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

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________

Commission File Number 001-33805

SCULPTOR CAPITAL MANAGEMENT, INC.

(Exact Name of Registrant as Specified in its Charter)

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

9 West 57th Street, New York, New York 10019
(Address of Principal Executive Offices)

Registrant's telephone number: (212) 790-0000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbols	Name of each exchange on which registered
Class A Shares	**SCU**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", or "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☑	Non-accelerated filer ☐	Smaller reporting company ☐
			Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2019 was approximately $459.2 million. As of February 19, 2020, there were 21,911,815 Class A Shares and 29,208,952 Class B Shares outstanding.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement for the 2020 annual meeting of shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K. The registrant's definitive proxy statement will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

SCULPTOR CAPITAL MANAGEMENT, INC.

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Defined Terms

2007 Offerings	Refers collectively to our IPO and the concurrent private offering of approximately 38.1 million Class A Shares to DIC Sahir Limited, a wholly owned indirect subsidiary of Dubai Holdings LLC
active executive managing directors	Executive managing directors who remain active in our business
Advisers Act	Investment Advisers Act of 1940, as amended
Class A Shares	Our Class A Shares, representing Class A common stock of Sculptor Capital Management, Inc., which are publicly traded and listed on the NYSE
Class B Shares	Class B Shares of Sculptor Capital Management, Inc., which are not publicly traded, are currently held solely by our executive managing directors and have no economic rights but entitle the holders thereof to one vote per share together with the holders of our Class A Shares
CLOs	Collateralized loan obligations
the Company, Sculptor Capital, the firm, we, us, our	Refers, unless the context requires otherwise, to the Registrant and its consolidated subsidiaries, including the Sculptor Operating Group
Exchange Act	Securities Exchange Act of 1934, as amended
executive managing directors	The current executive managing directors of the Company, and, except where the context requires otherwise, also includes certain executive managing directors who are no longer active in our business
funds	The multi-strategy funds, dedicated credit funds, including opportunistic credit funds and Institutional Credit Strategies products, real estate funds and other alternative investment vehicles for which we provide asset management services
GAAP	U.S. generally accepted accounting principles
Group A Units	Refers collectively to one Class A operating group unit in each of the Sculptor Operating Partnerships. Group A Units are limited partner interests held by our executive managing directors
Group A-1 Units	Refers collectively to one Class A-1 operating group unit in each of the Sculptor Operating Partnerships. Group A-1 Units are limited partner interests held by our executive managing directors
Group B Units	Refers collectively to one Class B operating group unit in each of the Sculptor Operating Partnerships. Group B Units are limited partner interests held by Sculptor Corp
Group D Units	Refers collectively to one Class D operating group unit in each of the Sculptor Operating Partnerships. Group D Units are limited partner interests held by our executive managing directors
Group E Units	Refers collectively to one Class E operating group unit in each of the Sculptor Operating Partnerships. Group E Units are limited partner interests held by our executive managing directors

Group P Units	Refers collectively to one Class P operating group unit in each of the Sculptor Operating Partnerships. Group P Units are limited partner interests held by our executive managing directors
Institutional Credit Strategies	Our asset management platform that invests in performing credits, including leveraged loans, high-yield bonds, private credit/bespoke financing and investment grade credit via CLOs, aircraft securitizations, collateralized bond obligations, and other customized solutions
IPO	Our initial public offering of 3.6 million Class A Shares that occurred in November 2007
NYSE	New York Stock Exchange
Partner Equity Units	Refers collectively to the Group A Units, Group E Units and Group P Units
Preferred Units	One Class A cumulative preferred unit in each of the Sculptor Operating Partnerships collectively represents one "Preferred Unit." Certain of our executive managing directors collectively own 100% of the Preferred Units. Preferred Units issued in 2016 and 2017 are, collectively, referred to as "2016 Preferred Units." Preferred Units issued in 2019 are referred to as "2019 Preferred Units."
PSUs	Class A performance-based RSUs
Recapitalization	Refers to the recapitalization of our business that occurred in February 2019. As part of the Recapitalization, a portion of the interests held by our active and former executive managing directors were reallocated to existing members of senior management. In addition, we restructured the previously outstanding senior debt and Preferred Units
Registrant	Sculptor Capital Management, Inc., a Delaware corporation
RSUs	Class A restricted share units
Sculptor Corp	Sculptor Capital Holding Corporation, a Delaware corporation
Sculptor Operating Group	Refers collectively to the Sculptor Operating Partnerships and their consolidated subsidiaries
Sculptor Operating Group Units	Refers collectively to Sculptor Operating Group A, B, D, E, and P Units
Sculptor Operating Partnerships	Refers collectively to Sculptor Capital LP, Sculptor Capital Advisors LP and Sculptor Capital Advisors II LP
Reorganization	The reorganization of our business that took place prior to the IPO
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Special Investments	Investments that we, as investment manager, believe lack a readily ascertainable market value, are illiquid or should be held until the resolution of a special event or circumstance

Available Information

We file annual, quarterly and current reports, proxy statements and other information required by the Exchange Act with the SEC. We make available free of charge on our website (*www.sculptor.com*) our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and any amendments to those filings as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. We also use our website to distribute company information, and such information may be deemed material. Accordingly, investors should monitor our website, in addition to our press releases, SEC filings and public conference calls and webcast. The contents of our website are not, however, a part of this report.

Also posted on our website in the "Public Investors—Governance" section are charters for our Audit Committee; Compensation Committee; Nominating, Corporate Governance and Conflicts Committee and Corporate Responsibility and Compliance Committee, as well as our Corporate Governance Guidelines and Code of Business Conduct and Ethics governing our directors, officers and employees. Information on, or accessible through, our website is not a part of, and is not incorporated into, this report or any other SEC filing. Copies of our SEC filings or corporate governance materials are available without charge upon written request to Sculptor Capital Management, Inc., 9 West 57th Street, New York, New York 10019, Attention: Office of the Secretary. Any materials we file with the SEC are also publicly available through the SEC's website (*www.sec.gov*).

No statements herein, available on our website or in any of the materials we file with the SEC constitute, or should be viewed as constituting, an offer of any fund.

Forward-Looking Statements

Some of the statements under "Item 1. Business," "Item 1A. Risk Factors," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," which we refer to as "MD&A," "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" and elsewhere in this annual report may contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act that reflect our current views with respect to, among other things, future events and financial performance. We generally identify forward-looking statements by terminology such as "outlook," "believe," "expect," "potential," "continue," "may," "will," "should," "could," "seek," "approximately," "predict," "intend," "plan," "estimate," "anticipate," "opportunity," "comfortable," "assume," "remain," "maintain," "sustain," "achieve," "see," "think," "position" or the negative version of those words or other comparable words.

Any forward-looking statements contained herein are based upon historical information and on our current plans, estimates and expectations. The inclusion of this or other forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. We caution that forward-looking statements are subject to numerous assumptions, estimates, risks and uncertainties, including but not limited to the following: global economic, business, market and geopolitical conditions; U.S. and foreign regulatory developments relating to, among other things, financial institutions and markets, government oversight, fiscal and tax policy; the outcome of third-party litigation involving us; the consequences of the Foreign Corrupt Practices Act (the "FCPA") settlements with the SEC and the U.S. Department of Justice (the "DOJ") and any claims arising therefrom; whether the Company realizes all or any of the anticipated benefits from the Recapitalization and other related transactions; whether the Recapitalization and other related transactions result in any increased or unforeseen costs, indemnification obligations or have an impact on our ability to retain or compete for professional talent or investor capital; conditions impacting the alternative asset management industry; our ability to retain existing investor capital; our ability to successfully compete for fund investors, assets, professional talent and investment opportunities; our ability to retain our active executive managing directors, managing directors and other investment professionals; our successful formulation and execution of our business and growth strategies; our ability to appropriately manage conflicts of interest and tax and other regulatory factors relevant to our business; the anticipated benefits of changing the Registrant's tax classification from a partnership to a corporation and subsequently converting from a limited liability company to a corporation; and assumptions relating to our operations, investment performance, financial results, financial condition, business prospects, growth strategy and liquidity.

If one or more of these or other risks or uncertainties materialize, or if our assumptions or estimates prove to be incorrect, our actual results may vary materially from those indicated in these statements. These factors are not and should not be construed as exhaustive and should be read in conjunction with the other cautionary statements and risks that are included in our filings with the SEC, including but not limited to those described in “Item 1A. Risk Factors.”

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

PART I

Item 1. Business

Business Description

Sculptor Capital, formerly Och-Ziff Capital Management Group Inc., is a leading global institutional alternative asset manager, with approximately $34.5 billion in assets under management as of February 1, 2020. We provide asset management services through our funds, which pursue a broad range of global investment opportunities, and by developing new, carefully considered investment products. We also offer customized solutions within and across our product platforms to help our fund investors meet their investment objectives. Our funds invest across numerous asset classes and geographies, with a breadth we believe is offered by few alternative asset management firms.

Our approach to asset management is based on the same fundamental elements that we have employed since Sculptor Capital was founded in 1994. Our objectives are to create long-term value for our fund investors through a disciplined investment philosophy that focuses on delivering consistent, positive, risk-adjusted returns across market cycles. We currently manage multi-strategy funds, dedicated credit funds, including opportunistic credit funds and Institutional Credit Strategies products, real estate funds and other alternative investment vehicles.

Multi-Strategy - Our multi-strategy funds invest globally in high-conviction investment ideas across asset classes, regions, and investment strategies with a primary focus on idiosyncratic opportunities where return drivers are less sensitive to the direction of broader financial markets. Through detailed fundamental analysis and due diligence, we aim to identify investment opportunities where intermediate or long-term value is obscured by attributes such as complexity, corporate events, technical dislocations, or market misunderstandings. Our multi-strategy funds allocate capital across strategies and geographies opportunistically based on market conditions, with no predetermined capital allocations by strategy or asset class. Our investment strategies include Fundamental Equities, Merger Arbitrage, Corporate Credit, Structured Credit, and Convertible & Derivative Arbitrage and Private Investments.

Credit - Our credit platform comprises both opportunistic credit and Institutional Credit Strategies. Opportunistic credit focuses on global corporate, structured and private credit markets, including investments in distressed businesses, restructurings and bankruptcies. In many cases, we actively enforce creditor rights or pursue other legal strategies in order to favorably affect outcomes. We may also buy undervalued securities following broader market dislocations. Institutional Credit Strategies invests in performing credit via leveraged loans, high yield bonds, private financing and investment-grade credit and serves clients through CLOs, collateralized bond obligations (“CBOs”), commingled products and customized solutions.

Real Estate - Our real estate funds generally make investments in commercial and residential real estate, including real property, multi-property portfolios, real estate-related joint ventures, real estate operating companies and other real estate-related assets. These funds typically seek to preserve capital and mitigate risk by limiting competitive bidding. The real estate funds focus on proprietary sourcing, discretion in deal selection, thorough due diligence, intensive asset management, multiple defined exit strategies and structured downside protection to seek and manage investments.

We have built an experienced investment management team with a well-established presence in the United States, Europe and Asia. As of December 31, 2019, we had 390 employees worldwide, including 112 investment professionals, 23 active executive managing directors and 52 managing directors working from our offices in New York, London, Hong Kong, and Shanghai. Our New York office was established in 1994 and has been operational for over 26 years. Our London office, established in 1998, houses our European investment team. Our Hong Kong office, established in 2001, houses the majority of our Asian investment team. See “—Employees” for additional information on our global headcount.

Name Change

Effective September 12, 2019, we changed our name to Sculptor Capital Management, Inc. Our Class A Shares now trade on the New York Stock Exchange under the symbol “SCU.” Also, effective September 12, 2019, Och-Ziff Holding Corporation changed its name to Sculptor Capital Holding Corporation, and in its capacity as the general partner of the Sculptor

Operating Partnerships, changed the names of OZ Management LP, OZ Advisors LP and OZ Advisors II LP to Sculptor Capital LP, Sculptor Capital Advisors LP and Sculptor Capital Advisors II LP, respectively.

Recapitalization

On February 7, 2019, we completed the Recapitalization, which included a series of transactions that involved the reallocation of certain ownership interests in the Sculptor Operating Group to existing members of senior management, a “Distribution Holiday” on interests held by active and former executive managing directors, an amendment to the tax receivable agreement, a “Cash Sweep” to pay down the 2018 Term Loan and 2019 Preferred Units, and various other related transactions. See Note 3 to our consolidated financial statements included in this annual report for additional information.

Reverse Share Split

At the close of trading on January 3, 2019, we effectuated a 1-for-10 reverse share split (the “Reverse Share Split”) of the Class A Shares. As a result of the Reverse Share Split, every ten issued and outstanding Class A Shares were combined into one Class A Share. In addition, corresponding adjustments were made to the Class B Shares, Group A Units, Group B Units, Group D Units, Group P Units, RSUs and PSUs. All prior period share, unit, per share and per unit amounts have been restated to give retroactive effect to the Reverse Share Split.

Corporate Classification Change

The Registrant changed its tax classification from a partnership to a corporation effective April 1, 2019 (the “Corporate Classification Change”), and subsequently converted from a Delaware limited liability company into a Delaware corporation effective May 9, 2019.

Segments Reporting Change

Prior to the fourth quarter of 2019, we had two operating segments: Sculptor Funds and Real Estate. In the fourth quarter of 2019, we combined these into one operating and reportable segment, which is reflective of how the chief operating decision makers review our operating results and make resource allocation decisions.

Our Assets Under Management

Our primary sources of revenues are management fees, which are based on the amount of our assets under management, and incentive income, which is based on the investment performance of our funds. Accordingly, for any given period, our revenues will be driven by the combination of assets under management and the investment performance of our funds. Our assets under management are a function of the capital that is allocated to us by the investors in our funds and the investment performance of our funds. For additional information regarding assets under management, please see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Assets Under Management and Fund Performance.”

Overview of Our Funds

Multi-Strategy

As of December 31, 2019, assets under management in our multi-strategy funds totaled approximately $9.3 billion, or 27% of our total assets under management. These funds seek to consistently generate strong risk-adjusted returns across market cycles while protecting investor capital. We aim to achieve these objectives by investing in high-conviction investment ideas across asset classes, regions and strategies, with a primary focus on opportunities where return drivers are less sensitive to market direction. Sculptor’s investment process combines expert bottom-up fundamental analysis, a dynamic approach to portfolio construction, and a sophisticated and fully integrated risk management effort. The primary investment strategies we employ in our multi-strategy funds include the following:

- **Fundamental Equities** seeks to generate returns through both long and short positions across global equity markets by employing a deep fundamental research process that draws on resources and knowledge from across the firm. Our primary focus is on event-driven situations involving corporate actions such as spin-offs, restructurings or recapitalizations, and on securities that may be temporarily undervalued due to a technical event or market misunderstanding.

- **Structured Credit** invests in a wide breadth of structured products, with a primary focus in several credit categories, including residential, and commercial, corporate, and consumer credit, among others. This strategy aims to provide idiosyncratic and highly differentiated returns by pursuing investments that can be realized through active rights enforcement, litigation, liquidation or restructuring.

- **Corporate Credit** takes an opportunistic approach to corporate credit investing and includes investments in undervalued or dislocated securities and pursuing process-driven investments including investments in complex distressed businesses, restructurings and bankruptcies. We take a fundamental investment approach to identify investments that may be undervalued due to complexity, market inefficiencies or other investors' lack of scale, capability or mandate to pursue these investments. Our ability to participate in many of these types of investments is a direct function of our presence in the markets, scale, experience and reputation as a counterparty.

- **Convertible and Derivative Arbitrage** seeks to exploit the price discrepancies between certain convertible bonds and derivative securities and the underlying equity or other security to generate strong, stable and uncorrelated returns. We explore opportunities in traditional convertible arbitrage, mandatory convertible investments, short convertible strategies and relative value opportunities.

- **Merger Arbitrage** pursues a wide array of event-driven situations, with a broad focus on mergers and acquisitions as well as corporate actions, including exchange offers, unannounced deals, spin-offs, split-offs and hostile cross-border situations with regulatory and geopolitical complexity. Our flexible approach allows us to pursue strategies on a risk-adjusted basis and size them accordingly.

- **Private Investments** encompasses investments in a variety of special situations that seek to generate value through realizations, strategic sales or initial public offerings.

The Sculptor Master Fund, our global multi-strategy fund, opportunistically allocates capital to investments in North America, Europe and Asia, with flexibility to cast a wide net and source attractive investments. The key limitations we consider when selecting and sizing investments are related to our fundamental and quantitative view on the risk/reward, liquidity and availability of the specific investment under evaluation. Sculptor Master Fund generally employs every strategy and geography in which our funds invest and constituted approximately 25% of our assets under management as of December 31, 2019. The investment performance for our other funds may vary from those of the Sculptor Master Fund, and that variance may be material.

The table below sets forth, as of December 31, 2019, the net annualized return, volatility and Sharpe Ratio of the Sculptor Master Fund, the Sculptor Multi-Strategy Composite (as defined below), the S&P 500 Index and the MSCI World Index. This table is provided for illustrative purposes only. The performance reflected in the table below is not necessarily indicative of the future results of the Sculptor Master Fund. There can be no assurance that any fund will achieve comparable results. An investment in our Class A Shares is not an investment in any of our funds. See "Item 1A. Risk Factors—Risks Related to Our Business—An investment in our Class A Shares is not an alternative to an investment in any of our funds, and the returns of our funds should not be considered as indicative of any returns expected on our Class A Shares, although poor investment performance of, or lack of capital flows into, the funds we manage could have a materially adverse impact on our revenues and, therefore, the returns on our Class A Shares."

Past performance is no indication or guarantee of future results.

Net Annualized Return through December 31, 2019	1 Year	3 Years	5 Years	Since Sculptor Master Fund Inception (January 1, 1998)	Since Sculptor Multi-Strategy Composite Inception (April 1, 1994)
Sculptor Master Fund Composite(1)	14.8%	7.5%	5.2%	8.6%	n/a
Sculptor Multi-Strategy Composite(2)	14.8%	7.5%	5.2%	8.6%	11.3%
S&P 500 Index(3)	31.5%	15.3%	11.7%	7.6%	10.1%
MSCI World Index(3)	28.1%	12.4%	9.9%	6.5%	7.9%
Volatility - Standard Deviation (Annualized)(4)					
Sculptor Master Fund Composite(1)	6.7%	5.7%	5.6%	5.1%	n/a
Sculptor Multi-Strategy Composite(2)	6.7%	5.7%	5.6%	5.1%	5.5%
S&P 500 Index(3)	12.9%	12.1%	12.0%	14.8%	14.4%
MSCI World Index(3)	11.6%	10.7%	11.1%	14.0%	13.5%
Sharpe Ratio(5)					
Sculptor Master Fund Composite(1)	1.87	0.99	0.70	1.23	n/a
Sculptor Multi-Strategy Composite(2)	1.87	0.99	0.70	1.23	1.56
S&P 500 Index(3)	2.27	1.11	0.87	0.36	0.51
MSCI World Index(3)	2.22	0.99	0.77	0.30	0.38

(1) The returns shown represent the composite performance of all feeder funds that comprise the Sculptor Master Fund since the inception of the Sculptor Master Fund on January 1, 1998 (collectively, the "Sculptor Master Fund Composite"). The Sculptor Master Fund Composite is calculated using the total return of all feeder funds net of all fees and expenses, except incentive income on Special Investments that could reduce returns on these investments at the time of realization, and includes the reinvestment of all dividends and other income. Performance includes realized and unrealized gains and losses attributable to Special Investments and initial public offering investments that are not allocated to all investors in the feeder funds. Investors that were not allocated Special Investments and/or initial public offering investments may experience materially different returns. The Sculptor Master Fund Composite is not available for direct investment.

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

(3) These comparisons show the returns of the S&P 500 Index (SPTR) and the MSCI World Index (GDDLWI) (collectively, the "Broader Market Indices") against the Sculptor Master Fund Composite and the Sculptor Multi-Strategy Composite. These comparisons are intended solely for illustrative purposes to show a historical comparison of the Sculptor Master Fund Composite and the Sculptor Multi-Strategy Composite to the broader equity markets, as represented by the Broader Market Indices, and should not be considered as an indication of how the Sculptor Master Fund or the feeder funds will perform relative to the Broader Market Indices in the future. The Broader Market Indices are not performance benchmarks of the Sculptor Master Fund or the feeder funds. Neither the Sculptor Master Fund nor the feeder funds are managed to correlate in any way with the returns or composition of the Broader Market Indices, which are unmanaged. It is not possible to invest in an unmanaged index. You should not assume that there is any material overlap between the securities underlying the Sculptor Master Fund Composite or the Sculptor Multi-Strategy Composite and those that comprise the Broader Market Indices. The S&P 500 Index is an equity index owned and maintained by Standard & Poor's, a division of McGraw-Hill, whose value is calculated as the free float-weighted average of the share prices of 500 large-capitalization corporations listed on the NYSE and NASDAQ. The MSCI World Index is a free float-adjusted market capitalization weighted index owned and maintained by MSCI Inc. that is designed to measure the equity market performance of developed markets. Returns of the Broader Market Indices have not been reduced by fees and expenses associated with investing in securities and include the reinvestment of dividends.

(4) Standard Deviation is a statistical measure of volatility that measures the fluctuation of the monthly rates of return against the average return.

(5) Sharpe Ratio represents a measure of the risk-adjusted return of the composite returns, or benchmark returns, as applicable. The Sharpe Ratio is calculated by subtracting the risk-free rate from the composite returns, or benchmark returns, as applicable, and dividing that amount by the standard deviation of the applicable returns. The risk-free rate of return used in computing the Sharpe Ratio is the one-month U.S. dollar London Interbank Offered Rate compounded monthly throughout the periods presented.

Credit

As of December 31, 2019, we managed approximately $21.7 billion of assets under management in our dedicated credit funds, or 63% of our total assets under management. Our dedicated credit funds comprise our opportunistic credit funds and Institutional Credit Strategies products.

Opportunistic Credit Funds

As of December 31, 2019, we managed approximately $6.0 billion of assets under management in our opportunistic credit funds. These products seek to generate risk-adjusted returns by capturing value in mispriced investments across disrupted, dislocated and distressed corporate, structured and private credit markets globally. As of December 31, 2019, assets under management in the Sculptor Credit Opportunities Master Fund, our global opportunistic credit fund, totaled $1.6 billion. The remainder of the assets under management in our opportunistic credit products was made up of various open-end and closed-end funds, as well as customized solutions structured to meet our fund investors' needs.

Institutional Credit Strategies

As of December 31, 2019, we managed approximately $15.7 billion of assets under management in our Institutional Credit Strategies products. Institutional Credit Strategies is our platform that invests in performing credit via leveraged loans, high yield bonds, private financing and investment-grade credit and serves clients through CLOs, CBOs, commingled products and customized solutions.

Real Estate

As of December 31, 2019, we managed approximately $3.4 billion of assets under management in our real estate funds, or 10% of our total assets under management. Our real estate funds employ a situation-specific, opportunistic investment strategy, combined with a disciplined risk assessment process. These funds seek to diversify investments across geography, asset types and transaction structures to actively balance the portfolios within each of the funds.

Investment and Risk Management Process

Our extensive experience and consistent approach to investing and risk management are an essential part of our strong performance history. Risk management is highly integrated with our investment process and the operations of our business. Our investment and risk management processes benefit from our dedicated and experienced teams operating out of our offices worldwide.

Our approach to investing and managing risk is defined by certain common elements:

- *Proactive risk management* is built on the principles of constant vigilance, frequent dialog, and continuous improvement. We constantly monitor risk and have instituted a formal and consistent process to disseminate information, conduct informed debate, and take proactive or responsive action across our portfolios. Technology is at the core of Sculptor's risk management efforts, and we leverage our broad capabilities to develop proprietary solutions that fit the exact specifications of our investment approach. In addition to our formalized process, we conduct custom studies and optimizations for various groups on an as-needed, ad hoc basis such as bespoke hedge solutions, pre-trade what-if analysis, and portfolio rebalance alternatives.

