a sale is made instead of a purchase; or (iv) an instrument is purchased or sold in violation of regulatory or contractual obligations. Trade Errors do not include scenarios that do not result in a trade. Trade Errors frequently result in losses but may, occasionally, result in gains. The Investment Advisory Affiliate 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, the Investment Advisory Affiliate 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 and the Investment Advisory Affiliate will not be liable for such losses. Unless a Trade Error has resulted from the willful misconduct or gross negligence of the Investment Advisory

Affiliate, any losses will be borne by the Client. Any gains resulting from a Trade Error will be for the benefit of the Client. The Investment Advisory Affiliate will determine in its sole discretion whether any Trade Error has resulted from willful misconduct or gross negligence on its part. Investors should be aware that, in making such determinations, the Investment Advisory Affiliate will have a conflict of interest.

In addition, the Investment Advisory Affiliate will not generally be liable to any Client or investor in such Client for any of such Investment Advisory Affiliate'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. The Investment Advisory Affiliate may consult with legal counsel and accountants with respect to its Clients' affairs and will be held harmless 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 the Investment Advisory Affiliate (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 of a given Fortress Client, although other persons who are not investment professionals 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 open ended funds and quarterly for the Fortress closed end funds, and, with respect to the Permanent Capital Vehicles, are made publicly available on a quarterly basis. The Private Funds and Permanent Capital Vehicles 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.

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. 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.

As further described in Item 10, Fortress Capital Formation LLC (“FCF”), an SEC registered broker-dealer and member of FINRA, serves as placement agent for Private Funds in the U.S. Certain employees who are registered representatives of FCF may be compensated based on the amount of capital they raise for Private Funds and Managed Accounts.

## **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 mark-ups 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 set forth in the Offering Documents applicable to each Client.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

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 global proxies for such Client accounts. For certain other Client accounts and securities, 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 portfolio manager believes that resolution of the proxy is not relevant to the value of the investment. 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 who oversees 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).