- *Preservation of capital*. Preservation of capital is our top priority and guiding factor in our effort to deliver attractive returns to fund investors. Our goal is to preserve capital during periods of market decline and generate competitive investment performance in rising markets. We use sophisticated risk tools and active portfolio management to govern exposures to market and other risk factors. We adhere strictly to each fund's mandate and provisions with respect to leverage. We are knowledgeable about the risks of fund leverage, respectful of its limits, and judicious in our application.

- *Dynamic capital allocation.* We allocate to individual investments based on a thorough analysis of the risk/reward for each opportunity under consideration and the investment objectives for each of our funds. This results in an overall capital allocation that is constantly fine-tuned based on our best ideas at each point in time.

- *Expertise across strategies and geographies*. The considerable expertise, tenure and collaboration among our diverse interdisciplinary investment team forms the basis of our ability to generate attractive risk-adjusted returns for our fund investors. We have fostered a culture that allows us to analyze and scrutinize investment opportunities on a firm-wide basis, focusing on the best ideas and opportunities available.

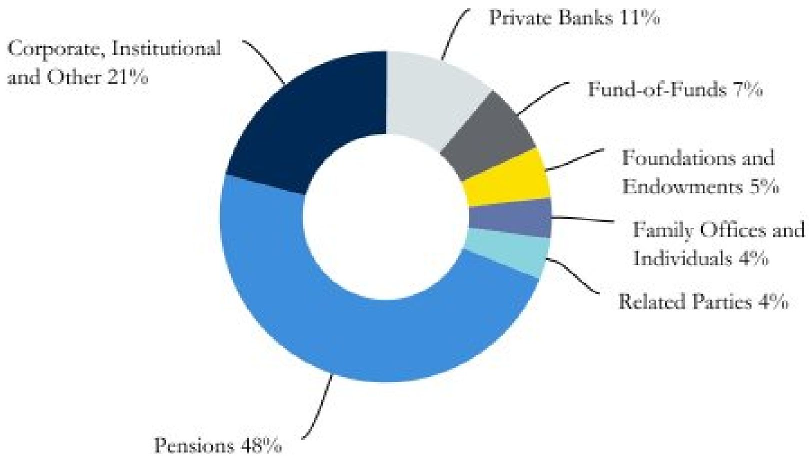
Our Fund Investors

We focus on developing and maintaining long-term relationships with a global base of institutional investors, which includes many of the largest, most sophisticated investors in the world. Excluding our securitization vehicles within Institutional Credit Strategies products, we currently have over 1,000 investors in our funds, including pension funds, private banks, corporates and other institutions, fund-of-funds, foundations and endowments, and family offices and individuals. Our investors value our funds' consistent performance history, our global investing expertise, our diverse investment strategies and our ability to develop investment capabilities in areas where we see opportunities evolve. As a result, a number of our fund investors invest in more than one of our funds.

Investments by our executive managing directors and employees collectively comprised approximately 4% of our total assets under management as of January 1, 2020. The single largest unaffiliated investor in our funds accounted for approximately 17% of our total assets under management as of January 1, 2020, and the top five unaffiliated fund investors accounted for approximately 39%. Approximately 28% of our assets under management were from investors from outside North America as of January 1, 2020. These percentages, as well as those presented in the chart below, exclude assets under management in our securitization vehicles , which are held by various types of investors.

The following chart presents the composition of our fund investors by type across our funds as of January 1, 2020:

FUND INVESTORS BY TYPE



Competitive Environment

The asset management industry is intensely competitive, and we expect that it will remain so. We compete globally and regionally with other investment managers, including hedge funds, public and private investment firms, distressed debt funds, mezzanine funds and other CLO issuers, real estate development companies, business development companies, investment banks and other financial institutions worldwide. We compete for both investors in our funds and attractive investment opportunities based on a number of factors, including investment performance, brand recognition, business reputation, pricing, innovation, the quality of services we provide to the investors in our funds, the range of products we offer, and our ability to attract and retain qualified professionals in all aspects of our business while managing our operating costs. We face competitors that are larger than we are and have greater financial, technical and marketing resources. Certain of our competitors may continue to raise capital to pursue investment strategies that may be similar to ours, which may create additional competition for investment opportunities. In addition, some of these competitors may have higher risk tolerances or make different risk assessments than we do, or may have lower return thresholds, allowing them to consider a wider variety of investments and establish broader networks of business relationships. They may also be subject to different regulatory requirements, which may give them greater flexibility to pursue investment opportunities or attract new capital to their funds. For additional information regarding the competitive risks that we face, see "Item 1A. Risk Factors—Risks Related to Our Business—Competitive pressures in the asset management business could materially adversely affect our business, financial condition or results of operations."

Competitive Strengths

Sculptor Capital is built on certain distinct fundamental elements that we believe are differentiating competitive strengths. We view these elements as a crucial part of our efforts to generate attractive and consistent long-term investment performance and to retain and attract new assets under management.

- *Alignment of interests.* Sculptor's structure is designed to align the interests of our executive managing directors and employees with those of investors in our funds and our Class A Shareholders. Our 23 active executive managing directors and 52 managing directors (as of December 31, 2019) have a compensation structure that focuses on both individual and firm-wide performance. This structure includes granting a portion of any bonus compensation in a combination of equity and/or deferred cash interests that vest over time.

- *One-firm philosophy.* Our "one-firm" philosophy promotes a collaborative environment that encourages internal cooperation and cross-functional sharing of information, expertise and transaction experience gained over our 25-year history. We believe this strong collaborative approach is a key differentiator that enhances the success of our firm as a whole.

- *Synergies among investment strategies.* Our investment model is built off and benefits from full collaboration among our investment team, fostering trust, diverse viewpoints, cross-disciplinary development and critical self-examination. We believe this approach is a central factor in our ability to identify, evaluate and pursue opportunities across a broad range of geographies and capital structures.

- *Global presence.* We are a global organization with an investment philosophy that opportunistically pursues "best ideas" investment opportunities wherever they arise. Our ability to invest worldwide allows us to evaluate the fullest range of investments by employing both on-the-ground expertise and the support of our global team and infrastructure. Our investment professionals in the US, Europe and Asia are seamlessly integrated with the global team and have a long history of investing on an international scale.

- *Experience.* Sculptor's one-firm philosophy and collaborative investment style is enabled by the long tenure and shared experience of our investment and executive teams. We have a history of hiring highly talented employees and developing them into senior roles as managing directors and executive managing directors across the firm.

- *Focus on infrastructure.* Since inception, Sculptor has been highly committed to building and maintaining a robust infrastructure with an emphasis on strong financial, operational and compliance controls. As of December 31, 2019, of the firm's 75 active executive managing directors and managing directors, 22 are dedicated to our global infrastructure, illustrating our commitment to this important part of our business. As a public company, we are required to identify and document key processes and controls, which are subject to independent review.

- *Transparency.* We believe that our fund investors should be provided with qualitative and quantitative information about our investment process, operational procedures and portfolio exposures in order to fully understand and evaluate their partnership with Sculptor. We provide fund investors with comprehensive and transparent reporting on a regular basis, and our senior management and investment staff regularly meet with investors to provide updates and address questions.

Our Structure

Sculptor Capital Management, Inc.

Sculptor Capital Management, Inc. is a publicly traded holding company, and its primary assets are ownership interests in the Sculptor Operating Group entities, which are held indirectly through Sculptor Corp. We conduct our business through the Sculptor Operating Group. Sculptor Capital Management, Inc. currently has two classes of shares outstanding: Class A Shares and Class B Shares.

Class A Shares. Class A Shares represent Class A common stock in Sculptor Capital Management, Inc. The holders of Class A Shares are entitled to one vote per share held of record on all matters submitted to a vote of our shareholders and, as of December 31, 2019, represent 42.2% of our total combined voting power. The holders of Class A Shares are entitled to any distribution declared by our Board of Directors, subject to any statutory or contractual restrictions on the payment of distributions and to any restrictions on the payment of distributions imposed by the terms of any outstanding preferred shares we may issue in the future. Additional Class A Shares are issuable upon exchange of Partner Equity Units, subject to certain vesting and other conditions as discussed below, and upon vesting of equity awards granted under our Amended and Restated 2007 Equity Incentive Plan or 2013 Incentive Plan.

Class B Shares. Class B Shares have no economic rights and are not publicly traded, but rather entitle the holders of record to one vote per share on all matters submitted to a vote of our shareholders and, as of December 31, 2019, the Class B Shares represent 57.8% of our total combined voting power. The Class B Shares are held solely by current and former executive managing directors and provide them with a voting interest in Sculptor Capital Management, Inc. commensurate with their economic interest in the Sculptor Operating Group in the form of Group A Units, Group A-1 Units (until a corresponding number of Group E Units have vested), Group E Units (once such Group E Units have vested) and Group P Units (assuming such Group P Units are participating). Each executive managing director holding Group A Units, Group A-1 Units (until a corresponding number of Group E Units have vested), vested Group E Units or Group P Units holds an equal number of Class B Shares. Upon an issuance of Group A Units or Group P Units to an executive managing director or the vesting of such executive managing director's Group E Units, an equal number of Class B Shares is also issued to such executive managing director. Upon the exchange by an executive managing director of a Partner Equity Unit for a Class A Share as further discussed below, the corresponding Class B Share is canceled.

Prior to May 29, 2019, ("the Transition Date"), holders of the Class B Shares granted an irrevocable proxy to vote all of their Class B Shares to the Class B Shareholder Committee, the sole member of which was Mr. Och. As a result, Mr. Och was able to control all matters requiring the approval of our shareholders. Following the Transition Date, each Class B Shareholder is entitled to one vote per share held of record on all matters submitted to a vote of our shareholders except that Class B Shares that relate to our Group A-1 Units will be voted pro rata in accordance with the vote of the Class A Shares held by non-affiliates until a corresponding Group E Unit has vested.

Sculptor Operating Group Entities

We conduct our business through the Sculptor Operating Group. Historically, we have used more than one Sculptor Operating Group entity to segregate our operations for business, financial, tax and other reasons. We may increase or decrease the number of our Sculptor Operating Group entities and intermediate holding companies based on our views as to the appropriate balance between administrative convenience and business, financial, tax and other considerations.

The Sculptor Operating Group currently consists of Sculptor Capital LP, Sculptor Capital Advisors LP and Sculptor Capital Advisors II LP, and each of their consolidated subsidiaries (collectively, the "Sculptor Operating Partnerships" and collectively with their consolidated subsidiaries, the "Sculptor Operating Group"). Sculptor Capital Management, Inc. holds its interests in the Sculptor Operating Group indirectly through Sculptor Capital Holding Corporation ("Sculptor Corp"), a wholly owned subsidiary of Sculptor Capital Management, Inc. Sculptor Corp is the sole general partner of each of the Sculptor Operating Partnerships and, therefore, generally controls the business and affairs of such entities. The Sculptor Operating Group currently has the following units outstanding: Group A Units, Group A-1 Units, Group B Units, Group E Units, Group P Units and Preferred Units.

As of December 31, 2019, the Preferred Units had an aggregate liquidation preference of $500 per Preferred Unit, plus accrued and unpaid distributions. After the Preferred Units liquidation preference is satisfied, the Group A Units and Group B Units have no preference or priority over other securities of the Sculptor Operating Group (other than the Group E Units and Group P Units to the extent described below) and, upon liquidation, dissolution or winding up, will be entitled to any assets remaining after payment of all debts and liabilities of the Sculptor Operating Group.

Group A Units. Our current and former executive managing directors own 100% of the Group A Units, which as of December 31, 2019, represent a 31.6% equity interest in the Sculptor Operating Group. Currently, Group A Units are exchangeable for our Class A Shares at the discretion of the Exchange Committee (which consists of the Chief Executive Officer and the Chief Financial Officer of Sculptor Capital Management, Inc.) (or the cash equivalent thereof), on a one-for-one basis, subject to vesting requirements by our executive managing directors, book-up requirements, transfer restrictions and certain exchange rate adjustments for splits, unit distributions and reclassifications. Beginning on the final day of the Distribution Holiday, each of our executive managing directors may exchange his or her vested and booked-up Group A Units over a period of two years in three equal installments commencing upon the final day of the Distribution Holiday and on each of the first and second anniversary thereof (or, for units that become vested and booked-up Group A Units after the final day of the Distribution Holiday, from the later of the date on which they would have been exchangeable in accordance with the foregoing and the date on which they become vested and booked-up Group A Units) (and thereafter such units will remain exchangeable), in each case, subject to certain restrictions (including, among other things, in connection with the Company's insider trading policy in respect of affiliate holders and in certain circumstances where the exchange would be likely to impact the Company's ability to use net operating losses). On the date of the Recapitalization, each Group A Unit then outstanding was recapitalized into 0.65 Group A Units and 0.35 Group A-1 Units. Further, as part of the Recapitalization, holders of Group A Units do not receive distributions during the Distribution Holiday. See Note 3 to our consolidated financial statements included in this report for additional information.

Group A-1 Units. Group A-1 Units are interests into which 0.35 of each Group A Unit then outstanding was recapitalized in connection with the Recapitalization. The Group A-1 Units will be canceled at such time and to the extent that the Group E Units granted in connection with the Recapitalization and associated with such Group A-1 Units vest and achieve a book-up. Group A-1 Units are not eligible to receive distributions at any time. However, the holders of Group A-1 Units shall participate in any sale, change of control or other liquidity event. In the Recapitalization, the holders of the 2016 Preferred Units forfeited 749,813 Group A Units, which were also recapitalized into Group A-1 Units.

Group B Units. Sculptor Corp holds a general partner interest and Group B Units in each Sculptor Operating Partnership that it controls. Sculptor Corp owns 100% of the Group B Units, which, as of December 31, 2019, represent a 41.9% equity interest in the Sculptor Operating Group. Except during the Distribution Holiday, the Group B Units are economically identical to the Group A Units and represent common equity interests in our business, but are not exchangeable for Class A Shares and are not subject to vesting, forfeiture or minimum retained ownership requirements.

Group D Units. Prior to the Recapitalization, Group D Units were issued to certain current and former executive managing directors. Group D Units were non-equity, limited partner profits interests that were only entitled to share in residual assets upon liquidation, dissolution or winding up, and would become eligible to participate in any exchange right or tag along right in a change of control transaction or other liquidity event to the extent that there had been a threshold amount of appreciation. The Group D Units converted into Group A Units to the extent they had become economically equivalent to Group A Units. All Group D Units converted to Group E Units in connection with the Recapitalization.

Group E Units. Group E Units are limited partner profits interests issued to certain executive managing directors that are only entitled to future profits and gains. Each Group E Unit converts into a Group A Unit and becomes exchangeable for one Class A Share (or the cash equivalent thereof) to the extent there has been a sufficient amount of appreciation for a Group E Unit to achieve a book-up target and, subject to other conditions contained in the limited partnership agreements of the Sculptor Operating Partnerships, the Distribution Holiday has ended (or an earlier exchange date is established by the Exchange Committee). The Group E Units are entitled to share in residual assets upon liquidation, dissolution or winding up and become eligible to participate in any tag along right, in a change of control transaction or other liquidity event only to the extent of their relative positive capital accounts (if any). One Class B Share will be issued to each holder of Group E Units upon the vesting of each such holder’s Group E Unit, at which time a corresponding number of Class B Shares held by holders of Group A-1 Units will be canceled. The general partner of the Sculptor Operating Partnerships may conditionally issue additional Group E Units to active executive managing directors, in an aggregate number not to exceed the amount described in the Sculptor Operating Partnerships’ limited partnership agreements. The Group E Units convert into Group A Units to the extent they have become economically equivalent to Group A Units. As part of the Recapitalization, holders of Group E Units do not receive distributions during the Distribution Holiday. See Note 3 to our consolidated financial statements included in this report for additional information.

Group P Units. On March 1, 2017, we issued Group P Units to certain executive managing directors. Group P Units entitle holders to receive distributions of future profits of the Sculptor Operating Group, and each Group P Unit becomes exchangeable for one Class A Share (or the cash equivalent thereof), in each case upon satisfaction of certain service and performance conditions at such time and, with respect to exchanges, to the extent there has been sufficient appreciation for a Group P Unit to achieve a book-up target and, subject to other conditions contained in the limited partnership agreements of the Sculptor Operating Partnerships, the Distribution Holiday has ended (or an earlier exchange date is established by the Exchange Committee). The Group P Units are entitled to share in residual assets upon liquidation, dissolution or winding up and become eligible to participate in any tag along right, in a change of control transaction or other liquidity event only to the extent that certain performance conditions are met and to the extent of their relative positive capital accounts (if any). The terms of the Group P Units may be varied for certain executive managing directors. See Note 14 to our consolidated financial statements included in this report for additional information regarding the terms of the Group P Units.

Preferred Units. Preferred Units represent ownership interests in each of the Sculptor Operating Partnerships and are held by certain current and former executive managing directors (the “EMD Purchasers”). Preferred Units are a class of non-voting preferred equity interests in the Sculptor Operating Group entities with an aggregate liquidation preference of $500, plus accrued and unpaid distributions. See Note 10 to our consolidated financial statements included in this report for additional information regarding the terms of the Preferred Units. As part of the Recapitalization, the 2016 Preferred Units were restructured into Debt Securities and 2019 Preferred Units.

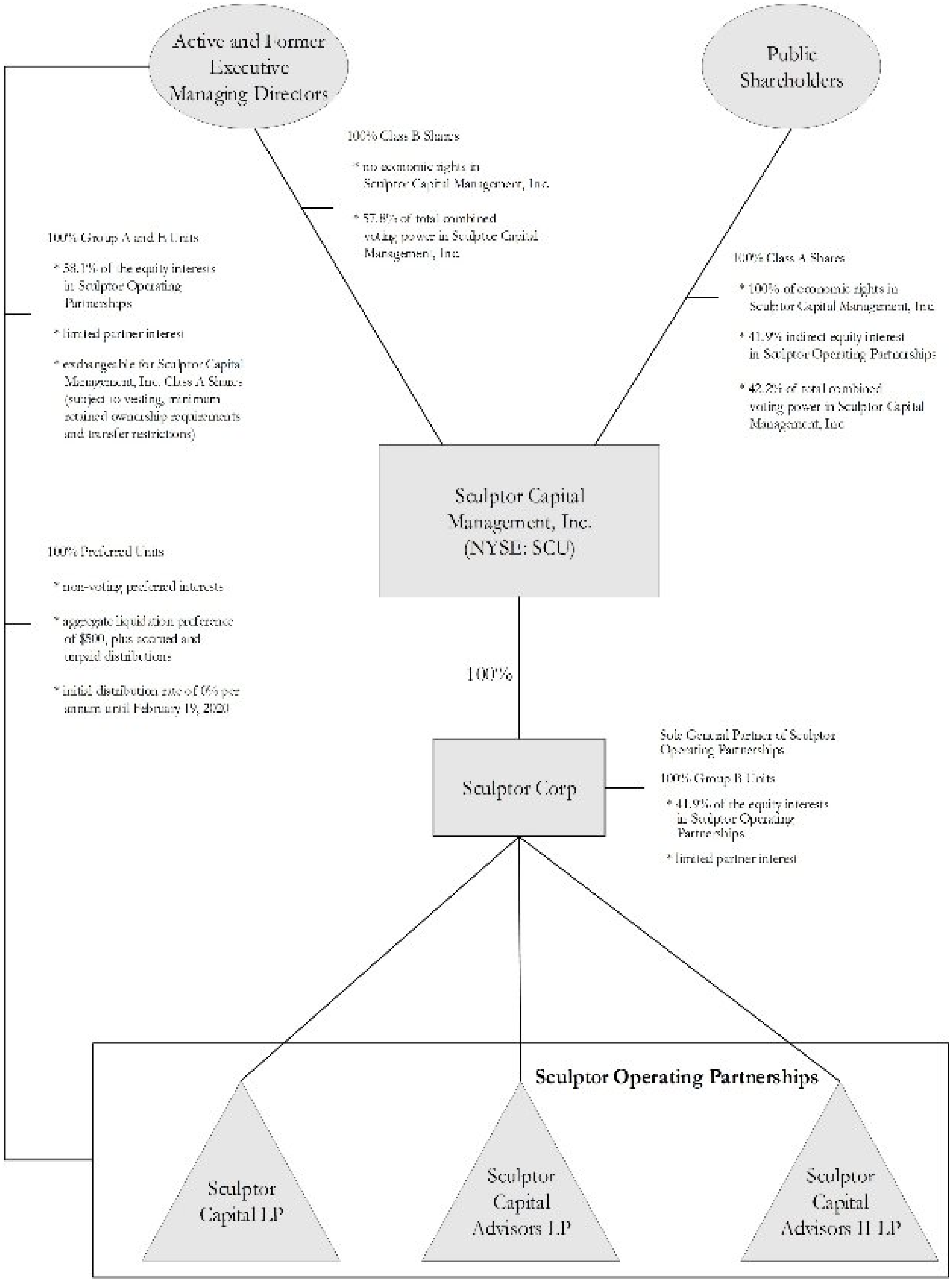
Restricted Share Units

We grant RSUs as a form of compensation to our employees and executive managing directors. An RSU entitles the holder to receive a Class A Share, or cash equal to the fair value of a Class A Share at the election of the Board of Directors, upon completion of the requisite service period. All of the RSUs granted to date accrue dividend equivalents equal to the dividend amounts paid on our Class A Shares. To date, these dividend equivalents have been awarded in the form of additional RSUs that also accrue additional dividend equivalents. Delivery of dividend equivalents on outstanding RSUs is contingent upon the vesting of the underlying RSUs. As part of the Recapitalization, certain RSUs held by directors and certain executive managing directors are limited in the amount of dividend equivalents they may receive during the Distribution Holiday. See Note 3 to our consolidated financial statements included in this report for additional information.

In 2018, we began granting PSUs. A PSU entitles the holder to receive a Class A Share, or cash equal to the fair value of a Class A Share at the election of the Board of Directors, upon completion of the requisite service period, as well as satisfying certain performance conditions based on achievement of targeted total shareholder return on Class A Shares. PSUs do not begin to accrue dividend equivalents until the requisite service period has been completed and performance conditions have been achieved.

See Note 14 to our consolidated financial statements included in this report for additional information regarding RSUs and PSUs.

The diagram below depicts our organizational structure as of December 31, 2019:



This diagram does not give effect to 4,154,388 Class A restricted share units, or “RSUs,” that were outstanding as of December 31, 2019, and were granted to our executive managing directors, managing directors, other employees and the independent members of our Board of Directors. Also not presented in the diagram above are Group P Units and PSUs issued and held by our executive managing directors. The Group P Units and PSUs are not participating in the economics of Sculptor Operating Group, as the applicable Service Condition and Performance Condition (as defined in Note 14 to our consolidated financial statements) have not yet been met as of December 31, 2019. Further, not presented in the diagram above are Class C Non-Equity Interests, which are non-equity interests in the Sculptor Operating Group entities held by our executive managing directors. No holder of Class C Non-Equity Interests will have any right to receive distributions on such interests. Our executive managing directors hold all of the Class C Non-Equity Interests, which may be used for discretionary income allocations, including the cash element of any discretionary annual performance awards paid to our executive managing directors. References to bonuses throughout this annual report include any Class C Non-Equity Interests distributions.

Employees

As of December 31, 2019, our worldwide headcount was 390 (including 46 in the United Kingdom and 20 in Asia), with 112 investment professionals (including 25 in the United Kingdom and 9 in Asia). As of this date, we had 23 active executive managing directors and 52 managing directors.

Regulatory Matters

Our business is subject to extensive regulation, including periodic examinations and regulatory investigations, by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Since 1999, we have been registered with the SEC as an investment adviser under the Advisers Act. We are also a company subject to the registration and reporting provisions of the Exchange Act, and therefore subject to regulation and oversight by the SEC. As a company with a class of securities listed on the NYSE, we are subject to the rules and regulations of the NYSE. In addition among other rules and regulations, we are subject to regulation by the Department of Labor under the U.S. Employee Retirement Income Security Act of 1974, which we refer to as “ERISA.” As a registered commodity pool operator and a registered commodity trading advisor, we are subject to regulation and oversight by the Commodity Futures Trading Commission, which we refer to as the “CFTC.” We are also subject to regulation and oversight by the National Futures Association in the U.S., as well as other regulatory bodies.

Our European and Asian operations, and our investment activities around the globe, are subject to a variety of regulatory regimes that vary country by country, including the U.K. Financial Conduct Authority, and the Securities and Futures Commission in Hong Kong. Currently, governmental authorities in the United States and in the other countries in which we operate have proposed additional disclosure requirements and regulation of hedge funds and other alternative asset managers.

See “Item 1A. Risk Factors—Risks Related to Our Business—Extensive regulation of our business affects our activities and creates the potential for significant liabilities and penalties. Our reputation, business, financial condition or results of operations could be materially affected by regulatory issues,” “—Increased regulatory focus in the United States could result in additional burdens on our business” and “—Regulatory changes in jurisdictions outside the United States could adversely affect our business.”

Global Compliance Program

We have implemented a global compliance program to address the legal and regulatory requirements that apply to our company-wide operations. We have structured our global compliance program to address the requirements of each of our regulators, as described above, as well as the requirements necessary to support our global securities, commodities and loan trading operations.

Our compliance program includes comprehensive policies and supervisory procedures that have been designed and implemented to monitor compliance with these requirements. All employees attend mandatory annual compliance training to remain informed of our policies and procedures related to matters such as the handling of material non-public information, conflicts of interest and employee securities trading. Annual training specifically targeted at ensuring the understanding of and compliance with the FCPA and, as applicable, other foreign anti-corruption laws and regulations is mandatory for employees and executives responsible for structuring, supervising, ensuring compliance of and executing accounting functions for private deals, as well as for employees who interact with or provide reporting to investors. In addition to a robust internal compliance framework, we have strong relationships with a global network of local attorneys specializing in compliance matters to help us quickly identify regulatory changes and address compliance issues as they arise.

Information about our Executive Officers

Set forth below is certain information regarding our executive officers as of the date of this filing.

Robert Shafir, 61, is the Chief Executive Officer of Sculptor Capital and a member of Sculptor Capital's Partner Management Committee. He is also an Executive Managing Director and a member of the Board of Directors. Prior to joining Sculptor Capital in 2018, Mr. Shafir served in various capacities at Credit Suisse Group AG from 2007 to 2016. Most recently, he served as Chairman and CEO of Credit Suisse Americas and Co-Head of Private Banking & Wealth Management, which included oversight of Asset Management. He was a member of the Executive Board of Credit Suisse Group and Credit Suisse. Prior to joining Credit Suisse, in August 2007, Mr. Shafir worked at Lehman Brothers for 17 years, serving as Head of Global Equities, as well as a member of their Executive Board. He also held other senior roles, including Head of European Equities and Global Head of Equities Trading, and played a key role in building Lehman's equities business into a global, institutionally-focused franchise. Prior to that, he worked at Morgan Stanley in the preferred stock business within the fixed income division. Mr. Shafir received a B.A. in Economics from Lafayette College and an M.B.A. from Columbia Business School.

Thomas M. Sipp, 49, is the Chief Financial Officer of Sculptor Capital. He is also an Executive Managing Director and a member of the Company's Partner Management Committee. In his role, Mr. Sipp oversees all aspects of Accounting, Tax, Treasury, Financial Operations, Internal Audit and Shareholder Services at Sculptor Capital. Prior to joining Sculptor Capital in 2018, Mr. Sipp was a Managing Partner at Magis Partners. During the prior eight years, Mr. Sipp held several senior executive positions at Credit Suisse, including Chief Financial Officer and Chief Operating Officer for Credit Suisse's Asset Management division and Global Chief Operating Officer for Credit Suisse's Wealth & Asset Management division. Prior to joining Credit Suisse, Mr. Sipp served as the COO for the Institutional Investment Division of Fidelity Investments. He also spent eight years with Gartmore Global Investments, serving as the Chief Financial Officer, Head of Product Development and COO for the Investment Division. Mr. Sipp received a B.A. in Finance from Alfred University and an M.B.A from the University of Pittsburgh. He has earned the Chartered Financial Analyst designation and is on the Board of Fiduciary Exchange.

James S. Levin, 37, is Chief Investment Officer for Sculptor Capital. He is also an Executive Managing Director and a member of the Company's Partner Management Committee. Mr. Levin is also an Executive Managing Director and a member of the Portfolio Committee. Prior to joining Sculptor Capital in 2006, Mr. Levin was an Associate at Dune Capital Management LP. Prior to that, Mr. Levin was an analyst at Sagamore Hill Capital Management, L.P. Mr. Levin holds a B.A. in Computer Science from Harvard University.

Wayne Cohen, 45, is President and Chief Operating Officer for Sculptor Capital. He is also an Executive Managing Director and member of the Company's Partner Management Committee. In this role, Mr. Cohen has a broad scope of responsibilities managing day-to-day operations of Sculptor Capital, including overseeing non-investment functions and leading strategic initiatives. Mr. Cohen joined the Firm in 2005 working as an Attorney and General Counsel. Prior to joining Sculptor Capital, he was an Attorney at Schulte Roth & Zabel LLP. Mr. Cohen holds a B.A. in International Relations from Tulane University and a J.D. from New York University School of Law.

David M. Levine, 52, is Chief Legal Officer for Sculptor Capital. He is also an Executive Managing Director and a member of the Company's Partner Management Committee. In this role, Mr. Levine oversees the Company's legal team and the management of its legal affairs. Mr. Levine has over 20 years practicing securities law. Prior to joining Sculptor Capital in January 2017, Mr. Levine spent 15 years at Deutsche Bank AG, where he served as Global Head of Litigation and Regulatory Enforcement. From 1993 through 2001, Mr. Levine worked at the SEC in both New York and in the Washington headquarters. During this time he served in a variety of roles including as the agency's Chief of Staff, as well as Senior Adviser to the Director of Enforcement. Mr. Levine holds a B.S. from SUNY Albany, and a J.D. Degree from Hofstra University School of Law where he was valedictorian and an editor of the law review.

Item 1A. Risk Factors

Risks Related to Our Business

In the course of conducting our business operations, we are exposed to a variety of risks that are inherent to or otherwise impact the alternative asset management business. Any of the risk factors we describe below have affected or could materially adversely affect our business, results of operations, financial condition and liquidity. The market price of our Class A Shares could decline, possibly significantly or permanently, if one or more of these risks and uncertainties occur. Certain statements in "Risk Factors" are forward-looking statements. See "Forward-Looking Statements."

Difficult global market, economic or geopolitical conditions may materially adversely affect our business and cause significant volatility in equity and debt prices, interest rates, exchange rates, commodity prices and credit spreads. These factors can materially adversely affect our business in many ways, including by reducing the value or performance of the investments made by our funds and by reducing the ability of our funds to raise or deploy capital, each of which could materially adversely affect our financial condition and results of operations.

The success and growth of our business are highly dependent upon conditions in the global financial markets and economic and geopolitical conditions throughout the world that are outside of our control and difficult to predict. Factors such as equity prices, equity market volatility, asset or market correlations, interest rates, counterparty risks, availability of credit, inflation rates, economic uncertainty, changes in laws or regulation (including laws relating to the financial markets generally or the taxation or regulation of the hedge fund industry), trade barriers and tariffs, disease, commodity prices, currency exchange rates and controls, and national and international political circumstances (including governmental instability or dysfunction, wars, terrorist acts or security operations) can have a material impact on the value of our funds' portfolio investments or our general ability to conduct business. Difficult market, economic and geopolitical conditions can negatively impact those valuations and our ability to conduct business, which in turn would reduce or even eliminate our revenues and profitability, thereby having a material adverse effect on our business, financial condition or results of operations. As a global alternative asset manager, we seek to generate consistent, positive, absolute returns across all market cycles for the investors in our funds. Our ability to do this has been, and in the future may be, materially impacted by conditions in the global credit or equity financial markets and economic and geopolitical conditions worldwide.

U.S. interest rates generally fell in 2019 as the Federal Reserve reduced its target policy rate and conducted open market operations. Following these actions, the path for interest rates in 2020 remains uncertain. Future changes in interest rates could have an adverse impact on our business, financial condition, or results of operations, through both direct and indirect means. Unpredictable or unstable market, economic or geopolitical conditions have resulted and may in the future result in reduced opportunities to find suitable risk-adjusted investments to deploy capital and make it more difficult to exit and realize value from our existing investments, which could materially adversely affect our ability to raise new funds and increase our assets under management and, therefore, may have a material adverse effect on our business, financial condition or results of operations. In addition, during such periods, financing and merger and acquisition activity may be greatly reduced, making it harder and more competitive for asset managers to find suitable investment opportunities and to obtain funding for such opportunities. If we fail to react appropriately to difficult market, economic and geopolitical conditions, our funds could incur material losses.

Terms of the United Kingdom's transition in its withdrawal from the European Union.

On January 31, 2020, the United Kingdom's (the "UK") formal exit from the European Union (the "EU"), commonly referred to as "Brexit" became effective. During the subsequent transition period, if no trade or extension agreement is reached by December 31, 2020, the UK is expected to withdraw from the EU single market and customs union. Political and economic uncertainty regarding the UK's future relationship with the EU, including the specific terms of any agreements between the EU and the UK to provide future access to each other's respective markets, may lead to increased volatility in global financial and foreign exchange markets, including volatility in the value of the Euro and the British Pound, which could materially impair the investment performance of our funds. In addition, increased political, legal and economic uncertainty may result from divergent national laws and regulations, particularly from a tax perspective, as the UK determines which EU laws to replace or replicate. Changes made by the UK to its domestic or international tax system and its implementation of such changes could have a material adverse effect on our business, financial condition or results of operations.

An investment in our Class A Shares is not an alternative to an investment in any of our funds, and the returns of our funds should not be considered as indicative of any returns expected on our Class A Shares, although poor investment performance of, or lack of capital flows into, the funds we manage could have a materially adverse impact on our revenues and, therefore, the returns on our Class A Shares.

The returns on our Class A Shares are not directly linked to the historical or future performance of the funds we manage or the manager of those funds. Even if our funds experience positive performance and our assets under management increase, holders of our Class A Shares may not experience a corresponding positive return on their Class A Shares.

However, poor performance of the funds we manage will cause a decline in our revenues from such funds, and may therefore have a negative effect on our performance and the returns on our Class A Shares. If we fail to meet the expectations of our fund investors or otherwise experience poor investment performance, whether due to difficult economic and financial conditions or otherwise, our ability to retain existing assets under management and attract new investors and capital flows could be materially adversely affected. In turn, the management fees and incentive income that we would earn would be reduced and our business, financial condition or results of operations would suffer, thus negatively impacting the price of our Class A Shares. Furthermore, even if the investment performance of our funds is positive, our business, financial condition or results of operations and the price of our Class A Shares could be materially adversely affected if we are unable to attract and retain additional assets under management consistent with our past experience, industry trends or investor and market expectations.

Investors in our funds have the right to redeem their investments in our funds on a regular basis and could redeem a significant amount of assets under management during any given quarterly period, which would result in significantly decreased revenues.

Subject to any specific redemption provisions applicable to a fund, investors in our multi-strategy hedge funds may generally redeem their investments in our funds on an annual or quarterly basis following the expiration of a specified period of time (typically between one and three years), although certain investors generally may redeem capital during such specified period upon giving proper notice. In a declining market, during periods when the hedge fund industry generally experiences outflows, or in response to specific events that occur at the Company (including any uncertainty related to the Recapitalization and Corporate Classification Change (as defined below)), we could experience increased redemptions and a consequent reduction in our assets under management. Furthermore, investors in our funds may also invest in funds managed by other alternative asset managers that have restricted or suspended redemptions or may in the future do so. Such investors may redeem capital from our funds, even if our performance is superior to such other alternative asset managers' performance if they are restricted or prevented from redeeming capital from those other managers.

The decrease in revenues that would result from significant redemptions in our funds could have a material adverse effect on our business, financial condition or results of operations. During 2019, we experienced redemptions of approximately $3.1 billion from our funds. We may continue to experience elevated redemption levels and, if economic and market conditions remain uncertain or worsen, we may once again experience significant redemptions.

Our business, financial condition or results of operations may be materially adversely impacted by the highly variable nature of our revenues, results of operations and cash flows. In a typical year, a substantial portion of our incentive income and a large portion of our annual discretionary cash bonus expense is determined and recorded in the fourth quarter each year, which means that our interim results are not expected to be indicative of our results for a full year, causing increased volatility in the price of our Class A Shares.

Our revenues are influenced by the combination of the amount of assets under management and the investment performance of our funds. Asset flows, whether inflows or outflows, can be highly variable from month-to-month and quarter-to-quarter. Furthermore, our funds' investment performance, which affects the amount of assets under management and the amount of incentive income we may earn in a given year, can be volatile due to, among other things, general market and economic conditions. Accordingly, our revenues, results of operations and cash flows are all highly variable. This variability is exacerbated during the fourth quarter of each year, primarily due to the fact that a substantial portion of our revenues historically has been and we expect will continue to be derived from incentive income from our funds. Such incentive income is contingent on the investment performance of the funds as of the relevant commitment period, which generally is as of the end of each calendar year; however, as of December 31, 2019, with respect to 68% of assets under management, the initial commitment period can be three years or longer depending on how the assets are invested. The expiration of these commitment periods may occur on dates other than December 31, which, in certain circumstances, may cause increased volatility in our results. Moreover, in a typical year, we determine a large portion of our annual discretionary cash bonus during the fourth quarter based on fund performance for the year. Because this bonus is variable and discretionary, it can exacerbate the volatility of our results. We may also experience fluctuations in our results from quarter to quarter due to a number of other factors, including changes in management fees resulting from changes in the management fee rates we charge our fund investors or due to changes in the values of our funds' investments, as well as capital inflows or outflows. Changes in our operating expenses, unexpected business developments and initiatives and, as discussed above, general economic and market conditions may also cause fluctuations in our results from quarter to quarter. Such variability and unpredictability may lead to volatility or declines in the price of our Class A Shares and cause our results for a particular period not to be indicative of our performance in a future period or particularly meaningful as a basis of comparison against results for a prior period. Note, on the other hand, as of December 31, 2019, 46% of our assets under management are in Institutional Credit Strategies, which includes our CLOs, and have not historically generated a material amount of incentive income.

The amount of incentive income that may be generated by our funds is uncertain until it is actually crystallized. The commitment period for most of our multi-strategy assets under management is for a period of one year on a calendar-year basis, and therefore we generally crystallize incentive income annually on December 31. We may also recognize incentive income related to fund investor redemptions at other times during the year, as well as on assets under management subject to commitment periods that are longer than one year. We may also recognize incentive income from tax distributions relating to assets with longer-term commitment periods. As a result of these and other factors, our interim results may not be indicative of historical performance or any results that may be expected for a full year.

In addition, all of our hedge funds have "perpetual high-water marks." This means that if a fund investor experiences losses in a given year, we will not be able to earn incentive income with respect to such investor's investment unless and until our investment performance surpasses the perpetual high-water mark. For example, the incentive income we earn is dependent on the net asset value of each fund investor's investment in the fund. However, failure to earn incentive income as a result of any high-water marks that do arise may adversely impact our business, financial condition or results of operations and our ability to make distributions to our Class A Shareholders. Beginning in 2018, as a result of the adoption of new revenue recognition accounting guidance, we recognize incentive income when such amounts are probable of not significantly reversing. We cannot predict when realization events will occur or whether, upon occurrence, these investments will be profitable.

As a result of quarterly fluctuations in, and the related unpredictability of, our revenues and profits, the price of our Class A Shares can be significantly volatile.

Competitive pressures in the asset management business could materially adversely affect our business, financial condition or results of operations.

The asset management business remains intensely competitive, with competition based on a variety of factors, including investment performance, the quality of service and level of desired information provided to fund investors, brand recognition and business reputation. We compete for fund investors, highly qualified talent, including investment professionals, and for investment opportunities with a number of hedge funds, private equity firms, specialized funds, traditional asset managers, commercial banks, investment banks and other financial institutions.

A number of factors create competitive risks for us:

- We compete in an international arena and, to remain competitive, we may need to further expand our business into new geographic regions or new business areas where our competitors may have a more established presence or greater experience and expertise.

- A number of our competitors have greater financial, technical, marketing and other resources and more personnel than we do.

- Several of our competitors have raised and continue to raise significant amounts of capital, and many of them have or may pursue investment objectives that are similar to ours, which would create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that many alternative investment strategies seek to exploit.

- Some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we may want to make.

- Some of our competitors may be subject to less extensive regulation and thus may be better positioned to pursue certain investment objectives and/or be subject to lower expenses related to compliance than us.

- Other industry participants will from time to time seek to recruit our active executive managing directors, investment professionals and other professional talent away from us.

We may lose fund investors in the future if we do not match or provide more attractive management fees, incentive income arrangements, structures and terms than those offered by competitors. However, we may experience decreased revenues if we match or provide more attractive management fees, incentive income arrangements, structures and terms offered by competitors. In addition, changes in the global capital markets could diminish the attractiveness of our funds relative to investments in other investment products. This competitive pressure could materially adversely affect our ability to make successful investments and limit our ability to raise future successful funds, either of which would materially adversely impact our business, financial condition or results of operations.

If our investment performance, including the level and consistency of returns or other performance criteria, does not meet the expectations of our fund investors, it will be difficult for our funds to retain or raise capital and for us to grow our business. Additionally, even if our fund performance is strong, it is possible that we will not be able to attract additional capital. Further, the allocation of increasing amounts of capital to alternative investment strategies over the long term by institutional and individual investors may lead to a reduction in profitable investment opportunities, including by driving prices for investments higher and increasing the difficulty of achieving consistent, positive, absolute returns.

Competition for fund investors is based on a variety of factors, including:

- Investment performance.

- Investor liquidity and willingness to invest.

- Investor perception of investment managers’ ability, drive, focus and alignment of interest with them.

- Investor perception of robustness of business infrastructure and financial controls.

- Transparency with regard to portfolio composition.

- Investment and risk management processes.

- Quality of service provided to and duration of relationship with investors.

- Business reputation, including the reputation of a firm’s investment professionals.

- Level of fees and incentive income charged for services.

If we are not able to compete successfully based on these and other factors, our assets under management, earnings and revenues may be significantly reduced and our business, financial condition or results of operations may be materially adversely affected. Furthermore, if we are forced to compete with other alternative asset managers on the basis of fees, we may not be able to maintain our current management fee and incentive income structures, which drive our revenues and earnings. We have historically competed for fund investors primarily on the investment performance of our funds and our reputation, and not on the level of our fees or incentive income relative to those of our competitors. However, as the alternative asset management sector continues to mature and addresses current market and competitive conditions, there is increasing downward pressure on management fees and a risk that incentive income rates will decline, without regard to the historical performance of a manager. Management fee or incentive income rate reductions on existing or future funds, particularly without corresponding increases in assets under management or decreases in our operating costs, could materially adversely affect our business, financial condition or results of operations. In addition to the competitive pressures described above, as we diversify by offering new or enhanced products and investment platforms, the average management fee rate we earn on our assets under management may fall as a result of a larger proportion of our assets under management being invested in products that earn lower management fee rates. Our average management fee will vary from period to period based on the mix of products that comprise our assets under management.

Even if we are able to compete successfully based on the factors noted above, it is possible we could lose assets under management to our competitors. It is possible that similar circumstances could cause us to experience unusually high redemptions or a decrease in inflows, even if our investment performance and other business attributes are otherwise competitive or superior.

Damage to our reputation could harm our business.

Our business is highly competitive and we benefit from being highly regarded in our industry. Maintaining our reputation is critical to attracting and retaining fund investors and for maintaining our relationships with our regulators. Negative publicity regarding our company could give rise to reputational risk which could significantly harm our existing business and business prospects.

Our indebtedness and Preferred Units may restrict our current and future operations, particularly our ability to respond to certain changes or to take future actions.

Senior Credit Facility

On April 10, 2018, Sculptor Capital LP (formerly OZ Management LP), as borrower, and certain of our other subsidiaries, as guarantors (collectively, with certain of their respective subsidiaries, the “Sculptor Operating Group Credit Parties”), entered into a senior secured credit and guaranty agreement originally consisting of (i) a $250.0 million term loan facility (the “2018 Term Loan”) and (ii) a $100.0 million revolving credit facility (the “2018 Revolving Credit Facility”), which was subsequently amended on February 7, 2019 (as amended, the “Senior Credit Facility”), with certain financial institutions, as lenders, JPMorgan Chase Bank, N.A., as administrative agent, and certain other parties thereto. In connection with the amendment on February 7, 2019, the 2018 Revolving Credit Facility was terminated.

The Senior Credit Facility provides for a term loan facility with an initial maturity of five years and contains a number of restrictive covenants that collectively impose significant operating and financial restrictions on the Sculptor Operating Group Credit Parties including restrictions that may limit their ability to engage in acts that may be in our long-term best interests, including but not limited to:

- Incur certain additional indebtedness or issue certain equity interests.
- Create liens.
- Pay dividends or make other restricted payments.
- Merge, consolidate, or sell or otherwise dispose of all or any part of their assets.
- Engage in certain transactions with shareholders or affiliates.
- Engage in substantially different lines of business.
- Amend their organizational documents in a manner materially adverse to the lenders.

Our Senior Credit Facility includes two financial maintenance covenants relating to assets under management and an economic income secured leverage ratio. Our Senior Credit Facility also includes a covenant requiring compliance with the provisions of the agreements that implemented the transactions contemplated by the Recapitalization (the "Implementing Agreements") that impose restrictions on distributions, including certain tax distributions, during the Distribution Holiday (as defined below), requiring prepayment of loans under the Senior Credit Facility with excess cash above a certain threshold and restricting the incurrence of indebtedness for borrowed money and certain liens, in each case subject to exceptions set forth in the Implementing Agreements.

The Senior Credit Facility also identifies a number of events that, if they occur or are continuing, would constitute an event of default under the Senior Credit Facility. The events of default include a change of control, which would occur if any person or group, other than certain permitted holders (including, but not limited to, Daniel S. Och, our executive managing directors, and each of their respective related entities), becomes the beneficial owner, directly or indirectly, of at least 50% (on a fully diluted basis) of the voting interests in the Sculptor Operating Group Credit Parties.

Subordinated Credit Facility

In connection with the Recapitalization, and as part of the 2016 Preferred Units Restructuring, the Sculptor Operating Group Credit Parties, each as a borrower, entered into an unsecured senior subordinated term loan credit and guaranty agreement consisting of term loan facilities in an aggregate initial principal amount of $200.0 million (the "Subordinated Credit Facility") with certain parties thereto, as lenders, and Wilmington Trust, National Association, as administrative agent.

The Subordinated Credit Facility matures on the earlier of (i) the fifth anniversary of the date on which all obligations under the Unit Designations of the Preferences and Relative, Participating, Optional, and Other Special Rights, Powers and Duties of Class A Cumulative Preferred Units of each Sculptor Operating Partnership (collectively, the "New Preferred Unit Designations"), entered into in connection with the Recapitalization, have been in paid in full and (ii) April 1, 2026 and contains a number of restrictive covenants that collectively impose significant operating and financial restrictions on the Sculptor Operating Group Credit Parties, including restrictions that may limit their ability to engage in acts that may be in our long-term best interests, including but not limited to:

- Incur certain additional indebtedness or create or issue certain equity interests.

- Create liens.

- Pay dividends or make other restricted payments.

- Merge, consolidate, or sell or otherwise dispose of all or any part of their assets.

- Engage in substantially different lines of business.

- Amend their organizational documents in a manner materially adverse to the lenders.

Our Subordinated Credit Facility includes two financial maintenance covenants relating to assets under management and an economic income secured leverage ratio. Our Subordinated Credit Facility also includes a covenant requiring compliance with the provisions of the Implementing Agreements that will impose restrictions on distributions, including certain tax distributions, during the Distribution Holiday, requiring prepayment of loans under the Senior Credit Facility and thereafter, 2019 Preferred Units (as defined below), in each case with excess cash above a certain threshold, and restricting the incurrence of indebtedness for borrowed money and certain liens, in each case subject to exceptions set forth in the Implementing Agreements.

The Subordinated Credit Facility also identifies a number of events that, if they occur or are continuing, would constitute an event of default under the Subordinated Credit Facility. The events of default include a change of control, which would occur if any person or group, other than certain permitted holders (including, but not limited to, Daniel S. Och, our executive managing directors, and each of their respective related entities), becomes the beneficial owner, directly or indirectly, of at least 50% (on a fully diluted basis) of the voting interests in the Sculptor Operating Group Credit Parties.

Under the terms of the New Preferred Unit Designations, so long as any Preferred Units are outstanding, without the consent of the Holders' Committee (as defined below), which initially consists of Daniel S. Och as sole member, the Company and the Sculptor Operating Group entities and their respective subsidiaries may not, subject to limited exceptions:

- Incur certain additional indebtedness or create or issue certain equity interests.
- Create liens.
- Sell or otherwise dispose of any businesses, business lines or divisions, or any significant assets thereof.
- Engage in certain transactions with affiliates.
- Declare or pay distributions on or repurchase any equity securities that rank equal with or junior to the Preferred Units.

Preferred Units

Pursuant to the terms of the New Preferred Unit Designations, distributions on the Preferred Units will be payable on the liquidation preference amount on a cumulative basis at an initial distribution rate of 0% per annum until the Step Up Date of February 19, 2020 (the "Step Up Date"), after which the distribution rate will increase in stages thereafter to a maximum of 10% per annum on and after the eighth anniversary of the Step Up Date. In addition, following the occurrence of a change of control event, the Sculptor Operating Group will redeem the Preferred Units at a redemption price equal to the liquidation preference plus all accumulated but unpaid distributions (collectively, the "Liquidation Value"). For so long as the Sculptor Operating Group does not redeem all of the outstanding Preferred Units, the distribution rate will increase by 7.00% per annum, beginning on the 31st day following such event. If we do not have sufficient cash to make such distributions or to repurchase the Preferred Units when required, we may be forced to sell assets, borrow additional funds or enter into new debt facilities. No assurance can be given that we would be able to complete such transactions on favorable terms, or at all, or that our borrowing costs would not increase.

Additionally, the terms of the New Preferred Unit Designations include a cash sweep arrangement ("Cash Sweep") during the Distribution Holiday that was initiated in connection with the Recapitalization under which 100% of all Economic Income (as defined therein) will be applied to repay the Senior Credit Facility and then to redeem the Preferred Units. The terms of the New Preferred Unit Designations will also require an amount equal to the excess of the Free Cash Balance (as defined in the New Preferred Unit Designations) as of December 31 of the applicable fiscal year over the minimum free cash balance of $200.0 million, to be used to repay the Senior Credit Facility and redeem the Preferred Units. In addition, without duplication of the Cash Sweep, (i) certain of the proceeds resulting from the realization of Designated Accrued Unrecognized Incentive (as defined in the New Preferred Unit Designations) and (ii) 85% of the Net Cash Proceeds (as defined in the New Preferred Unit Designations) from any Asset Sales (as defined in the New Preferred Unit Designations), will be used to repay the Senior Credit Facility and redeem the Preferred Units.

As long as the Cash Sweep is in effect, we may only use funds from a cumulative discretionary one-time basket of up to $50.0 million in the aggregate, or reserve up to $17.0 million in the aggregate (the "Discretionary Basket"), to, subject to certain exceptions, fund new firm investments or new firm products or to fund share buybacks (including RSU cash settlements in excess of permitted amounts) in an aggregate amount not to exceed $25.0 million and to engage in other activities related to our strategic expansion and may not use any other of our funds to fund such activities, subject to certain exceptions.

A failure by any of the Sculptor Operating Group Credit Parties to comply with the covenants and other obligations-or upon the occurrence of other defaults-specified in the Senior Credit Facility or the Subordinated Credit Facility, as the case may be, could result in an event of default under the Senior Credit Facility or the Subordinated Credit Facility, as the case may be, which would give the lenders under the Senior Credit Facility or the Subordinated Credit Facility the right to declare all indebtedness and other obligations outstanding under the Senior Credit Facility or the Subordinated Credit Facility, as the case may be, together with accrued and unpaid interest and fees, to be immediately due and payable. If the indebtedness outstanding under the Senior Credit Facility or the Subordinated Credit Facility were to be accelerated, the Sculptor Operating Group Credit Parties may not have sufficient cash on hand or be able to sell sufficient assets to repay this indebtedness, which may have an immediate material adverse effect on our business, results of operations and financial condition. For more detail about risks relating to any refinancing, repurchasing or repayment of our Senior Credit Facility and the Subordinated Credit Facility, see "—The terms of our outstanding Preferred Units, the Senior Credit Facility and the Subordinated Credit Facility and changes in the credit markets may negatively impact or may prohibit our ability to refinance our outstanding indebtedness or our ability to otherwise obtain attractive financing for our business, and may increase the cost of such financing if it is obtained. An increase in our borrowing costs may materially adversely affect our business, financial condition or results of operations." For more detail regarding the Senior Credit Facility and the Subordinated Credit Facility, their respective terms and the current status of compliance with the Senior Credit Facility and the Subordinated Credit Facility by the Sculptor Operating Group Credit Parties, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "—Debt Obligations."

Changes in the method of determining LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect our credit arrangements and our collateralized loan obligation transactions.

LIBOR and certain other "benchmarks" are the subject of recent national, international, and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted.

In July 2017, the UK Financial Conduct Authority (the "FCA") announced that it would phase out LIBOR as a benchmark by the end of 2021. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities called the Secured Overnight Financing Rate ("SOFR"). The first publication of SOFR was released in April 2018. Whether or not SOFR attains market traction as a LIBOR replacement remains a question and the future of LIBOR at this time is uncertain.

Potential changes, or uncertainty related to such potential changes, may adversely affect the market for LIBOR-based financial instruments, including interest rates on certain of our floating rate obligations, loans, deposits, derivatives, and other financial instruments tied to LIBOR rates, as well as the revenue and expenses associated with those financial instruments. In addition, changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based financial instruments, including the value of our floating rate obligations, loans, deposits, derivatives, and other financial instruments tied to LIBOR rates. If LIBOR ceases to exist, we may need to renegotiate these instruments extending beyond 2021 to replace LIBOR with the new standard that is established in its place or another pricing method.

Management is in the process of evaluating the impact of the possible transition from LIBOR to an alternative reference rate. To address a potential transition away from LIBOR, the Senior Credit Facility and the Subordinated Credit Facility each provide for an agreed upon methodology to calculate the new floating rate reference plus new applicable spreads. For our latest generation of CLOs, we have been incorporating provisions to address a potential transition from LIBOR, however certain older CLOs may not currently have been amended to contain clear LIBOR transition procedures. For these older CLOs, if LIBOR ceases to exist, we may need to amend certain governing documents extending beyond 2021 to replace LIBOR with the new standard that is established.

Given the current uncertainties over LIBOR's discontinuation and the replacement alternatives, it is not possible at this time to predict the effect of any such changes, any establishment of alternative reference rates, or any other reforms to LIBOR, including any impact on our LIBOR-linked credit agreements and CLOs. There is no guarantee that a transition from LIBOR to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers, any of which could have a material adverse effect on our business, result of operations, financial condition, and price of our Class A Shares.

Our business and financial condition may be materially adversely impacted by the loss of any of our key executive managing directors, particularly certain members of our Partner Management Committee.

The success of our business depends on the efforts, judgment and personal reputations of our key executive managing directors, particularly certain members of our Partner Management Committee. Our key executive managing directors' reputations, expertise in investing and risk management, relationships with investors in our funds and third parties on which our funds depend for investment opportunities and financing are each critical elements in operating and expanding our business. The loss of any of these individuals could harm our business and jeopardize our relationships with our fund investors and members of the business community. We believe our performance is highly correlated to the performance of these individuals. Accordingly, the retention of our key executive managing directors is crucial to our success, but none of them is obligated to remain actively involved with us. In addition, if any of our key executive managing directors were to join or form a competitor, some of our fund investors could choose to invest with that competitor rather than in our funds. The loss of the services of any of our key executive managing directors could have a material adverse effect on our business, financial condition or results of operations, including on the performance of our funds, our ability to retain and attract fund investors and highly qualified employees and our ability to raise new funds. We do not carry any "key man" insurance that would provide us with proceeds in the event of the death or disability of any of our key executive managing directors.

In addition, investors in most of our funds have certain key person provisions that are triggered upon the loss of services of one or more key investment professionals and could, upon the occurrence of such event, provide the investors in the funds with certain rights such as earlier redemption rights (including by conversion to interests providing for more frequent liquidity) or rights providing for the termination or suspension of the funds' investment periods and/or wind-down of the funds. Accordingly, the loss of such key investment professionals could result in significant or earlier redemptions from our funds or disruption of the funds' investment activities, which could have a material adverse impact on our business, financial condition or results of operations, and could harm our ability to maintain or grow our assets under management in existing funds or raise additional funds in the future. Withdrawals exercised pursuant to key person provisions could lead to a liquidation of certain funds and a corresponding elimination of our management fees and potential to earn incentive income beyond the withdrawal dates with respect to such funds.

Our ability to retain and attract executive managing directors, managing directors and other investment professionals is critical to the success and growth of our business.

Our investment performance and ability to successfully manage and expand our business, including into new geographic areas, is largely dependent on the talents and efforts of highly skilled individuals, including our active executive managing directors, managing directors and other investment professionals. Accordingly, our future success and growth depend on our ability to retain and motivate our active executive managing directors and other key personnel and to strategically recruit, retain and motivate new talent. We may not be successful in our efforts to recruit, retain and motivate the required personnel as the global market for qualified investment professionals is extremely competitive, particularly in cases where we are competing for qualified personnel in geographic or business areas where our competitors have a significantly greater presence or more extensive experience. We compete intensely with businesses both within and outside the alternative asset management industry for highly talented and qualified personnel. Accordingly, in order to retain and attract talent, our total compensation and benefits expense could increase to a level that may materially adversely affect our profitability and reduce our cash available for distribution to our executive managing directors and Class A Shareholders.

It may be difficult for us to retain and motivate our active executive managing directors after their interests in our business are fully vested and they are permitted to exchange their interests for Class A Shares that they can sell. Many of the Group A and Group D Units granted to executive managing directors since then are now also fully vested. The Group E Units granted to our active executive managing directors in connection with the Recapitalization generally vest in the future subject to vesting conditions. Sculptor Operating Group common units otherwise granted to our executive managing directors, including awards granted under our Incentive Program established in 2017 (the "2017 Incentive Program"), continue to vest over time. The holder of any Group A Units generally has the right to exchange each of his or her Group A Units for one of our Class A Shares (or, at our option, the cash equivalent thereof), subject to vesting and book-up requirements and transfer restrictions under the Sculptor Operating Partnerships' limited partnership agreements and the Class A Unit Exchange Agreement (as defined below). Beginning on the final day of the Distribution Holiday, each of our executive managing directors may exchange his or her vested and booked-up Group A Units over a period of two years in three equal installments commencing upon the final day of the

Distribution Holiday and on each of the first and second anniversary thereof (or, for units that become vested and booked-up Group A Units after the final day of the Distribution Holiday, from the later of the date on which they would have been exchangeable in accordance with the foregoing and the date on which they become vested and booked-up Group A Units) (and thereafter such units will remain exchangeable), in each case, subject to certain restrictions. For more detail regarding exchange rights of our active executive managing directors, see "—The price of our Class A Shares may decline due to the large number of shares eligible for future sale and for exchange into Class A Shares." See Note 14 to our consolidated financial statements included in this report for additional information on the 2017 Incentive Program and Note 3 to our consolidated financial statements included in this report for additional information on the Recapitalization.

If we are unable to retain the services of any of our active executive managing directors, the loss of their services could have a material adverse effect on our business, financial condition or results of operations, including by harming our ability to maintain or grow assets under management in existing funds or raise additional funds in the future.

In any year where our funds experience losses and we do not earn incentive income, bonuses for that year (and in subsequent years until such losses are recouped) may be significantly reduced. Reduced bonuses, particularly during subsequent years, could have a material adverse impact on our ability to motivate and retain our investment professionals and other employees.

Furthermore, our active executive managing directors and investment professionals possess substantial experience and expertise in investing, are responsible for locating and executing our funds' investments, have significant relationships with the institutions that are the source of many of our funds' investment opportunities, and in certain cases have strong relationships with our fund investors. Therefore, if our active executive managing directors or investment professionals join competitors or form competing businesses, we could experience a loss of investment opportunities and existing fund investor relationships, which if significant, would have a material adverse effect on our business, financial condition or results of operations.

The Sculptor Operating Partnerships' limited partnership agreements and other agreements entered into with our executive managing directors provide that the ownership interests in our business that are held by our executive managing directors are subject to various transfer restrictions and vesting and forfeiture conditions. In addition, the RSUs that have been awarded to our managing directors, certain executive managing directors and certain other employees are also subject to certain vesting and forfeiture requirements. Further, all of our active executive managing directors and managing directors are subject to certain restrictions with respect to competing with us, soliciting our employees and fund investors and disclosing confidential information about our business. These restrictions, however, may not be enforceable in all cases and can be waived by us at any time. There is no guarantee that these requirements and agreements, or the forfeiture provisions of the Sculptor Operating Partnerships' limited partnership agreements (which are relevant to our executive managing directors) or the agreements we have with our managing directors will prevent any of these professionals from leaving us, joining our competitors or otherwise competing with us. Any of these events could have a material adverse effect on our business, financial condition or results of operations.

We have experienced and may again experience periods of rapid growth and significant declines in assets under management, which place significant demands on our legal, compliance, accounting, risk management, administrative and operational resources.

Rapid changes in our assets under management may impose substantial demands on our legal, compliance, accounting, risk management, administrative and operational infrastructures. The complexity of these demands, and the time and expense required to address them, is a function not simply of the size of the increase or decrease, but also of significant differences in the investing strategies employed within our funds and the time periods during which these changes occur. For example, expanding our product offerings and entering into new lines of business places additional demands on our infrastructure. Furthermore, our future growth will depend on, among other things, our ability to maintain and develop highly reliable operating platforms, management systems and financial reporting and compliance infrastructures that are also sufficiently flexible to promptly and appropriately address our business needs, applicable legal and regulatory requirements and relevant market and other operating conditions, all of which can change rapidly.

Addressing the matters described above may require us to incur significant additional expenses and to commit additional senior management and operational resources, even if we are experiencing declines in assets under management.

There can be no assurance that we will be able to manage our operations effectively without incurring substantial additional expense or that we will be able to grow our business and assets under management, and any failure to do so could materially adversely affect our ability to generate revenues and control our expenses.

We are highly dependent on information systems and other technology, including those used or maintained by third parties with which we do business. Any failure or breach in any such systems or infrastructure (including from a cyberattack) could materially impair our business, financial condition or results of operations.

Our business is highly dependent on information systems and technology. We rely heavily on our financial, accounting, trading, risk management and other data processing and information systems to, among other things, execute, confirm, settle and record a very large number of transactions, which can be highly complex and involve multiple parties across multiple financial markets and geographies, and to facilitate financial reporting and legal and regulatory compliance all in an extremely time-sensitive, efficient and accurate manner. We must continually update these systems to properly support our operations and growth, which creates risks associated with implementing new systems and integrating them into existing ones. We also use and rely upon third-party information systems and technology to perform certain business functions. Such third-party technology may be integrated with our own. Therefore, we face additional significant risks that would arise from the failure, disruption, termination or constraints (including, in all respects, via a security breach or other tampering) in the information systems and technology of such third parties, including financial intermediaries such as exchanges and other service providers whose information systems and technology we use. Any of these information systems or technology infrastructures could fail, become disrupted (including by unauthorized security breaches) or otherwise not operate properly or as intended.

In addition, our systems may be subject to cyberattacks. Breaches of our network security systems could involve attacks that are intended to obtain unauthorized access to our proprietary information, destroy data or disable, degrade or sabotage our systems, often through the introduction of computer malware, cyberattacks and other means and could originate from a wide variety of sources, including employees, foreign governments and other unknown third parties outside the firm. The increased use of mobile technology can heighten these and other operational risks. Although we take various measures to ensure the integrity of our systems, there can be no assurance that these measures will always provide sufficient protection. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. In addition, cybersecurity has become a top priority for regulators around the world. Many jurisdictions in which we operate have laws and regulations relating to data privacy, cybersecurity and protection of personal information, including, in the EU, the General Data Protection Regulation ((EU) 2016/679) (the “GDPR”), which came into effect on May 25, 2018, as supplemented by any national laws (such as in the UK, the Data Protection Act of 2018) and further implemented through binding guidance from the European Data Protection Board. For example, the California Consumer Privacy Act, which came into effect on January 1, 2020, provides enhanced consumer protections for California residents, including a private right of action for data breaches, and imposes civil penalties for violations. Some jurisdictions have also enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. Breaches in security could potentially jeopardize our, our employees’ or our fund investors’ or counterparties’ confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our employees’, our fund investors’, our counterparties’ or third parties’ operations, which could result in significant losses, increased costs, disruption of our business, liability to our fund investors and other counterparties, regulatory intervention or reputational damage. Furthermore, if we fail to comply with the relevant laws and regulations, it could result in regulatory investigations and penalties, which could lead to negative publicity and may cause our fund investors and clients to lose confidence in the effectiveness of our security measures. Any of these failures, particularly those that directly affect us, could materially impair our business, financial condition or results of operations.

We depend on our headquarters in New York and our London and Hong Kong offices, where most of our personnel are located. Although, we have taken important precautions to limit the impact of failures or disruptions in the information systems and technology infrastructures that we use, as well as the impact of physical disruptions to our New York headquarters, London and Hong Kong offices, these precautions, including our disaster recovery programs, may not be sufficient to adequately mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for any losses, if at all.

We are subject to third-party litigation that could result in significant legal and other liabilities and reputational harm, which could materially adversely affect our business, financial condition or results of operations.

We face significant risks in our business that subject us to third-party litigation and legal liability. In general, we will be exposed to litigation risk in connection with any allegations of misconduct, negligence, dishonesty or bad faith arising from our management of any fund. We may also be subject to litigation arising from investor dissatisfaction with the performance of our funds, including certain losses due to the failure of a particular investment strategy or improper trading activity, if we violate restrictions in our funds' organizational documents or from allegations that we improperly exercised control or influence over companies in which our funds have large investments. In addition, we are exposed to risks of litigation relating to claims that we have not properly addressed conflicts of interest. Any litigation arising in such circumstances is likely to be protracted, expensive and surrounded by circumstances that could be materially damaging to our reputation and our business. Moreover, in such cases, we would be obligated to bear legal, settlement and other costs, which may be in excess of any available insurance coverage. In addition, although we are indemnified by our funds, our rights to indemnification may be challenged. If we are required to incur all or a portion of the costs arising out of any litigation or investigation as a result of inadequate insurance proceeds, if any, or fail to obtain indemnification from our funds, our business, financial condition or results of operations could be materially adversely affected. In the event any fund-related litigation scenarios described above materialize, it is possible we are made a party to any such litigation. As with the funds, while we maintain insurance, there can be no assurance that our insurance will prove to be adequate. If we are required to incur all or a portion of the costs arising out of litigation, our business, financial condition or results of operations could be materially adversely affected. Furthermore, any such litigation could be protracted, expensive and highly damaging to our reputation, which could result in a significant decline in our assets under management and revenues, even if the underlying claims are without merit. In addition, we may participate in transactions that involve litigation (including the enforcement of property rights) from time to time, and such transactions may expose us to reputational risk and increased risk from countersuits.

Extensive regulation of our business affects our activities and creates the potential for significant liabilities and penalties. Our reputation, business, financial condition or results of operations could be materially affected by regulatory issues.

Our business is subject to extensive and complex regulation, including periodic examinations and regulatory investigations, by governmental and self-regulatory organizations in the jurisdictions in which we operate and trade around the world. As an investment adviser registered under the Advisers Act and a company subject to the registration and reporting provisions of the Exchange Act, we are subject to regulation and oversight by the SEC. As a company with a class of securities listed on the NYSE, we are subject to the rules and regulations of the NYSE. As a registered commodity pool operator and a registered commodity trading advisor, we are subject to regulation and oversight by the United States Commodity Futures Trading Commission ("CFTC") and the National Futures Association. In addition, we are subject to regulation by the Department of Labor under ERISA. In the UK, our UK sub-adviser is subject to regulation by the FCA. Our Asian operations, and our investment activities around the globe, are subject to a variety of other regulatory regimes that vary country by country, including the Securities and Futures Commission in Hong Kong, and the Securities and Exchange Board of India.

The regulatory bodies with jurisdiction over us have the authority to grant, and in specific circumstances to cancel, permissions to carry on our business and the authority to conduct investigations and administrative proceedings. Such investigations and administrative proceedings can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of an investment adviser from registration or memberships. For example, a failure to comply with the obligations imposed by the Exchange Act or Advisers Act, including recordkeeping, advertising and operating requirements, disclosure obligations and prohibitions on fraudulent activities, or a failure to maintain our funds' exemption from compliance with the Investment Company Act (the "1940 Act") could result in investigations, sanctions and reputational damage, which could adversely affect our business, financial condition or results of operations. Our funds are involved regularly in trading activities that implicate a broad number of U.S. and foreign securities law regimes, including laws governing trading on inside information, market manipulation, anti-corruption, including the FCPA, and a broad number of technical trading requirements that implicate fundamental market regulation policies. Even if an investigation or proceeding does not result in a sanction or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm our reputation and cause us to lose existing investors or to fail to gain new investors. Furthermore, the legal, technology and other costs associated with regulatory investigations could increase to such a level that they could have a material impact on our business, financial condition or results of operations.

These global financial services regulators affect us not only with their regulations, but also with their examination, inspection and enforcement functions as well. We are routinely subject to examination and inspection and, although we make reasonable efforts to maintain effective compliance programs, there can be no assurances that any such inquiry would not result in a finding or sanction that would adversely affect our business, financial condition or results of operations. Likewise, enforcement investigations and administrative inquiries can be sweeping in nature. Cooperating with these investigations, as is our practice, can be expensive and time-consuming and could distract us from our business operations. In particular, U.S. regulators routinely investigate potentially serious matters such as possible insider trading, market manipulation, misleading disclosure, conflicts of interest, fraud, foreign corruption, including under the FCPA; lesser potential violations, such as books and records inaccuracies, weaknesses in internal controls; and compliance with general reporting and advertising regulations. For the past several years, we have cooperated with a number of ongoing regulatory investigations and examinations, both domestically and internationally, and we expect to be the subject of investigations and examinations in the future. There can be no assurances that ongoing or future investigations will not adversely affect our business, financial condition or results of operations. Enforcement actions and administrative proceedings can result in fines, or other sanctions, including censure, the issuance of a cease-and-desist order, suspension or expulsion of persons or firms from the industry. Such sanctions can harm our reputation and cause us to lose existing investors or fail to gain new investors, which could adversely affect our business, financial condition or results of operations.

On September 29, 2016, we reached settlements with the DOJ and the SEC, resolving their investigations into our former private investment business in Africa and a 2007 investment by the Libyan Investment Authority in certain of our funds. As part of the settlements, we entered into a Deferred Prosecution Agreement (“DPA”) with the DOJ, and our subsidiary, OZ Africa, agreed to plead guilty to one count of conspiracy to violate the anti-bribery provisions of the FCPA. We also agreed to settle an administrative proceeding with the SEC involving violations of the FCPA and the Advisers Act. Pursuant to the settlement agreements with the regulators, we agreed to pay $412.1 million in settlement charges and to implement enhanced internal accounting controls and policies, to separate the chief compliance officer from other officer positions, and to engage an independent compliance monitor for three years, subject to early termination or extension. On January 23, 2020, we entered into an amendment to the DPA that extended the term of the DPA until 61 days after the entry of a final judgment by the U.S. District Court for the Eastern District of New York in the matter of *U.S. v. Oz Africa Management GP, LLC*, Cr. No. 16-515 (NGG) (EDNY). The amendment makes no other material changes to the DPA. The extension is based solely on the voluntary agreement of the parties and is not premised on any non-compliance by the Company with the DPA. Because of an outstanding restitution claim against OZ Africa, sentencing in the OZ Africa matter did not occur prior to the scheduled conclusion of the DPA. Because the DPA contemplates that the sentencing in the OZ Africa matter would have occurred before the expiration of the DPA, the parties executed an agreement with the purpose of extending the expiration date of the DPA. On January 30, 2020, the independent compliance monitor appointed in connection with the SEC and DOJ settlements concluded and certified that the Company’s corporate compliance program is functioning effectively. The settlements could have a material adverse effect on our business, financial condition or results of operations as described below in “—The FCPA settlements could have a material adverse effect on our ability to raise capital for our funds.”

In addition, we regularly rely on exemptions or exclusions from various requirements of the Securities Act, the Exchange Act, the 1940 Act, the Commodity Exchange Act and ERISA in conducting our asset management activities. These exemptions or exclusions are sometimes highly complex and may, in certain circumstances, depend on compliance by third parties whom we do not control. If for any reason these exemptions or exclusions were to become unavailable to us, we could become subject to regulatory action or third-party claims and our business, financial condition or results of operations could be materially adversely affected. Certain of the requirements imposed under the 1940 Act, the Advisers Act, ERISA and by non-U.S. regulatory authorities are designed primarily to ensure the integrity of the financial markets and to protect investors in our funds and are not designed to protect holders of our Class A Shares. At any time, the regulations applicable to us may be amended or expanded by the relevant regulatory authorities. If we are unable to correctly interpret and timely comply with any amended or expanded regulatory requirements, our business, financial condition or results of operations could be adversely impacted in a material way.

We may also be adversely affected if additional legislation or regulations are enacted, or by changes in the interpretation or enforcement of existing rules and regulations imposed by the SEC, other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that supervise the financial markets and their participants. See “—Increased regulatory focus in the United States could result in additional burdens on our business” and “—Regulatory changes in jurisdictions outside the United States could adversely affect our business” for additional information. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with additional new laws or regulations could be difficult and expensive and affect the manner in which we conduct business, and we may be unable to correctly interpret and timely comply with any amended or expanded regulatory requirements, which could have adverse impacts on our business, financial condition or results of operations.

The FCPA settlements could have a material adverse effect on our ability to raise capital for our funds.

As described above under "—Extensive regulation of our business affects our activities and creates the potential for significant liabilities and penalties. Our reputation, business, financial condition or results of operations could be materially affected by regulatory issues," in 2016 we settled investigations by the SEC and the DOJ concerning violations of the FCPA and other laws, which could have a material adverse effect on our business, financial condition or results of operations. In addition to the financial cost of the settlements, the investigation and settlements may harm our reputation and cause us to lose existing investors or fail to gain new investors, which could further adversely affect our business, financial condition or results of operations. Prior to the settlements, many of our funds raised capital relying on the exemption from registration provided by Rule 506 of Regulation D under the Securities Act ("Rule 506") in connection with a securities offering structured as a private placement. As a consequence of the settlements, many of our funds were disqualified from relying on Rule 506 to offer securities. However, on June 13, 2019, the SEC granted a waiver from the disqualification provisions of Rules 506 to certain of our existing funds that were relying on Rule 506 on September 29, 2016. Prospective offerings in funds that were not granted a waiver of disqualification currently remain prohibited from relying on Rule 506 to offer securities. Notwithstanding the ability of certain of our existing funds to rely on Rule 506 to offer securities, this could negatively affect our ability to raise capital for these funds, and our ability to offer and sell fund interests to certain investors in certain U.S. states may be impaired. The inability of our funds that were not granted a waiver of disqualification to raise capital in Rule 506 offerings may also result in additional expenses. The potential negative impact of the FCPA settlements on our ability to raise or retain capital for our funds could adversely affect our business, financial condition or results of operations.

Increased regulatory focus in the United States could result in additional burdens on our business.

The financial industry has become more highly regulated. Legislation has been introduced in recent years in the U.S. relating to financial markets and institutions, including alternative asset management firms, which would result in increased oversight and taxation. There has been, and may continue to be, a related increase in regulatory investigations of the trading and other investment activities of alternative investment funds, including our funds. Such investigations may impose additional expenses on us, may require the attention of senior management and may result in fines if any of our funds are deemed to have violated any regulations.

We are subject to numerous regulations under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Title VII of the Dodd-Frank Act (the "Derivatives Title") imposes a comprehensive regulatory regime on over-the-counter ("OTC") derivatives and the operations of the markets for, and the activities of the dealers in and users of, OTC derivatives. The Derivatives Title, among other things: (i) could require certain OTC derivatives, including "swaps" (such as rate, credit, equity and commodity swaps) and "security-based swaps" (swaps and security-based swaps, collectively, "Swaps"), to be traded on a regulated exchange and cleared through a regulated clearing entity, potentially increasing significantly the collateral costs associated with such activities; (ii) imposes initial and variation margin requirements on certain entities whose derivatives are not cleared through a regulated clearing entity; (iii) creates several new classes of CFTC and SEC registrants, including "swap dealers," "security-based swap dealers," "major swap participants" and "major security-based swap participants," that are subject to comprehensive regulation, including minimum net capital, margin, disclosure, reporting and recordkeeping requirements, conflicts of interest policies and procedures, new business conduct standards and other regulatory requirements; and (iv) expands the CFTC's authority to impose speculative position limits with respect to derivative instruments, including Swaps on certain physical commodities (such as Swaps based on oil, gas, precious metals and agricultural commodities) and aggregate position limits for those instruments (including futures and options contracts and other listed instruments that are economically equivalent to such contracts) based on the same underlying physical commodity.

We are and may be directly and indirectly affected by the Derivatives Title and its rules, including but not limited to potential results such as increased clearing and margin costs and decreased liquidity. Although many of the regulations under the Derivative Title have been adopted, certain issues under the Derivatives Title that were to be addressed by the regulators have not yet been addressed in final form. At this time we still cannot fully predict what impact the Derivatives Title will have on us, the funds we manage, our counterparties, the financial services industry or the markets, although we have already seen meaningful impacts on the financial services industry and the markets, both positive and negative.

The Financial Stability Oversight Council (the "Council") has the authority under the Dodd-Frank Act to review nonbank financial companies predominantly engaged in financial activities for potential designation as systematically important financial institutions ("SIFI"). To date, the Council has not designated any asset managers as a SIFI. If we or any of our funds were to be designated as a SIFI, or otherwise designated by the Council as presenting systemic risk, we would be subject to limitations on our ability to conduct certain activities, along with increased costs of doing business in the form of fees and assessments associated with such designation as well as by virtue of increased regulatory compliance costs, all of which would be likely to adversely affect our competitive position.

On December 10, 2013, U.S. financial regulators adopted final regulations to implement the statutory mandate of the "Volcker Rule" contained in Section 619 of the Dodd-Frank Act. The Volcker Rule limits the ability of certain banking entities to acquire as principal, directly or indirectly, ownership interests in certain private investment funds (referred to in the Volcker Rule as "covered funds"). As a result, the Volcker Rule may cause banking entities and their affiliates that would otherwise invest in our funds to not invest in our funds or CLOs, to invest less capital in our funds or CLOs, reduce or eliminate such investments, or require modifications to the documents governing our funds or CLOs that may adversely affect their performance or attractiveness to other investors or that otherwise may be adverse to our business and the value of our Class A Shares. The Volcker Rule also includes a general prohibition on certain banking entities engaging in activities defined as "proprietary trading." Applicable regulators have proposed amendments and invited comments to the Volcker Rule, including twice in 2018, and the requirements of the Volcker Rule may change over time. The Volcker Rule (including any changes thereto) and its effects could negatively impact our business, financial condition or results of operations.

The Dodd-Frank Act also requires increased disclosure of executive compensation and provides shareholders with the right to a non-binding vote on executive compensation. In addition, the Dodd-Frank Act empowers federal regulators to prescribe regulations or guidelines to prohibit any incentive-based payment arrangements that the regulators determine encourage covered financial institutions to take inappropriate risks by providing officers, employees, directors or principal shareholders with excessive compensation or that could lead to a material financial loss by such financial institutions. Proposed regulations were published in April and May 2016 but it remains unclear when, if at all, federal regulators will adopt final regulations. Until all of the relevant regulations and guidelines have been established, we cannot predict what effect, if any, these developments may have on our business or the markets in which we operate.

Furthermore, the Dodd-Frank Act required the SEC and the CFTC to implement more expansive regulations concerning whistleblowers. The SEC and the CFTC have each adopted rules under this requirement, establishing reward programs for persons who bring information to the SEC or the CFTC. To receive a reward under these programs, the information must lead to the successful enforcement or resolution of a judicial or administrative action brought by the SEC or CFTC that results in a monetary sanction of more than $1.0 million for a violation of the securities laws or the Commodity Exchange Act, respectively. These rules may result in increased regulatory inquiries or investigations by the SEC or the CFTC. Such inquiries or investigations could impose significant additional expense on us, require the attention of senior management and result in negative publicity and harm to our reputation.

Effective September 23, 2013, and pursuant to a mandate under the Dodd-Frank Act, the SEC adopted amendments to Rule 506 that disqualify issuers, such as our funds, from relying on the exemption from registration provided by Rule 506 in connection with a securities offering structured as a private placement if any "covered persons" are deemed to be "bad actors." Specifically, an issuer generally will be precluded from conducting offerings that rely on the registration exemption provided by Rule 506 if a "covered person" has been subject to a relevant criminal conviction, regulatory or court order or other disqualifying event that occurred on or after September 23, 2013. For these purposes, the "covered persons" of an issuer include directors, certain officers, various entities related to the issuer, solicitors and promoters of the issuer and 20% beneficial owners of the issuer's voting securities. For more detail about risks relating to the FCPA settlement and the related disqualification event which prevents certain of our funds that did not receive a waiver of disqualification from raising capital using Rule 506, see "—The FCPA settlements could have a material adverse effect on our ability to raise capital for our funds."

These and other outstanding rulemakings mandated by the Dodd-Frank Act will be completed by various regulatory bodies and other groups over the next several years, and the Dodd-Frank Act mandates multiple agency reports and studies (which could result in additional legislative or regulatory action). As a result of the regulatory and other action yet to be taken, we do not know what the remaining final regulations under the Dodd-Frank Act will require and it is difficult to predict how significantly the Dodd-Frank Act will affect us. The Dodd-Frank Act will likely increase our administrative costs and could impose additional restrictions on our business.

Recently enacted tax legislation commonly known as the Tax Cuts and Jobs Act of 2017 (the "TCJA") made significant changes to the taxation of U.S. business entities. The effects of the TCJA are discussed in more detail below under "Item 1A. Risk Factors-Risks Related to Taxation-U.S. federal income tax reform could have uncertain effects" and in Note 15 on our consolidated financial statements.

Risk retention regulations could adversely affect our business.

Jurisdictions including the United States and the EU have adopted risk retention regulations applicable to securitizations and similar transactions, including collateralized loan obligation transactions ("CLOs") and other transactions that we manage or may manage in the future. As a result of these regulations, we may be required to retain, and historically have retained, a portion of the securities or other interests issued in some of these CLOs and other transactions, whether in order to satisfy compliance obligations directly applicable to us or in response to investor demands based on regulatory requirements imposed on such investors. Accordingly, this has required us to utilize capital that could otherwise be deployed in another manner, and we expect that we will need to continue to do so in the future for certain CLOs and other transactions that we may manage in the future. In addition, retaining interests in these transactions increases our exposure to the performance of these transactions and changes in the value of those interests. We have also incurred, and expect to continue to incur, costs and expenses in connection with our efforts to comply with these regulations or related investor demands. We have historically financed the majority of the interests we retain as a result of these regulations, and expect to continue to do so. Such financing arrangements may impose limitations or restrictions on our business that could adversely affect our business and the price of our Class A Shares.

These risk retention regulations have changed and may continue to change over time, and may be introduced in other jurisdictions, and their interpretation and applicability at any given point in time may be uncertain. For example, as of January 1, 2019, new EU risk retention regulations replaced previously existing EU risk retention regulations for applicable transactions that issue securities on or after January 1, 2019. In addition, in the United States, a court has held that certain regulators exceeded their statutory authority by requiring managers of "open-market" CLOs to hold risk retention interests in those CLOs under U.S. risk retention regulations. Regulatory uncertainty of this nature may cause us to continue to incur costs and expenses in our efforts to comply with risk retention regulations or in response to the efforts of others to comply with risk retention regulations, and there can be no assurance that those costs and expenses, or the amount of capital we invest in connection with these risk retention regulations, will not increase in the future. Nor can there be any assurance that applicable governmental or regulatory authorities agree with our compliance approaches to these risk retention regulations, which may expose us to liability, including to third parties to whom we have made representations, warranties or covenants regarding such compliance. In the event that we adopt compliance approaches that are subsequently determined to not be required (such as with U.S. "open-market" CLOs), or are less capital-efficient than other approaches subsequently determined to be possible under applicable law, there can be no assurance that we will be able to recover or redeploy capital that we've previously committed (and we may be contractually prohibited from disposing of the related risk retention interests), and we will generally not be able to recover any costs or expenses that we have already incurred.

In addition to any direct effects on us, risk retention regulations may adversely affect markets relevant to our business, such as leveraged loan markets or credit markets generally, which may in turn adversely affect the transactions we manage and our business generally. There can be no assurance that risk retention regulations will not materially and adversely affect our business and operations, and the price of our Class A Shares.

A downturn in the global credit markets could adversely affect our CLO investments.

CLOs are subject to credit, liquidity, interest rate and other risks. From time to time, liquidity in the credit markets is reduced, sometimes significantly, resulting in an increase in credit spreads and a decline in ratings, performance and market values for leveraged loans. We have exposure to these markets through our investments in our CLOs. In some cases, we may be required to maintain such exposure as a result of applicable risk retention regulations. CLOs invest on a leveraged basis in loans or securities that are themselves highly leveraged investments in the underlying collateral, which increases both the opportunity for higher returns as well as the magnitude of losses when compared to unlevered investments. As a result of CLOs' leveraged position, CLOs and their investors are at greater risk of suffering losses. Any failure by our CLOs to meet certain "overcollateralization" and "interest coverage" tests will result in reduced cash flows that may have been otherwise available for distribution to us. This could reduce the value of our investment. There can be no assurance that market conditions giving rise to these types of consequences will not occur, subsist or become more acute in the future.

Regulatory changes in jurisdictions outside the United States could adversely affect our business.

Similar to the United States, jurisdictions outside the United States in which we operate, in particular the EU, have become subject to further regulation. Regulators and other governmental authorities in the EU have proposed or implemented a number of initiatives and additional rules and regulations that could adversely affect our business.

The EU's Alternative Investment Fund Managers Directive (2011/61/EU) (the "AIFMD") became effective on July 21, 2011, but with implementation taking place between July 22, 2013 and July 22, 2014. As of January 1, 2017, all EU Member States had transposed the AIFMD into their domestic law. The AIFMD is complex and key aspects of it remain subject to further consultation and interpretation.

The AIFMD imposes significant regulatory requirements on alternative investment fund managers ("AIFMs"), operating within the EU, as well as prescribing certain conditions with regard to regulatory standards, cooperation and transparency that need to be satisfied for non-EU AIFMs to market alternative investment funds ("AIFs") into EU Member States. Should any member of our group be treated as an AIFM operating within the EU, AIFMD rules would impose significant additional costs on the operation of our business in the EU and limit our operating flexibility. In any event, in order to market one of our AIFs to investors in the EU, the non-EU investment adviser of that AIF will be required to comply with the marketing conditions in the AIFMD and any additional national restrictions, assuming that national private placement is available. The AIFMD conditions are that the AIFM complies with specific notification or registration requirements and certain additional transparency requirements requiring disclosures to investors in the AIF and to EU regulators; the AIFM also complies with requirements relating to the acquisition of substantial stakes in EU companies; and the jurisdictions in which the non-EU AIFM and the relevant AIF are organized satisfy certain conditions with regard to regulatory standards, cooperation and transparency.

If the AIFMD's marketing passport is made available to non-EU AIFMs, it is possible that national private placement regimes will be phased out, in which case such non-EU AIFMs would, thereafter, need to comply with substantially all of the obligations under the AIFMD in order to be able to continue to market their AIFs within the EU. Again, such rules could, if they start to apply in full to our business, potentially impose significant additional costs on the operation of our business in the EU and could limit our operating flexibility and our ability to raise funds within the EU. There is also no requirement for EU Member States to make the private placement regimes available to non-EU AIFMs and consequently, individual EU Member States could, theoretically, seek to apply the rules set out in the AIFMD in full to non-EU AIFMs at any time, even before the marketing passport is made available to such non-EU AIFMs.

Separately to the AIFMD, the EU has also introduced significant changes to its regulation of EU securities and derivatives markets through new legislation known as "MiFID II" which came into force on January 3, 2018. MiFID II replaces the original MiFID I regime which had been in force since November 2007. MiFID II, which is comprised of the Markets in Financial Instruments Directive (2014/65/EU), the Markets in Financial Instruments Regulation ((EU)600/2014) and a number of regulatory and implementing technical standards that take the form of EU Delegated Acts, is the foundational legislation for investment firms operating in the EU, including our UK affiliates Sculptor Capital Management Europe Limited ("SCME") and Sculptor Europe Loan Management Limited ("SELM"), both of which are authorized and regulated in the UK as MiFID investment firms.

MiFID II has imposed significant new organizational, conduct, governance, operational and reporting requirements on SCME and SELM, including new requirements around the receipt of inducements and the use of soft dollars / dealing commissions, enhanced transaction reporting and pre- and post-trade transparency requirements, formal telephone taping requirements, and new best execution rules. Further, new MiFID II rules may restrict the ability of other Sculptor entities domiciled outside of the EU (known as "third-country firms") to provide investment services to clients domiciled in the EU. Other changes resulting from MiFID II may have an impact (indirectly) on any Sculptor entity or client that trades on EU markets or trading venues, or does business with EU-regulated banks or brokers. These impacts may include venue trading requirements for certain categories of shares and derivatives, restrictions on so-called “dark pool” trading, product banning powers, algorithmic trading restrictions, and enhanced requirements around the provision of direct market access / direct electronic access services.

In addition to the AIFMD and MiFID II, the EU has implemented, or is in the process of implementing, a number of measures in response to the financial crisis or as part of an ongoing program of legislative change. These include, but are not limited to:

- The European Markets Infrastructure Regulation ((EU) No 648/2012) (known as EMIR), which, together with EU Delegated Acts, imposes clearing, risk mitigation, margining and trade reporting requirements on OTC derivatives counterparties.

- The Solvency II directive, which applies capital charges on insurers in respect of their fund investments.

- The Market Abuse Regulation ((EU) No. 596/2014) (known as MAR) and a directive designed to harmonize criminal sanctions for market abuse (called CSMAD) which came into force in July 2016 and which extended the EU’s market abuse regime to behavior in respect of financial instruments traded on a wider variety of trading venues and EU emission allowances, refined the definition of inside information, introduced a new offense of “attempted market manipulation” and strengthened regulatory authorities’ investigative and sanctioning powers.

- The GDPR expanded the scope of the EU data protection law to foreign companies processing personal data of European Economic Area (“EEA”) individuals (e.g., investor and employee data), imposed a more stringent data protection compliance regime, and included new data subject rights (e.g., the right to erasure, commonly known as “the right to be forgotten”). The GDPR is expected to have a significant impact on those who act as data controllers and processors and those who intend to transfer personal data outside the EEA, including the introduction of severe administrative fines of up to the greater of 4% of total worldwide annual turnover or €20.0 million (as well as the right to compensation for financial or non-financial damages claimed by any individuals under Article 82 GDPR). Additionally, non-compliance may lead to reputational damages and a loss of confidence in our security and privacy or data protection measures as well as the right to compensation for financial or non-financial damages claimed by individuals under Article 82 GDPR.

- The EU has proposed to replace the European e-Privacy Directive (Directive 2002/58/EC as amended by Directive 2009/136/EC), which obliges the EU member states to introduce certain national laws regulating privacy in the electronic communications sector, with a new e-Privacy Regulation. The text of the proposal for the e-Privacy Regulation is not yet final and the formal EU legislative process in relation to the e-Privacy Regulation has not yet begun. As the text of the e-Privacy Regulation is still under development and in draft form, and as further guidance is issued and interpretations of both the e-Privacy Regulation and the GDPR develop, it is difficult to assess the impact of the proposed e-Privacy Regulation on our business or operations, but it may require us to modify our data practices and policies (e.g. in relation to the management of cookies and marketing messages sent through different media) and we could incur substantial costs as a result. Each or all of these measures could have direct and indirect effects on our business.

In the UK, the Senior Managers and Certification Regime (the “SMCR”) was extended on December 9, 2019 to “solo-regulated” firms (i.e. those firms that are only regulated by the FCA and not jointly by the FCA and the Prudential Regulation Authority) such as SCME and SELM. The SMCR replaces the existing FCA approved person regime and imposes new, more burdensome requirements on certain SCME and SELM staff as well as increasing the documentation and record-keeping needed to demonstrate compliance with the new regime.

In addition, the UK introduced a tax on “diverted profits,” effective April 1, 2015. The tax requirement remains controversial and, in some parts, unclear as to its operation. According to the UK government’s publications, the rules are intended to counteract “contrived arrangements” to divert profits from the UK by avoiding a UK taxable presence or by other contrived arrangements between connected entities. A 25% rate of tax will apply to diverted profits relating to UK activity, targeting foreign companies that are perceived as exploiting the UK’s permanent establishment rules or creating other tax advantages by using transactions or entities that lack economic substance. Credit will be available in some circumstances for foreign taxes incurred on the same profits. Statements by the UK government indicate that the legislation was not primarily focused on investment funds such as our funds, or non-UK investment managers of such funds such as Sculptor Capital LP. While it is not possible to reach a definitive conclusion that the funds or the management entities will not be affected, we consider there to be sufficiently strong arguments as to why neither our funds nor the management entities should self-report for this tax. It is worth noting in this regard that the UK government is of the view that the tax is not within the terms of the U.S.-UK double taxation treaty, potentially limiting the availability of credit in the U.S., as well as treaty-based dispute resolution procedures.

If third-party investors in our funds exercise their right to remove us as investment manager or general partner of the funds, we would lose the assets under management in such funds, which would eliminate our management fees and incentive income derived from such funds.

The governing agreements of most of our funds provide that, subject to certain conditions, third-party investors in those funds have the right, without cause, to vote to remove us as investment manager or general partner of the fund by a simple majority vote, resulting in the elimination of the assets under management by those funds and the management fees and incentive income derived from those funds. In addition to having a significant negative impact on our business, financial condition or results of operations, the occurrence of such an event would likely result in significant reputational damage to us.

In addition, because our funds generally have an adviser that is registered under the Advisers Act, the management agreements of all of our funds would be terminated upon an "assignment" of these agreements without investor consent, which assignment may be deemed to occur in the event these advisers were to experience a change of control. We cannot be certain that consents required to assignments of our investment management agreements will be obtained if a change of control occurs. "Assignment" of these agreements without investor consent could cause us to lose the fees we earn from such funds.

Our failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business, financial condition or results of operations.

The Sarbanes-Oxley Act and the related rules require our management to conduct annual assessments of the effectiveness of our internal control over financial reporting and require a report by our independent registered public accounting firm, as well as an independent audit of our internal control over financial reporting. If our independent registered public accounting firm is unable to opine on the effectiveness of our internal control over financial reporting for any reason or we are unable to report our financial information on a timely basis due to matters impacting our internal controls, as has occurred in the past, we may become subject to adverse regulatory or other consequences, including sanctions or investigations by the SEC, and some of these consequences could have a material adverse effect on our business, financial condition or results of operations.

Our failure to deal appropriately with conflicts of interest could damage our reputation and materially adversely affect our business, financial condition or results of operations.

As we expand the scope of our business, we increasingly confront potential conflicts of interest relating to our funds' investment activities. Certain of our funds have overlapping investment objectives and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among or even within those funds. For example, a decision to acquire material non-public information about a company while pursuing an investment opportunity for a particular fund gives rise to a potential conflict of interest when it results in our having to restrict the ability of other funds to buy or sell securities in the public markets. In addition, fund investors and holders of our Class A Shares may perceive conflicts of interest regarding investment decisions for funds in which our executive managing directors and employees, who have and may continue to make significant personal investments, are personally invested.

It is possible that actual, potential or perceived conflicts could give rise to investor dissatisfaction or litigation or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest would have a material adverse effect on our reputation, which would materially adversely affect our business, financial condition or results of operations in a number of ways, including an inability to raise additional funds and a reluctance of counterparties to do business with us.

Misconduct by our executive managing directors, employees or agents could harm us by impairing our ability to attract and retain investors and subjecting us to significant legal liability, regulatory scrutiny and reputational harm.

There is a risk that our executive managing directors, employees, joint venture partners, consultants or agents could engage in misconduct that materially adversely affects our business. We are subject to a number of obligations and standards arising from our asset management business and our authority over the assets we manage, as well as our status as a public company with securities listed on the NYSE. The violation of these obligations and standards by any of our executive managing directors, employees, joint venture partners, consultants or agents could materially adversely affect our investors, both in our funds and in our Class A Shares, and us. In addition to these numerous and complex obligations, our business requires that we properly deal with confidential matters of great significance to companies in which we may invest or with which we otherwise do business. If our executive managing directors, employees, joint venture partners, consultants or agents were improperly to use or disclose confidential information, we could be subject to litigation, regulatory investigations or sanctions and suffer serious harm to our reputation, financial position and current and future business relationships. Furthermore, there have been a number of recent highly publicized cases involving fraud or other misconduct by employees (including in the workplace via inappropriate or unlawful behavior or actions directed to other employees) in the financial services industry generally and there can be no assurance that we will not suffer from similar employee misconduct. It is not always possible to detect or deter employee misconduct, and the precautions we take to detect and prevent this activity have not been and may not be effective in all cases. If one of our executive managing directors, employees, joint venture partners, consultants or agents were to engage in misconduct or were to be accused of such misconduct, even if such allegations were unsubstantiated, our reputation and our business, financial condition or results of operations could be materially adversely affected.

In recent years, the DOJ and the SEC have devoted significant resources to enforcement of the FCPA. In addition, the UK has recently significantly expanded the reach of its anti-bribery laws. While we have developed and implemented policies and procedures designed to ensure strict compliance by us and our personnel with the FCPA, such policies and procedures previously have not been, and in the future may not be effective in all instances to prevent violations. Any determination that we have violated the FCPA or other applicable anti-bribery laws could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect our business, financial condition or results of operations.

We may enter into new businesses, make future strategic investments or acquisitions or enter into joint ventures, each of which may result in additional risks and uncertainties in our business.

We intend, to the extent that market conditions warrant, to grow our business by increasing assets under management and creating new investment platforms and businesses. Accordingly, we may pursue growth through strategic investments, acquisitions or joint ventures, which may include entering into new lines of business in which we may not have extensive experience, including sponsoring business development companies. It is also possible that, from time to time, we may need to make payments in order to resolve commercial disputes. In addition, we expect opportunities will arise to acquire, or enter into joint ventures with, other alternative or traditional asset managers. To the extent we make strategic investments or acquisitions, enter into joint ventures, or enter into a new line of business, we will face numerous risks and uncertainties, including risks associated with the required investment of capital and other resources, the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, combining or integrating operational and management systems and controls, or loss of investors in our funds due to the perception that we are no longer focusing on our core fund management duties. Entry into certain lines of business may subject us to more complex or extensive new laws and regulations with which we may not be familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. If a new business that we enter into generates insufficient revenues or if we are unable to efficiently manage any expansion of our operations, our business, financial condition or results of operations could be materially adversely affected. In the case of joint ventures, we are subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control.

The terms of our outstanding Preferred Units, the Senior Credit Facility and the Subordinated Credit Facility and changes in the credit markets may negatively impact or may prohibit our ability to refinance our outstanding indebtedness or our ability to otherwise obtain attractive financing for our business, and may increase the cost of such financing if it is obtained. An increase in our borrowing costs may materially adversely affect our business, financial condition or results of operations.

In April 2023, our Senior Credit Facility will mature and all obligations thereunder will become due and payable. Our Subordinated Credit Facility will mature and all obligations thereunder will become due and payable on the earlier of (i) the fifth anniversary of the date on which all obligations under the Preferred Units have been in paid in full and (ii) April 1, 2026. At those times, we will be required to either refinance or replace any outstanding indebtedness under the Senior Credit Facility and the Subordinated Credit Facility, as applicable. Pursuant to the terms of the New Preferred Unit Designations, subject to certain exceptions, we, the Sculptor Operating Partnerships and their respective subsidiaries are prohibited from refinancing, refunding, replacing renewing, restating amending and restating, amending, supplementing or otherwise modifying the Senior Credit Facility without the prior written consent of the Holders' Committee. If the prior written consent of the Holders' Committee is obtained, entering into one or more new credit facilities or issuing debt securities, could result in higher borrowing costs, or issuing equity, which would dilute existing shareholders. No assurance can be given that we will be able to enter into new credit facilities, issue debt securities or issue equity in the future on attractive terms, or at all. Loans under the Senior Credit Facility and the Subordinated Credit Facility may be subject to a base rate plus a margin or a LIBOR-based floating rate plus a margin, and the interest expense we incur may vary with changes in the applicable LIBOR reference rate. See "Item 7A. Qualitative and Quantitative Disclosures about Market Risk—Interest Rate Risk," for additional information regarding the impact that a change in LIBOR would have on our annual interest expense associated with our debt obligations.

As our Senior Credit Facility, the Subordinated Credit Facility and, with respect to our funds, other committed secured credit facilities expire, or if our lenders fail, we will need the consent of the Holders' Committee to replace them by entering into new facilities or finding other sources of liquidity. Furthermore, to the extent that we do not obtain the consent of the Holders' Committee or the debt financing markets make it difficult or impossible for us to refinance or replace our Senior Credit Facility or the Subordinated Credit Facility, we may be unable to repay the loans outstanding under the Senior Credit Facility or the Subordinated Credit Facility, if any, or our liquidity may be reduced in a manner that may restrict or otherwise prevent us from funding or operating our general business affairs. We may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection, and substantial doubt may be raised as to our status as a going concern. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "—Debt Obligations" for a discussion of our Senior Credit Facility and Subordinated Credit Facility and overall liquidity position.

Subject to certain exceptions, we have the option to voluntarily repay the remaining $200.0 million of the Preferred Units at a 25% discount until March 31, 2021 and then at a 10% discount at any time between April 1, 2021 and the day prior to March 31, 2022. To the extent we are unable to repay the Preferred Units in full prior to March 31, 2022, then, pursuant to the terms of the Preferred Units, at the option of the holder, all or any portion of the liquidation preference of such Preferred Unit automatically converts into Debt Securities. Under the terms of the Subordinated Credit Facility, for a period of nine months after the repayment of the Preferred Units, we will have the option to voluntarily repay up to $200.0 million of the initial Debt Securities at a 5% discount. To the extent we are unable to do so within this time period, we will be unable to take advantage of this discount.

Risks Related to Our Funds

Our results of operations are dependent on the performance of our funds. Poor performance of our funds will result in reduced revenues and earnings and make it difficult for us to retain or attract investors to our funds, retain and increase assets under management and grow our business. The performance of each fund we manage is subject to some or all of the following risks.

Difficult market conditions can adversely affect our funds in many ways, including by negatively impacting their performance and reducing their ability to raise or deploy capital, which could materially reduce our revenues and adversely affect our business, financial condition or results of operations.

Significant disruptions and volatility in the global financial markets and economies could impair the investment performance of our funds. Additionally, we may not be able to raise capital for existing or new funds during, or even following, periods of market instability. Although we seek to generate consistent, positive, absolute returns across all market cycles, our funds have been and may be materially affected by conditions in the global financial markets and economic conditions. The global market and economic climate may become increasingly uncertain due to numerous factors beyond our control, including but not limited to, concerns related to unpredictable global market and economic factors, uncertainty in U.S. federal fiscal, tax, trade or regulatory policy and the fiscal, tax, trade or regulatory policy of foreign governments, rising interest rates, inflation or deflation, the availability of credit, performance of financial markets, terrorism or political uncertainty.

A general market downturn, a specific market dislocation or deteriorating economic conditions may cause a material reduction in our revenues and adversely affect our business, financial condition or results of operations by causing:

- A decline in assets under management, resulting in lower management fees and incentive income.
- An increase in the cost of financial instruments, executing transactions or otherwise doing business.
- Lower or negative investment returns, which may reduce assets under management and potential incentive income.
- Reduced demand for assets held by our funds, which would negatively affect our funds' ability to realize value from such assets.
- Increased investor redemptions or greater demands for enhanced liquidity or other terms, resulting in a reduction in assets under management, lower revenues and potential increased difficulty in raising new capital.

Furthermore, while difficult market and economic conditions and other factors can potentially increase investment opportunities over the long term, including with respect to the competitive landscape for the hedge fund industry, such conditions and factors also increase the risk of increased investment losses and additional regulation, which may impair our business model and operations. Our funds may also be materially adversely affected by difficult market conditions if our investment professionals fail to assess the adverse effect of such conditions on our investments, resulting in a significant reduction in the value of those investments. Moreover, challenging market conditions may prompt alternative asset managers to reduce the management fee and incentive income rates they charge in order to retain assets. In response to competitive pressures or for any other reason, we may reduce or change the fee structures of our funds, which could reduce the amount of fees and income that we may earn relative to assets under management.

Most of our funds utilize investment strategies that depend on our ability to appropriately react to, or accurately assess, the occurrence of certain events, including market and corporate events. If we fail to do so, our funds' investment performance could be adversely affected in a material way.

The historical returns attributable to our funds should not be considered as indicative of the future results of our funds or any future funds we may raise.

We have presented throughout this report the net composite returns relating to the historical performance of our most significant funds, and we have also referred to other metrics associated with historical returns, such as risk and correlation measures. The returns are relevant to us primarily insofar as they are indicative of incentive income we have earned in prior periods and are not indicative of any future fund returns.

Moreover, with respect to the historical returns of our funds:

- The historical returns of our funds should not be considered indicative of the future results that should be expected from such funds or from any future funds we may raise.
- Our funds' returns, particularly during periods of more extreme market and economic conditions, have benefited from or been impaired by the existence or lack of investment opportunities and such general market and economic conditions, which may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of profitable investment opportunities.

- The historical rates of return of our funds reflect such funds' historical expenses, which may vary in the future due to factors beyond our control, including changes in laws or regulations.

We are subject to counterparty default risks.

Our funds enter into numerous types of financial arrangements with a wide array of counterparties around the world, including loans, swaps, repurchase agreements, securities lending agreements and other derivative and non-derivative contracts. The terms of these contracts are often customized and complex and these arrangements may occur in markets or relate to products that are not currently subject to experienced regulatory oversight although the Dodd-Frank Act provides certain regulation in the derivatives market. In particular, certain of our funds utilize prime brokerage arrangements with a relatively limited number of counterparties, which has the effect of concentrating the transaction volume (and related counterparty default risk) of these funds with these counterparties.

Our funds are subject to the risk that the counterparty to one or more of these contracts defaults, either voluntarily or involuntarily, under the contract. Any such default may occur rapidly and without prior notice to us. Moreover, if a counterparty defaults, we may be unable to take action to recover our assets or any amounts due to us, either because we lack the contractual ability or because market conditions make it difficult to take effective action. This inability could occur at any time, but particularly in times of market stress, which are precisely the times when defaults may be most likely to occur.

In addition, our risk-management assessments may not accurately anticipate the impact of market stress or counterparty financial condition and, as a result, we may not take sufficient action to reduce our risks effectively. Although each of our funds regularly monitors its credit exposures, default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate. In addition, concerns about, or a default by, one large participant could lead to significant liquidity problems for other participants, which may in turn expose us to significant losses.

In the event of a counterparty default, particularly a default by a major investment or commercial bank or other financial institution, one or more of our funds could incur material losses, and the resulting market impact of a major counterparty default could harm our business, results of operation and financial condition. In the event that one of our counterparties becomes insolvent or files for bankruptcy, our ability to eventually recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty or the applicable legal regime governing the bankruptcy proceeding.

The counterparty risks that we face have increased in complexity and magnitude as a result of major disruptions in the financial markets in recent years. Further, the consolidation or elimination of counterparties has increased our concentration of counterparty risk. In addition, counterparties have generally reacted to the ongoing market volatility by tightening their underwriting standards and increasing their margin requirements for all categories of financing, which has the result of decreasing the overall amount of leverage available to our funds and increasing the costs of borrowing.

Poor performance of our funds would cause a decline in our revenues, results of operations and cash flows and could materially adversely affect our ability to retain capital or attract additional capital.

If our funds perform poorly, our revenues, results of operations and cash flows decline because the value of our assets under management decreases, which in turn results in a reduction in management fees. To the extent that our funds perform poorly and such performance is continuing at the end of a relevant commitment period, we would experience a reduction in incentive income and, if such reduction was substantial, could result in the elimination of incentive income for a given year and future years until that decrease has been surpassed by positive performance. Poor performance of our funds would make it more difficult for us to raise new capital and may cause investors in our funds to redeem their investments. Investors and potential investors in our funds continually assess our funds' performance, as well as our ability to raise capital for existing and future funds. Our ability to avoid excessive redemption levels will depend in part on our funds' continued satisfactory performance. Moreover, poor performance, particularly in our most significant funds, would harm our reputation and competitive standing, which would further impair our ability to retain or attract fund capital. These factors may cause us to reduce or change the fee structure of our funds in order to retain or continue to attract assets under management, which could further reduce the amounts of management fees and incentive income that we may earn relative to assets under management.

Our funds may determine to use leverage in investments, which could materially adversely affect our ability to achieve positive rates of return on those investments.

Our funds use or may choose to use leverage, either directly or through the use of derivative instruments, to increase the yield on certain of their investments. The use of leverage poses a significant degree of risk, most notably by significantly increasing the risk of loss associated with leveraged investments that decline in value, and enhances the possibility of a significant loss in the value of the investments in our funds. Our funds may borrow money from time to time to purchase or carry securities. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried, and will be lost—and the timing and magnitude of such losses may be accelerated or exacerbated—in the event of a decline in the market value of such securities. Volatility in the credit markets increases the degree of risk associated with such borrowing. Gains realized with borrowed funds may cause a fund's net asset value to increase at a faster rate than would be the case without borrowings. If investment results fail to cover the cost of borrowings, the fund's net asset value could also decrease faster than if there had been no borrowings. Increases in interest rates could also decrease the value of fixed-rate debt investments made by our funds. To the extent our funds determine to significantly increase their use of leverage, any of the foregoing circumstances could have a material adverse effect on our financial condition, results of operations and cash flows.

The due diligence process that we undertake in connection with investments by our funds may not reveal all facts that may be relevant in connection with making an investment.

Before investments are made by our funds, particularly investments in securities that are not publicly traded, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment bankers may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence that we carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity, and such an evaluation will not necessarily result in the investment being successful. Moreover, the level of due diligence conducted with respect to a particular investment will vary and we may not properly assess the appropriate amount of diligence for each investment, which may result in losses.

Our funds may invest in relatively high-risk, illiquid assets, including structured products, and may fail to realize any profits from these activities for a considerable period of time or lose some or all of the principal investments.

Our funds invest in securities that are not publicly traded or that are otherwise illiquid, including complex structured products. There may be no readily available liquidity in these securities, particularly at times of market stress or where many participants may be seeking liquidity at the same time. In many cases, our funds may be prohibited, whether by contract, by applicable securities laws or by the lack of a liquid market, from selling such securities for a period of time. Moreover, even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing the investment returns to risks of downward movement in market prices during the required holding period. Accordingly, under certain conditions, our funds may be forced to either sell securities at lower prices than they had expected to realize or defer, potentially for a considerable period of time, sales that they had planned to make. Investment in illiquid assets involves considerable risk and our funds may lose some or all of the principal amount of such investments.

Valuation methodologies for certain assets in our funds are subject to significant subjectivity and the values established pursuant to such methodologies may never be realized, which could result in significant losses for our funds.

There are no readily ascertainable market prices for the large number of the illiquid investments held by our funds. The fair value of the investments of our funds is determined periodically by us using a number of methodologies permitted by our funds' valuation policies. These methodologies involve a significant degree of judgment and are based on a number of factors, which may include, without limitations, the nature of the investment, the expected cash flows from the investment, bid or ask prices provided by third parties for the investment, the length of time the investment has been held, the trading price of securities (in the case of publicly traded securities), restrictions on transfer and other recognized valuation methodologies. In addition, because certain of the illiquid investments held by our funds may be in industries or sectors that are under distress or undergoing some uncertainty, such investments may be subject to rapid changes in value caused by sudden company-specific or industry-specific developments.

Because valuations, and in particular valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, determinations of fair value may differ materially from the values that would have resulted if a ready market had existed. Even if market quotations are available for our investments, such quotations may not reflect the value that may actually be realized because of various factors, including the possible illiquidity associated with a large ownership position, subsequent illiquidity in the market for a company's securities, future market price volatility or the potential for a future loss in market value based on poor industry conditions or the market's view of overall company and management performance.

Because there is significant uncertainty in the valuation of and in the stability of the value of illiquid investments, the fair values of such investments as reflected in a fund's net asset value do not necessarily reflect the prices that might actually be obtained when such investments are sold. Realizations at values significantly lower than the values at which investments have been reflected in fund net asset values would result in losses for the applicable fund, a decline in management fees and the loss of potential incentive income. Also, a situation where asset values turn out to be materially different from values reflected in fund net asset values may cause investors to lose confidence in us, which could, in turn, result in redemptions from our funds, difficulties in our ability to raise additional capital or an increased risk of litigation by investors or governmental or self-regulatory organizations. These issues could result in regulatory scrutiny of our valuation methodologies, polices and related disclosures.

Our funds make investments in companies that we do not control, exposing us to the risk of decisions made by others with whom we may not agree.

Investments by our funds will include investments in debt or equity of companies that we do not control. Such investments may be acquired by our funds through trading activities or through purchases of securities from the issuer. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions contrary to our expectations, with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. In addition, we may make investments in which we share control over the investment with co-investors, which may make it more difficult for us to implement our investment approach or exit the investment when we otherwise would. If any of the foregoing were to occur with respect to one or more significant investments, the values of such investments by our funds could decrease and our business, financial condition or results of operations could suffer as a result.

Our funds make investments in companies that are based outside of the United States, exposing us to additional risks not typically associated with investing in companies that are based in the United States.

Many of our funds may invest a significant portion of their assets in the equity, debt, loans or other securities of issuers located outside the United States. Investments in non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to the following:

- Currency exchange matters, including fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another.
- Less developed or efficient financial markets than in the United States, which may not enable or permit appropriate hedging techniques or other developed trading activities, leading to potential price volatility and relative illiquidity.
- The absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation.
- Differences in the legal and regulatory environment, including less-developed or less-comprehensive bankruptcy laws.
- Fewer investor protections and less stringent requirements relating to fiduciary duties.

- Difficulties in enforcing contracts and filing claims under foreign legal systems.
- Less publicly available information in respect of companies in non-U.S. markets.
- Higher rates of inflation
- Heightened exposure to corruption risk in non-U.S. markets.
- Certain economic and political risks, including potential exchange control regulations and restrictions on our non-U.S. investments and repatriation of profits on investments or of capital invested, the risks of political, economic or social instability, the possibility of expropriation or confiscatory taxation, unexpected, additional and/ or costly changes in trade policies, tariffs or other barriers and adverse economic and political developments.
- The possible imposition of non-U.S. taxes or withholding on income and gains recognized with respect to such securities.

There can be no assurance that adverse developments with respect to such risks will not materially adversely affect our funds' investments that are held in certain countries or the returns from these investments.

Tariffs imposed by the current Administration and potential for further regulatory reform may create regulatory uncertainty for our funds and our investment strategies and adversely affect the profitability of our funds.

The U.S. has imposed new or increased tariffs on certain goods and materials, such as steel products imported into the U.S. These tariffs, or other changes in U.S. trade policy, have resulted in, and may continue to trigger, retaliatory actions by affected countries. Certain foreign governments have instituted or are considering imposing trade sanctions on certain U.S. goods. Others are considering the imposition of sanctions that will deny U.S. companies access to critical raw materials. A "trade war" of this nature or other governmental action related to tariffs or international trade agreements or policies has the potential to further increase uncertainty and costs, decrease margins, reduce the competitiveness of products and services offered by companies where our funds have current or future investments and adversely affect the revenues and profitability of companies whose businesses rely on goods imported from outside of the U.S and could reduce the value of our current or future investments in such companies. In addition, tariff increases may have a similar impact to suppliers and certain other customers of companies where our funds have current or future investments, which could increase the negative impact on our operating results or future cash flows.

Risk management activities may materially adversely affect the return on our funds' investments.

When managing our funds' exposure to market risks, we may from time to time use hedging strategies and various forms of derivative instruments to limit the funds' exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates, currency exchange rates and commodity prices. The success of any hedging transactions generally will depend on our ability to correctly assess the degree of correlation between price movements of the hedging instrument, the position being hedged, the creditworthiness of the counterparty and other factors. As a result, while we may enter into a transaction in order to reduce our exposure to market risks, the transaction may result in poorer overall investment performance than if it had not been executed, such as by limiting the opportunity for gain if the value of a hedged position increases, and in some cases, the hedging or derivative transaction may not perform as anticipated. In addition, the degree of correlation between price movements of the instruments used in connection with hedging activities and price movements in a position being hedged may vary. For a variety of reasons, we may not seek or be successful in establishing a perfect correlation between the instruments used in a hedging or other derivative transaction and the position being hedged. An imperfect correlation could prevent us from achieving the intended result and could give rise to a loss. In addition, it may not be possible to fully or perfectly limit our exposure against all changes in the value of our investment because the value of investments is likely to fluctuate as a result of a number of factors, some of which will be beyond our control or ability to hedge.

If our risk management processes and systems are ineffective, we may be exposed to material unanticipated losses.

We continue to refine and implement our risk management techniques, strategies and assessment methods, such as the use of statistical and other quantitative and qualitative tools to identify, observe, measure and analyze the risks to which our funds are exposed. These methods, even if properly implemented, may not allow us to fully mitigate the risk exposure of our funds in all economic or market environments, or against all types of risk, including risks that we might fail to identify or anticipate. Some of our strategies for anticipating and managing risk in our funds are based upon our use of historical market behavior statistics, which may not be an accurate predictor of current or future market risks. We apply statistical and other tools to these observations to measure and analyze the risks to which our funds are exposed. Any failure in our risk management systems, whether in design or implementation, to accurately identify and quantify such risk exposure could limit our ability to manage risks in the funds, identify appropriate investment opportunities or realize positive, risk-adjusted returns. Because neither our quantitative nor qualitative risk management processes can anticipate for every investment the economic and financial outcome or timing and other specifics of the outcome, we will, in the course of our activities, incur losses.

Our funds' investments are subject to numerous additional risks.

Our funds' investments are subject to numerous additional risks, including the following:

- The funds may engage in short selling, which is subject to the theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. A fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the fund is otherwise unable to borrow securities that are necessary to hedge its positions.

- Our funds may be limited in their ability to engage in short selling or other activities as a result of regulatory mandates. Such regulatory actions may limit our ability to engage in hedging activities and therefore impair our investment strategies. In addition, our funds may invest in securities and other assets for which appropriate market hedges do not exist or cannot be acquired on attractive terms.

- Our funds may invest in companies with weak financial conditions, poor operating results, substantial financial needs, negative net worth and/or special competitive problems or that are involved in bankruptcy or reorganization proceedings. In such "distressed" situations, it may be difficult to obtain full information as to the exact financial and operating condition of the issuer. Depending on the specific fund's investment profile, a fund's exposure to distressed investments may be substantial in relation to the market for those investments and the investments may be illiquid and difficult to transfer. As a result, it may take a number of years for the fair value of our funds' distressed investments to reflect their intrinsic value as perceived by us.

- Distressed investments may be involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions and may purchase high-risk receivables. Additionally, the fair values of such investments may be subject to abrupt and erratic market movements and significant price volatility if they are widely traded securities and significant uncertainty in general if they are not widely traded securities, have no recognized market or if transactions or events in related markets, such as related derivatives markets, have the effect of increasing the economic significance or importance of a price or value determined as of a particular time of timeframe. Moreover, a major economic recession could have a materially adverse impact on the value of such securities. An investment in such business enterprises entails the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the fund of the security or other financial instrument in respect of which such distribution is received. In addition, if an anticipated transaction does not in fact occur, the fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies, there is a potential risk of loss by a fund of its entire investment in each such company.

- Investments in troubled companies may also be adversely affected by U.S. federal and state laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and a bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. Investments in securities and private claims of troubled companies made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may also involve substantial litigation. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of securities rated below investment grade or otherwise adversely affect our reputation.

- Credit risk may be exacerbated by a default by any one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This “systemic risk” could have a further material adverse effect on the financial intermediaries (such as prime brokers, clearing agencies, clearing houses, banks, securities firms and exchanges) with which the funds transact on a daily basis. Although the U.S. government, including the U.S. Treasury Department and the Federal Reserve, has taken significant actions to prevent a systemic collapse, no assurance can be given that such actions will be sufficient or successful in all cases.

- The effectiveness of investment and trading strategies depends largely on the ability to establish and maintain an overall market position in a combination of financial instruments. A fund’s trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, the funds may only be able to acquire some but not all of the components of the position, or if the overall position were to need adjustment, the funds might not be able to make such adjustment. As a result, the funds would not be able to achieve the market position selected by the investment manager or general partner of such funds, and might incur a loss in liquidating their position.

- Fund investments are subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to the theoretically unlimited risk of loss in certain circumstances, including if the fund writes a call option. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates; changing supply and demand relationships; trade, fiscal, monetary and exchange control programs; and policies of governments and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the securities underlying them. In addition, the funds’ assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties.

- Our funds may make real estate investments, including, without limitation, the acquisition of real estate assets, the purchase of loans secured directly or indirectly by real estate and the purchase of securities backed by mortgage loans secured by real estate, which will be subject to the risks incident to the lending, ownership and operation of commercial and residential real estate, including (i) risks associated with both the domestic and international general economic climate; (ii) local real estate conditions; (iii) risks due to dependence on cash flow; (iv) risks relating to the decline in value of the real estate properties in question; (v) risks and operating problems arising out of the absence of certain construction materials; (vi) changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); (vii) the financial condition of tenants, buyers and sellers of properties; (viii) risks relating to the absence of debt financing or changes in its availability; (ix) energy and supply shortages; (x) laws assigning liability to the owners of real estate properties for environmental hazards existing on such properties; (xi) laws relating to real estate lending, management and/or ownership that are complex or unclear or otherwise difficult to comply with; (xii) changes in the tax, real estate, environmental and zoning laws and regulations; (xiii) various uninsured or uninsurable risks; (xiv) natural disasters; and (xv) the ability of the fund or third-party borrowers to develop and manage the real properties. With respect to investments in equity or debt securities, the fund will in large part be dependent on the ability of third parties to successfully manage the underlying real estate assets. In addition, the fund may invest in mortgage loans that are structured so that all or a substantial portion of the principal will not be paid until maturity, which increases the risk of default at that time. The fund’s investment strategy, which may involve the acquisition of distressed or underperforming assets in a leveraged capital structure, will involve a high degree of legal and financial risk, and there can be no assurance that the fund’s rate of return objectives will be realized or that there will be any return of capital. There is no assurance that there will be a ready market for resale of investments because investments in real estate generally are not liquid.

Risks Related to Our Organization and Structure

Our current and former executive managing directors' total combined voting power could influence major corporate decisions that could conflict with the interests of our Class A Shareholders and materially adversely affect the market price of the Class A Shares.

As of December 31, 2019, our current and former executive managing directors control approximately 60.6% of the total combined voting power of our Class A Shares and Class B Shares through their ownership of 100% of our Class B Shares and certain current and former executive managing directors' ownership of Class A Shares purchased on the open market. Our executive managing directors may receive additional Class B Shares resulting in additional control in connection with the vesting of Group E Units. In addition, our executive managing directors received Class B Shares in connection with the grant of Group P Units under the 2017 Incentive Program. See Note 14 to our consolidated financial statements included in this report for additional information on the 2017 Incentive Program and Note 3 to our consolidated financial statements included in this report for additional information on the Recapitalization.

Our executive managing directors' current total combined voting power could deprive Class A Shareholders of an opportunity to receive a premium for their Class A Shares as part of a sale of our Company, and might ultimately affect the market price of the Class A Shares.

Accordingly, our executive managing directors are currently able to influence all matters requiring shareholder approval and could, together with the other executive managing directors, be able to prevent a change in control of our Company or a change in the composition of our Board of Directors, and could preclude any unsolicited acquisition of our Company.

Although, as of the Transition Date, Mr. Och no longer has an irrevocable proxy to vote all of our executive managing director's Class B Shares. Mr. Och controls approximately 25.6% of the total combined voting power of our Class A Shares and Class B Shares. In addition, pursuant to the governance agreement, dated as of February 7, 2019, (the "Governance Agreement"), Mr. Och has the right to designate a director who is not required to meet the NYSE director independence requirements, to serve in his place as a director on the Board for as long as Mr. Och continues to own either (i) 2019 Preferred Units and Debt Securities with an initial liquidation preference not less than 33% of the initial liquidation preference of the 2019 Preferred Units and Debt Securities owned by Mr. Och or (ii) a number of common equity units (on an as-converted basis) of the Company not less than 33% of the number of common equity units (on an as-converted basis) of the Company owned by Mr. Och, in each case, immediately after the Recapitalization.

In addition, until such time as the relevant Group E Units become vested, the Class B Shares corresponding to the Group A-1 Units will be voted on any matter pro rata in accordance with the vote of the Class A Shares held by non-affiliates.

Our Certificate of Incorporation and By-Laws contain provisions limiting the liability of our officers and directors to us, which also reduces remedies available to our Class A Shareholders for certain acts by such persons.

Under our Certificate of Incorporation and By-Laws, in most circumstances the Company will indemnify the following persons (the "Indemnified Persons"), to the fullest extent authorized or permitted by applicable law, if such indemnified persons acted in a manner not constituting fraud, gross negligence or willful misconduct: (a) any person who is or was a director, officer or tax matters partner of the Company or its predecessor, (b) any person who is or was serving at the request of the Company or its predecessor as an officer, director, member, manager, partner, tax matters partner, fiduciary or trustee of another person (including any subsidiary); provided, that a person shall not be an Indemnified Person by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services, and (c) any person the Board of Directors designates as an "Indemnified Person" for purposes of the Certificate of Incorporation or the By-Laws. In addition to rights to indemnification, the Certificate of Incorporation also contains a provision eliminating personal liability of directors of the Company for monetary damages for breach of fiduciary duties, except for personal liability for fraud, gross negligence or willful misconduct and except that personal liability may not be eliminated for:

- any breach of the director's duty of loyalty to the Company or its stockholders;
- any act or omission not in good faith or which involved intentional misconduct or a knowing violation of law;

- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law, which we refer to as the "DGCL"; and

- any transaction from which the director derived an improper personal benefit.

The Company has agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons are not entitled to indemnification. The Company has also agreed to provide this indemnification for criminal proceedings. The Company may purchase insurance against these liabilities asserted against and expenses incurred by persons in connection with its activities, regardless of whether the Company would have the power to indemnify the person against liabilities under the Certificate of Incorporation and By-Laws.

In connection with the Recapitalization, we agreed to indemnify losses, and advance expenses, of each active and former executive managing director and trust that executed a consent agreement (and their applicable related parties and representatives) arising out of, relating to, based upon or resulting from the Recapitalization or any act or omission with respect to the planning for, or otherwise arising out of or relating to, the Recapitalization (including, without limitation, losses relating to taxes) solely in respect of the period beginning on May 17, 2018 and subject to and in accordance with the terms and conditions of the consent agreements (and excluding any intended effects of the Recapitalization).

Additionally, we have entered into an indemnification agreement with each of our directors and executive officers. The indemnification agreements provide for, among other things, indemnification to the fullest extent permitted by law against: (i) any and all expenses and liabilities, including judgments, fines, penalties, interest and amounts paid in settlement of any claim with our approval, and counsel fees and disbursements; (ii) any liability pursuant to a loan guarantee, or otherwise, for any of our indebtedness; and (iii) any liabilities incurred as a result of acting on our behalf (as a fiduciary or otherwise) in connection with an employee benefit plan. The indemnification agreements provide for the advancement or payment of all expenses to the director or executive officer and for reimbursement to us if it is found that such director or executive officer is not entitled to such indemnification under applicable law. The Sculptor Operating Partnerships' limited partnership agreements also require the Sculptor Operating Group entities to indemnify and exculpate our executive managing directors, including those who are our executive officers.

Because our executive managing directors hold their economic interest in our business directly in the Sculptor Operating Group, conflicts of interest may arise between them and holders of our Class A Shares, particularly with respect to tax considerations.

As of December 31, 2019, our executive managing directors held 58.1% of the outstanding interests in the Sculptor Operating Group (excluding Group P Units) in the form of Group A Units and Group E Units. In addition, as of December 31, 2019, our executive managing directors held 3,410,000 Group P Units. Because they hold their economic interests in our business directly through the Sculptor Operating Group, our executive managing directors may have conflicting interests with holders of Class A Shares or with us. For example, our executive managing directors will have different tax positions from holders of our Class A Shares which could influence decisions of the Partner Management Committee and also our Board of Directors regarding whether and when to dispose of assets, and whether and when to incur new or refinance existing indebtedness, especially in light of the existence of the tax receivable agreement. Decisions with respect to these and other operational matters could affect the timing and amounts of payments due to our executive managing directors and Ziff Investors Partnership, L.P. II and certain of its affiliates and control persons (the "Ziffs") under the tax receivable agreement. In addition, the structuring of future transactions and investments may take into consideration our executive managing directors' tax considerations even where no similar benefit would accrue to us or the holders of Class A Shares.

We intend to pay regular quarterly distributions to Class A Shareholders but our ability to do so may be limited by our holding company structure, as we are dependent on distributions from the Sculptor Operating Group to make distributions and to pay taxes and other expenses, and may be limited by contractual restrictions and obligations.

As a holding company, our ability to make distributions or to pay taxes and other expenses is subject to the ability of our subsidiaries to provide cash to us. We intend to make quarterly distributions to our Class A Shareholders. Accordingly, we expect to cause the Sculptor Operating Group to make distributions to Sculptor Corp in an amount sufficient to enable us to pay distributions to our Class A Shareholders and make required tax payments and payments under the tax receivable agreement; however, no assurance can be given that such distributions will or can be made. The Sculptor Operating Group are subject to certain restrictions under the Senior Credit Facility, Subordinated Credit Facility and New Preferred Unit Designations that limit their ability to make distributions. Consequently, no assurance can be given that the Sculptor Operating Group will or can make such distributions to Sculptor Corp. Our Board of Directors can change our distribution policy or reduce or eliminate our distributions at any time, in its discretion. The Sculptor Operating Group may make minimum tax distributions to its direct unit holders, to which our Class A Shareholders may not be entitled, as distributions on Group B Units to Sculptor Corp that may be used to settle tax liabilities, if any, and make payments under the tax receivable agreement or settle other obligations. In addition, the Sculptor Operating Group may make distributions to our executive managing directors in respect of their Class C Non-Equity Interests with respect to cash awards granted to them from time to time. As a result, Class A Shareholders may not receive any distributions at a time when our executive managing directors are receiving distributions on their Class C Non-Equity Interests or their other ownership interests. If the Sculptor Operating Group has insufficient funds to make such distributions, we may have to borrow additional funds or sell assets, which could have a material adverse effect on our business, financial condition or results of operations.

Furthermore, by paying cash distributions rather than investing that cash in our business, we might risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

There may be circumstances under which we are restricted from making distributions under applicable law or regulation (for example, our Board may only declare and pay dividends either out of our surplus (as defined in DGCL) or in case there is no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year) or under our Senior Credit Facility, Subordinated Credit Facility or New Preferred Unit Designations.

The declaration and payment of any future distributions will be at the sole discretion of our Board of Directors, which may change our distribution policy or reduce or eliminate our distributions at any time, in its discretion, and may be subject to contractual obligations and restrictions under Delaware law.

Because we have historically earned and recognized most of our incentive income in the fourth quarter of each year, we anticipate that quarterly distributions in respect of the first three calendar quarters will be disproportionate to distributions in respect of the last calendar quarter, which will typically be paid in the first calendar quarter of the following year. Our Board of Directors will take into account such factors as it may deem relevant, including general economic and business conditions; our strategic plans and prospects; our business and investment opportunities; our financial condition and operating results; working capital requirements and anticipated cash needs; contractual restrictions and obligations, including payment obligations pursuant to the tax receivable agreement and restrictions pursuant to our Senior Credit Facility or Subordinated Credit Facility and the New Preferred Unit Designations; legal, tax and regulatory restrictions; and other restrictions and implications on the payment of distributions by us to our Class A Shareholders or by our subsidiaries to us and such other factors as our Board of Directors may deem relevant. Any compensatory payments made to our employees, as well as payments that Sculptor Corp makes under the tax receivable agreement and distributions to holders of ownership interests in respect of their tax liabilities arising from their direct ownership of ownership interests, will reduce amounts that would otherwise be available for distribution on our Class A Shares. In addition, discretionary income allocations on Class C Non-Equity Interests as determined by the Chairman of the Partner Management Committee (or, in the event there is no Chairman, the full Partner Management Committee acting by majority vote) in conjunction with our Compensation Committee, relating to cash awards granted to our executive managing directors will also reduce amounts available for distribution to our Class A Shareholders. We have granted RSUs that may settle in Class A Shares to certain of our executive managing directors, managing directors and other employees, and to independent members of our Board of Directors. All of these RSUs accrue distributions (except with respect to certain RSUs, during the Distribution Holiday) to be paid if and when the underlying RSUs vest. Distributions may be paid in cash or in additional RSUs that accrue additional distributions and will be settled at the same time the underlying RSUs vest.

The declaration and payment of any distribution may be subject to legal, contractual or other restrictions. For example, as a Delaware corporation, our Board may only declare and pay dividends either out of our surplus (as defined in DGCL) or in case there is no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. In addition, we may not be permitted to make certain distributions if we are in default under our Senior Credit Facility or Subordinated Credit Facility. Further, the declaration and payment of any distribution may be subject to the Cash Sweep. Our cash needs and payment obligations may fluctuate significantly from quarter to quarter, and we may have material unexpected expenses in any period. This may cause amounts available for distribution to significantly fluctuate from quarter to quarter or may reduce or eliminate such amounts.

There are a number of risks involving the tax receivable agreement we are party to, including the risk that the Internal Revenue Service may challenge all or part of the tax basis increases and related increased deductions, and a court could sustain such a challenge, even with respect to amounts for which we have made payments pursuant to the tax receivable agreement.

The actual increase in tax basis of the Sculptor Operating Group assets resulting from an exchange or from payments under the tax receivable agreement, as well as the amortization thereof and the timing and amount of payments under the tax receivable agreement, will vary based upon a number of factors including the law in effect at the time of an exchange or a payment under the tax receivable agreement, the timing of future exchanges, the timing and amount of prior payments under the tax receivable agreement, the price of our Class A Shares at the time of any exchange, the composition of the Sculptor Operating Group's assets at the time of any exchange, the extent to which such exchanges are taxable and the amount and timing of the income of Sculptor Corp and our other intermediate corporate taxpayers that hold Group B Units in connection with an exchange, if any. Depending upon the outcome of these factors, payments that we may be obligated to make to our executive managing directors and the Ziffs under the tax receivable agreement in respect of exchanges are likely to be substantial. In light of the numerous factors affecting our obligation to make payments under the tax receivable agreement, however, the timing and amounts of any such actual payments are not reasonably ascertainable. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Tax Receivable Agreement."

The Internal Revenue Service ("IRS") may challenge all or part of increased deductions and tax basis increase, and a court could sustain such a challenge, which could result in a substantial increase in our tax liabilities. Were the IRS to challenge a tax basis increase, our executive managing directors and the Ziffs who have received payments under the tax receivable agreement will not reimburse the corporate taxpayers for any such payments that have been previously made. As a result, in certain circumstances, payments could be made to our executive managing directors and the Ziffs under the tax receivable agreement in excess of the corporate taxpayers' cash tax savings. The corporate taxpayers' ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, including the timing and amount of our future income.

Decisions made by our executive managing directors in the course of running our business, in particular decisions made with respect to the sale or disposition of assets or change of control, may influence the timing and amount of payments that are payable to an exchanging or selling executive managing director or the Ziffs under the tax receivable agreement. In general, earlier disposition of assets following an exchange or acquisition transaction will tend to accelerate such payments and increase the present value of the tax receivable agreement, and disposition of assets before an exchange or acquisition transaction will tend to increase the tax liability of our executive managing directors or the Ziffs without giving rise to any rights to receive payments under the tax receivable agreement.

In addition, the tax receivable agreement provides that, upon a merger, asset sale or other form of business combination or certain other changes of control, the corporate taxpayers' (or their successors') obligations with respect to exchanged or acquired units (whether exchanged or acquired before or after such change of control) would be based on certain prescribed assumptions, including that the corporate taxpayers would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement. Accordingly, obligations under the tax receivable agreement may make it more expensive for third parties to acquire control of us and make it more difficult for the holders of Class A Shares to recognize a premium in connection with any such transaction. Finally, we may need to incur debt to finance payments under the tax receivable agreement to the extent our cash resources are insufficient to meet our obligations under the tax receivable agreement, which may or may not be available on favorable terms, if at all.

We have agreed to indemnify certain executive managing directors and their related parties for certain losses in connection with the Recapitalization.

In connection with the Recapitalization, the Company agreed to indemnify losses, and advance expenses, of each active and former executive managing director and trust that executes a consent agreement (and their applicable related parties and representatives) arising out of, relating to, based upon or resulting from the Recapitalization (including, among other things, losses relating to certain taxes relating to the Recapitalization) or any act or omission with respect to the planning for, or otherwise arising out of or relating to, the Recapitalization solely in respect of the period beginning on May 17, 2018 and subject to and in accordance with the terms and conditions of the consent agreements (and excluding any intended effects of the Recapitalization).

If we are deemed an investment company under the 1940 Act, the applicable restrictions could make it impracticable for us to continue our business as contemplated and would have a material adverse impact on the market price of our Class A Shares.

We do not believe that we are an "investment company" under the 1940 Act because the nature of our assets and the sources of our income exclude us from the definition of an investment company under the 1940 Act. In addition, we believe our Company is not an investment company under Section 3(b)(1) of the 1940 Act because we are primarily engaged in a non-investment company business. We intend to continue to conduct our operations so that we will not be deemed an investment company. If we were to be deemed an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated.

Risks Related to Our Shares

The market price and trading volume of our Class A Shares has been and may continue to be highly volatile, which could result in rapid and substantial losses for our shareholders.

The market price of our Class A Shares has been and may continue to be highly volatile and subject to wide fluctuations. In addition, the trading volume in our Class A Shares can be highly variable, which has caused and may continue to cause significant price variations to occur. The market price of our Class A Shares may fluctuate or decline significantly in the future.

Some of the primary factors that could negatively affect the price of our Class A Shares or result in fluctuations in the price or trading volume of our Class A Shares include:

- Reductions or lack of growth in our assets under management, whether due to poor investment performance by our funds or redemptions by investors in our funds.
- Difficult global market and economic conditions.
- Loss of investor confidence in the global financial markets and investing in general and in alternative asset managers in particular.
- Competitively adverse actions taken by other hedge fund managers with respect to pricing, fund structure, redemptions, employee recruiting and compensation.
- Inability to attract, retain or motivate our active executive managing directors, investment professionals, managing directors or other key personnel.
- Inability to refinance or replace the Senior Credit Facility or the Subordinated Credit Facility either on acceptable terms or at all.
- Public or other offerings of additional Class A Shares.
- Inability to develop or successfully execute on business strategies or plans including the Recapitalization and the Corporate Classification Change.
- Unanticipated variations in our quarterly operating results or dividends.
- Failure to meet analysts' earnings estimates.

- Publication of negative or inaccurate research reports about us or the asset management industry or the failure of securities analysts to provide adequate coverage of our Class A Shares in the future.

- Adverse market reaction to any indebtedness we may incur, Sculptor Operating Group common units or cash awards we may grant under our 2013 Incentive Plan or otherwise, or any other securities we may issue in the future.

- Changes in market valuations of similar companies.

- Speculation in the press or investment community about our business.

- Additional or unexpected changes or proposed changes in laws or regulations or differing interpretations thereof affecting our business or enforcement of these laws and regulations, or announcements relating to these matters.

- Increases in compliance or enforcement inquiries and investigations by regulatory authorities, including as a result of regulations mandated by the Dodd-Frank Act and other initiatives of various regulators that have jurisdiction over us related to the alternative asset management industry.

- Adverse publicity about the asset management industry generally or scandals involving hedge funds specifically.

The price of our Class A Shares may decline due to the large number of shares eligible for future sale and for exchange into Class A Shares.

The market price of our Class A Shares could decline as a result of sales of a large number of our Class A Shares or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and price that we deem appropriate. As of December 31, 2019, 21,284,945 Class A Shares were outstanding and 2,696,466 interests were outstanding pursuant to our Amended and Restated 2007 Equity Incentive Plan. The Amended and Restated 2007 Equity Incentive Plan expired on November 11, 2017, and no new awards may be granted thereunder on or after that date. As of December 31, 2019, 21,851,718 interests were outstanding pursuant to our 2013 Incentive Plan, and approximately 10,641,074 Class A Shares and other plan interests remain available for future grant under that plan. The Class A Shares reserved under our 2013 Incentive Plan are increased on the first day of each fiscal year during the plan's term by 15% of any increase in the number of outstanding Class A Shares (assuming the exchange of all outstanding Sculptor Operating Group common units (other than Group B Units) for Class A Shares) from the number outstanding on the first day of the immediately preceding fiscal year.

As of December 31, 2019, our executive managing directors owned an aggregate of 29,470,327 Group A and E Units. The holder of any Group A Units generally has the right to exchange each of his or her Group A Units for one of our Class A Shares (or, at our option, the cash equivalent thereof), subject to vesting and transfer restrictions under the Sculptor Operating Partnerships' limited partnership agreements and the Class A Unit Exchange Agreement. In connection with the Recapitalization, each Group D Unit converted into one Group E Unit. The Group E Units convert into Group A Units to the extent they have become economically equivalent to Group A Units. Prior to the expiration of the Distribution Holiday, the Exchange Committee (comprised of our Chief Executive Officer and the Chief Financial Officer), in consultation with the Board, shall have the authority to permit exchanges of vested and booked-up Group A Units, which exchanges shall be made available to all holders of such vested and booked-up Group A Units on a pro rata basis. Beginning on the final day of the Distribution Holiday, each of our executive managing directors may exchange his or her vested Group A Units over a period of two years in three equal installments commencing upon the final day of the Distribution Holiday and on each of the first and second anniversary thereof (or, for units that become vested and booked-up Group A Units after the final day of the Distribution Holiday, from the later of the date on which they would have been exchangeable in accordance with the foregoing and the date on which they become vested and booked-up Group A Units) (and thereafter such units will remain exchangeable), in each case, subject to certain restrictions (including, among other things, in connection with our insider trading policy in respect of affiliate holders and in certain circumstances where the exchange would be likely to impact our ability to use net operating losses).

As of December 31, 2019, our executive managing directors owned an aggregate of 3,410,000 Group P Units. The holder of any Group P Unit generally has the right to exchange each of his or her Group P Units for one of our Class A Shares (or, at our option, the cash equivalent thereof), subject to service and performance criteria, and only to the extent there has been a sufficient amount of appreciation for the Group P Unit to achieve a book-up target and, subject to other conditions contained in the limited partnership agreements of the Sculptor Operating Partnerships, the Distribution Holiday has ended (or an earlier exchange date is established by the Exchange Committee). See Note 14 to our consolidated financial statements included in this report for additional information regarding the terms of the Group P Units.

We are party to a registration rights agreement, as amended, with our executive managing directors pursuant to which we granted them certain "piggyback" registration rights with respect to the resale of all Class A Shares delivered in exchange for Group A Units or otherwise held from time to time by our executive managing directors, including after an exchange of Group P Units. We will agree to file with the SEC a shelf registration statement or a prospectus supplement or other supplemental materials to an existing shelf registration statement, no later than the first "established exchange date" under the Class A Unit Exchange Agreement, providing for registration and resale of the Class A Shares that may be delivered in exchange for Och-Ziff Operating Group Units (as defined in the registration rights agreement) or otherwise held from time to time by the executive managing directors.

RSUs may be settled at the election of a majority of our Board of Directors in Class A Shares or cash, with the amount of cash available for settlement of RSUs being subject to certain limitations as part of the Recapitalization. Subject to continued employment over the vesting period, the underlying Class A Shares will be issued, or cash in lieu thereof will be paid, as such RSUs vest. We filed registration statements on Form S-8 to register an aggregate of 6,718,827 Class A Shares reserved for issuance under our Amended and Restated 2007 Equity Incentive Plan (which expired on November 11, 2017) and registration statements on Form S-8 to register an aggregate of 32,904,525 Class A Shares reserved for issuance under our 2013 Incentive Plan (not including automatic annual increases thereto). As a result, any Class A Shares issued in respect of the RSUs will be freely transferable by non-affiliates upon issuance and by affiliates under Rule 144, without regard to holding period limitations.

As of December 31, 2019, DIC Sahir Limited ("DIC") owned 2,995,309 of our Class A Shares, which it purchased from us concurrent with the consummation of our IPO pursuant to a Securities Purchase and Investment Agreement. The transfer restrictions originally imposed by such agreement no longer apply to any of DIC's Class A Shares, and DIC will be able to sell these Class A Shares.

Our current and former executive managing directors' beneficial ownership of Class B Shares, the tax receivable agreement and anti-takeover provisions in our charter documents and Delaware law could delay or prevent a change in control.

Our current and former executive managing directors own all of our Class B Shares, which as of December 31, 2019, represent approximately 57.8% of the total combined voting power of our Company. In addition, Mr. Och is currently able to significantly influence all matters requiring the approval of shareholders and could, together with the other executive managing directors, be able to prevent a change in control of our Company. See "—Risks Related to Our Organization and Structure—Our current and former executive managing directors' total combined voting power could influence major corporate decisions that could conflict with the interests of our Class A Shareholders and materially adversely affect the market price of the Class A Shares."

In addition, the tax receivable agreement provides that, upon a merger, asset sale or other form of business combination or certain other changes of control, the corporate taxpayers' (or any successors') obligations with respect to exchanged or acquired units (whether exchanged or acquired before or after such change of control) would be based on certain prescribed assumptions, including that the corporate taxpayers would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement. The provisions may make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our shareholders.

Further, provisions in our Certificate of Incorporation and By-laws may make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our shareholders. For example, our Certificate of Incorporation and By-laws provide for a staggered board of directors, require advance notice for proposals by shareholders and nominations, place limitations on convening shareholder meetings, and authorize the issuance of preferred shares that could be issued by our Board of Directors to thwart a takeover attempt. The market price of our Class A Shares could be materially adversely affected to the extent that our current and former executive managing directors' influence over us, as well as provisions of our Certificate of Incorporation and By-laws, discourage potential takeover attempts that our shareholders may favor.

Finally, some provisions of Delaware law may delay or prevent a transaction that would cause a change in our control. In this regard, Section 203 of the DGCL restricts certain business combinations with interested stockholders in certain situations. In general, this statute prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction by which that person became an interested stockholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a business combination includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an interested stockholder is a person who, together with affiliates and associates, owns, or within three years prior, did own, 15% or more of voting stock.

Risks Related to Taxation

Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.

The U.S. federal income tax treatment of holders of the Class A Shares depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. You should be aware that the U.S. federal income tax rules are constantly under review by persons involved in the legislative process, the IRS, and the U.S. Treasury Department, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. The IRS pays close attention to the proper application of tax laws to partnerships. The present U.S. federal income tax treatment of an investment in the Class A Shares may be modified by administrative, legislative or judicial interpretation at any time, possibly on a retroactive basis, and any such action may affect investments and commitments previously made. For example, changes to the U.S. federal tax laws and interpretations thereof could affect or cause us to change our investments and commitments, change the character or treatment of portions of our income, affect the tax considerations of an investment in us and adversely affect an investment in our Class A Shares.

As a result of the Recapitalization and the Corporate Classification Change, we expect to pay more corporate income taxes and may be required to make accelerated payments under the tax receivable agreement than under our prior structure. In addition, we may fail to realize some or all of the benefits of the Corporate Classification Change, or those benefits could take longer to materialize than expected, which could have a material and adverse effect on the trading price or the Class A Shares.

We converted from a partnership to a corporation for U.S. federal income tax purposes, effective April 1, 2019 (the "Corporate Classification Change"). Following the Corporate Classification Change, all of our net income has become subject to U.S. federal (and state and local) corporate income taxes, which may reduce the amount of cash available for distributions or for reinvestment in our business as well as reduce our after-tax earnings as reported in our financial statements. The maximum U.S. federal corporate income tax rate is currently 21%, but this rate may increase in the future, which would cause us to pay more corporate income taxes than currently anticipated.

We generally receive a tax benefit when common units in the Sculptor Operating Group are acquired or exchanged because our tax basis in our distributive share of the Sculptor Operating Group assets generally increases as a result of these acquisitions or exchanges. We are a party to a tax receivable agreement with active and former executive managing directors and the Ziffs, that originally required us to pay 85% of the amount of cash savings in U.S. federal, state and local income tax that we actually realize as a result of such an increase in tax basis. The tax receivable agreement has been amended to provide that, conditioned on us electing to be classified as, or converting into, a corporation for U.S. tax purposes during 2019, no payments will be due under the tax receivable agreement in respect of the 2017 tax year and only partial payments (based on comparing taxable income and economic income) will be due in respect of the 2018 tax year, and the percentage of cash savings required to be paid with respect to the 2019 tax year and thereafter, as well as with respect to cash savings from subsequent exchanges, will be reduced to 75%. Despite these amendments, we expect corporate-entity-level taxes and payments under the tax receivable agreement will accelerate as a result of the Recapitalization and the Corporate Classification Change.

During the Distribution Holiday, net income and distributions of the Sculptor Operating Group that previously would have been allocated and distributed pro rata among the Group A Units, the Group B Units and the Group D Units in the Sculptor Operating Partnerships will be allocated and distributed solely to the Group B Units. This will result in increased corporate income taxes and acceleration of the utilization of our deferred tax assets, and may result in accelerated payments under the tax receivable agreement.

For U.S. federal income tax purposes, any distributions we pay since the Corporate Classification Change generally will be treated as qualified dividend income (generally subject to tax in the hands of U.S. individual shareholders at capital gain rates under current law) paid by a domestic corporation to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Since the Corporate Classification Change, no income, gains, losses, deductions or credits of the Sculptor Operating Partnerships flow through to the shareholders for U.S. federal income tax purposes.

Although we believe that the Corporate Classification Change will, among other things, simplify our tax reporting for shareholders, expand our shareholder base, and increase the liquidity of our Class A Shares, we may fail to realize all or some of the anticipated benefits of the Corporate Classification Change, or those benefits may take longer to realize than we expected, which could contribute to a decline in the trading price of our shares. Moreover, there can be no assurance that the anticipated benefits of the Corporate Classification Change will over time offset the cost of these transactions.

U.S. federal income tax reform could have uncertain effects.

The TCJA made significant changes to the taxation of U.S. business entities, including reducing the corporate income tax rate from 35% to 21%, eliminating the corporate alternative minimum tax, restricting deductions allowed for net operating losses beginning in 2018 to 80% of current year taxable income, permitting those net operating losses to be carried forward indefinitely, limiting the deductibility of business interest to 30% of “adjusted taxable income” (which is similar to EBITDA before 2022 and EBIT beginning in 2022), and making certain modifications to section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), among other changes. Proposed regulations, if enacted in their current form, would treat partnership guaranteed payments for the use of capital as interest for this purpose. In addition, recently proposed regulations under section 162(m) would limit deductions for compensation paid by a partnership for services performed for it by covered employees of a corporation that is a partner in the partnership. The proposed regulations, if enacted in their current form, could reduce deductions available to us. See Note 15 for additional information regarding the effects of the TCJA.

Our structure is subject to other potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis.

As described above, the TCJA made significant changes to the taxation of U.S. business entities. If any change in the tax laws, rules, regulations or interpretations were to impose additional taxes or limitations, Class A Shareholders could be negatively affected because we could incur a material increase in our tax liability as a public company from the date any such changes applied to us, which could result in a reduction in the value of our Class A Shares.

Tax gain or loss on disposition of our Class A Shares could be more or less than expected.

If you sell your Class A Shares, you will recognize a gain or loss equal to the difference between the amount realized and the adjusted tax basis in those Class A Shares. Prior distributions to you for periods prior to the Corporate Classification Change in excess of the total net taxable income allocated to you for such periods, which decreased the tax basis in your Class A Shares, will in effect become taxable income to you if the Class A Shares are sold at a price greater than your tax basis in those Class A Shares, even if the price is less than the original cost.

New rules regarding U.S. federal income tax liability arising from IRS audits of partnerships could adversely affect shareholders.

For taxable years of entities treated as partnerships for U.S. federal income tax purposes beginning on or after January 1, 2018, U.S. federal income tax liability arising from an IRS audit will be borne by the entity, unless certain alternative methods are available and the entity elects to utilize them. Under the new rules, it is possible that holders or the entity itself may bear responsibility for taxes attributable to adjustments to the taxable income of the entity with respect to tax years that closed before the holder owned an interest in the entity. Accordingly, this new legislation may adversely affect certain of our shareholders for periods prior to the Corporate Classification Change in certain cases and could affect the Sculptor Operating Partnerships, which will continue to be classified as partnerships for U.S. federal income tax purposes. These new rules differ from the prior rules, which generally provided that tax adjustments only affected the persons who were shareholders in the tax year in which the item was reported on our tax return. The changes created by these new rules are uncertain and in many respects depend on the promulgation of future regulations or other guidance by the IRS or the U.S. Treasury.

Our delivery of required tax information for periods prior to the Corporate Classification Change may be subject to delay, which may require Class A Shareholders to request an extension of the due date for their income tax returns.

We have agreed to use reasonable efforts to furnish to you tax information (including Schedule K-1) which describes your allocable share of our income, gains, losses and deductions for the period through April 1, 2019. Delivery of this information by us will be subject to delay in the event of, among other reasons, the late receipt of any necessary tax information from lower-tier entities. It is therefore possible that, in respect of any such taxable year, our shareholders will need to apply for extensions of time to file their tax returns.

Our ability to use net operating loss carryforwards to offset future taxable income may be subject to limitations.

Our ability to use our federal net operating losses and built-in losses (“NOLs”) to offset potential future taxable income and related income taxes may be limited. Section 382 of the Code, imposes an annual limitation on the amount of taxable income that may be offset by loss carryforwards of a “loss corporation” if the corporation experiences an “ownership change” as defined in Section 382 (generally, a cumulative change in ownership that exceeds 50% of the value of a corporation’s stock over a rolling three-year period). We may experience an ownership change as a result of issuances or other changes in ownership of our shares, including as a result of issuances of Class A Shares upon future exchanges of Group A Units or Group P Units by active and former executive managing directors. In addition, Section 382 of the Code contains certain anti-avoidance rules that could result in the application of similar limitations on our ability to use our NOLs. To the extent we experience an ownership change at a time when we are a loss corporation, or Section 382 of the Code otherwise applies under such rules, our ability to utilize our NOLs could be significantly limited, and similar limitations may apply at the state level.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices are located in leased office space in New York. We also lease space for our operations in London, Hong Kong and Shanghai. We believe that our existing facilities are adequate to meet our current requirements and we anticipate that suitable additional or substitute space will be available, as necessary, upon favorable terms. See Note 7 to our consolidated financial statements included in this report for additional information regarding our leases.

Item 3. Legal Proceedings

We are from time to time involved in litigation, investigations, inquiries, disputes, and other potential claims incidental to the conduct of our business. Like other businesses in our industry, we are subject to extensive scrutiny by regulatory agencies globally that have, or may in the future have, regulatory authority over us and our business activities. This has resulted in, or may in the future result in, regulatory agency investigations, litigation and subpoenas, and related sanctions and costs. See “Item 1A. Risk Factors—Risks Related to Our Business—Extensive regulation of our business affects our activities and creates the potential for significant liabilities and penalties. Our reputation, business, financial condition or results of operations could be materially affected by regulatory issues,” “—Increased regulatory focus in the United States could result in additional burdens on our business” and “—Regulatory changes in jurisdictions outside the United States could adversely affect our business.” See Note 19 to our consolidated financial statements included in this report for additional information.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Registrant's Common Equity

Our Class A Shares are listed and traded on the NYSE under the symbol "SCU." Our Class B Shares are not listed on the NYSE and there is no, and we do not expect there would be any, other established trading market for these shares. All of our Class B Shares are owned by our current and former executive managing directors and have no economic rights, but entitle holders to one vote per share on all matters submitted to a vote of our Class A Shareholders.

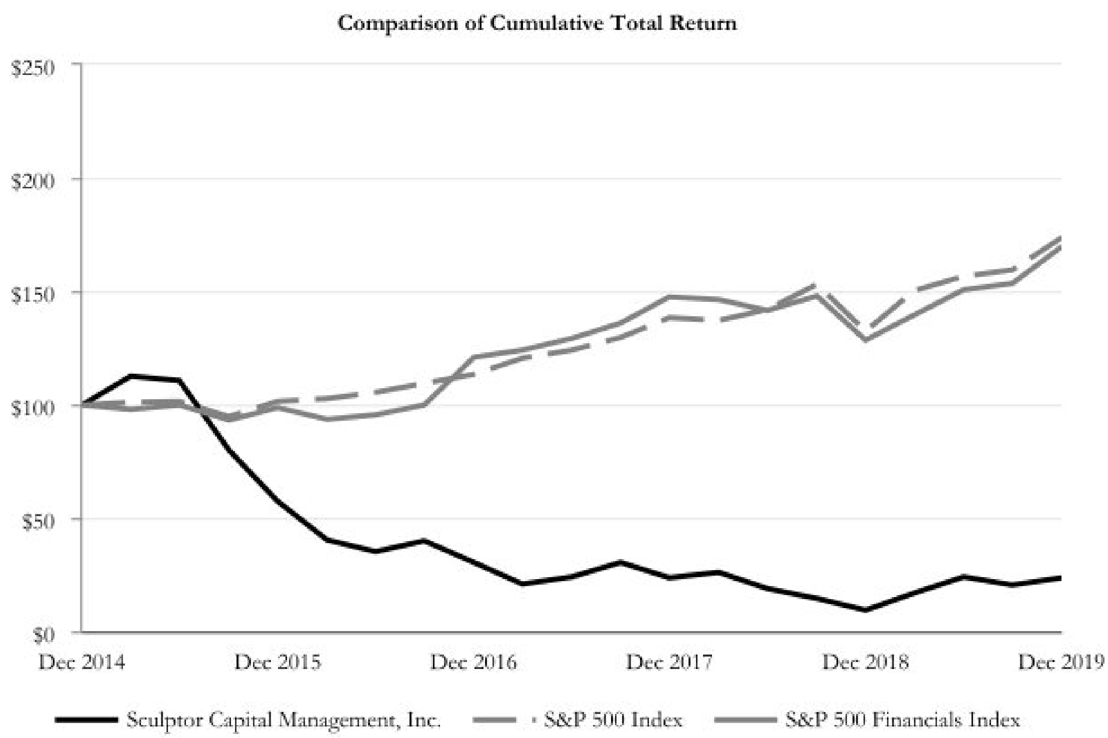
As of February 19, 2020, there were 9 holders of record of our Class A Shares. A substantially greater number of holders of our Class A Shares are "street name" or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

Recent Sales of Unregistered Securities

None.

SCU Stock Performance

The line graph and table below compares the cumulative total return on our Class A Shares with the cumulative total return of the Standard & Poor's ("S&P") 500 Index and the S&P 500 Financials Index for the period of December 31, 2014 through December 31, 2019. The graph and table assume that $100 was invested simultaneously on December 31, 2014 in our Class A Shares, the S&P 500 Index and the S&P 500 Financials Index, respectively, that these investments were held until December 31, 2019, and that all dividends were reinvested. The past performance of our Class A Shares is not an indication of future performance.



	Period Ended December 31,					
	2014	2015	2016	2017	2018	2019
Sculptor Capital Management, Inc.	$ 100.00	$ 57.49	$ 30.55	$ 23.64	$ 9.28	$ 23.42
S&P 500 Index	$ 100.00	$ 101.37	$ 113.49	$ 138.26	$ 132.19	$ 173.80
S&P 500 Financials Index	$ 100.00	$ 98.44	$ 120.83	$ 147.58	$ 128.33	$ 169.52

Item 6. Selected Financial Data

	As of and for the Year Ended December 31,				
	2019	2018	2017	2016	2015
			(dollars in thousands)		
Selected Operating Statement Data					
Total revenues	$ 597,346	$ 507,223	$ 858,337	$ 770,364	$ 1,322,981
Total expenses	593,856	519,285	621,202	1,080,477	1,009,792
Total other income	10,237	(24,340)	234,796	5,012	(13,652)
Income taxes	34,112	12,500	317,559	10,886	132,224
Consolidated and Comprehensive Net (Loss) Income	**(20,385)**	**(48,902)**	**154,372**	**(315,987)**	**167,313**
Less: Net loss (income) attributable to noncontrolling interests	36,184	24,909	(131,630)	193,757	(191,177)
Less: Net (income) loss attributable to redeemable noncontrolling interests	(8,745)	(291)	(1,667)	(2,450)	49,604
Net Income (Loss) Attributable to Sculptor Capital Management, Inc.	**7,054**	**(24,284)**	**21,075**	**(124,680)**	**25,740**
Change in redemption value of Preferred Units	44,364	—	(2,853)	(6,082)	—
Net Income (Loss) Attributable to Class A Shareholders	**$ 51,418**	**$ (24,284)**	**$ 18,222**	**$ (130,762)**	**$ 25,740**
Earnings (Loss) per Class A Share					
Earnings (Loss) per Class A Share - basic	$ 2.48	$ (1.26)	$ 0.98	$ (7.16)	$ 1.45
Earnings (Loss) per Class A Share - diluted	$ 1.57	$ (1.26)	$ 0.97	$ (7.29)	$ 1.42
Weighted-average Class A Shares outstanding - basic	20,773,493	19,270,929	18,642,379	18,267,017	17,793,598
Weighted-average Class A Shares outstanding - diluted	46,300,690	19,270,929	18,718,176	47,998,727	18,089,395
Dividends Paid per Class A Share	**$ 0.95**	**$ 1.30**	**$ 0.70**	**$ —**	**$ 8.70**
Selected Balance Sheet Data					
Cash and cash equivalents	$ 240,938	$ 315,809	$ 469,513	$ 329,813	$ 254,070
Investments	411,426	389,897	238,974	37,980	24,750
Assets of consolidated funds	649	192,585	56,697	55,205	9,416,702
Total assets	1,397,239	1,447,391	1,639,433	1,485,555	10,685,643
Debt obligations	286,728	289,987	569,379	577,128	443,069
Securities sold under agreements to repurchase	97,508	62,801	—	—	—
Liabilities of consolidated funds	389	14,541	11,340	15,197	7,315,917
Total liabilities	1,031,778	879,186	1,289,745	1,495,526	8,612,791
Redeemable noncontrolling interests	150,000	577,660	445,617	284,121	832,284
Shareholders’ deficit attributable to Class A Shareholders	(225,318)	(428,886)	(453,831)	(466,021)	(415,830)
Shareholders’ equity attributable to noncontrolling interests	440,779	419,431	357,902	171,929	1,656,398
Total shareholders’ equity (deficit)	215,461	(9,455)	(95,929)	(294,092)	1,240,568
Economic Income Data					
Economic Income Revenues—Non-GAAP	$ 575,113	$ 483,207	$ 832,987	$ 730,178	$ 849,276
Economic Income—Non-GAAP	135,853	85,867	337,735	(211,575)	345,216
Assets Under Management					
Balance—beginning of period	$ 32,527,678	$ 32,428,562	$ 37,880,303	$ 45,494,861	$ 47,534,415
Inflows / (outflows)	2,258,888	1,415,977	(7,612,108)	(7,993,589)	(1,176,435)
Distributions / other reductions	(1,657,992)	(1,258,596)	(273,315)	(888,265)	(907,879)
Appreciation / (depreciation)	1,341,356	(58,265)	2,433,682	1,267,296	44,760
Balance—End of Period	**$ 34,469,930**	**$ 32,527,678**	**$ 32,428,562**	**$ 37,880,303**	**$ 45,494,861**

As a result of the adoption of ASU 2015-02 in 2016, we deconsolidated the majority of our previously consolidated funds. This resulted in a substantial decrease as compared to prior periods in assets of consolidated funds, liabilities of consolidated funds, redeemable noncontrolling interests, appropriated retained deficit and shareholders' equity attributable to non-controlling interests in our consolidated balance sheet. Please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Year Ended December 31, 2017 Compared to Year Ended December 31, 2016" in our annual report on Form 10-K for the year ended December 31, 2018, dated March 15, 2019 and filed with the SEC.

Our non-GAAP financial measures supplement, and should not be considered alternatives to, revenues, net income (loss) or cash flow from operations that have been prepared in accordance with GAAP, and are not necessarily indicative of liquidity or the cash available to fund operations. Please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Economic Income Analysis" for important information about these non-GAAP measures.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in "Part I—Item 1A. Risk Factors" of this report. Actual results may differ materially from those contained in any forward-looking statements. This MD&A should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this annual report. An investment in our Class A Shares is not an investment in any of our funds.

Overview

Recapitalization

As discussed in Note 3, on February 7, 2019, we completed the Recapitalization, which included a series of transactions that involved the reallocation of certain ownership interests in the Sculptor Operating Group to existing members of senior management, a "Distribution Holiday" on interests held by active and former executive managing directors, an amendment to the tax receivable agreement, a "Cash Sweep" to pay down the 2018 Term Loan and 2019 Preferred Units, and various other related transactions.

As part of the Recapitalization, we restructured the previously outstanding $400.0 million of 2016 Preferred Units into $200.0 million of 2019 Preferred Units and $200.0 million of Debt Securities. Additionally, we repaid $100.0 million of the debt outstanding under the 2018 Term Loan and terminated the $100.0 million of undrawn commitments under the 2018 Revolving Credit Facility. In accordance with the Cash Sweep, we repaid an additional $55.0 million during 2019 and another $27.0 million on February 13, 2020. See Note 8 for additional details.

Corporate Classification Change

The Registrant effected the Corporate Classification Change on April 1, 2019 and subsequently converted from a Delaware limited liability company into a Delaware corporation effective May 9, 2019.

Effects of Adoption of Lease Accounting Standard

We adopted ASU No. 2016-02, *Leases (Topic 842)*, as amended, as of January 1, 2019 ("ASC 842"), and applied ASC 842 to lease arrangements outstanding as of the date of adoption. Adoption of ASC 842 resulted in the recognition of $126.0 million and $135.9 million of operating lease assets and liabilities, respectively, with the net of these amounts offsetting the deferred rent credit liability in existence immediately prior to adoption.

Overview of Our Financial Results

We reported a GAAP net income of $51.4 million in 2019, compared to net loss of $24.3 million in 2018. The increase in net income attributable to Class A Shareholders for the full year 2019 was primarily due to an adjustment to the redemption value of Preferred Units recognized during the first quarter of 2019 in connection with the Recapitalization. The increase was also due to higher incentive income and lower general and administrative expenses, including lower legal settlements and provisions, as well as reductions across various operating expense categories. In addition, we allocated more income to Class A Shareholders during the year, following the Recapitalization, as described in Note 4. Further contributing to the year-over-year improvement, were higher net gains on investments, a decrease in losses recognized on early retirement of debt, and changes in tax receivable agreement liability. These improvements were partially offset by higher bonus and equity-based compensation expenses, lower management fees, as well as higher income taxes.

Economic Income was $135.9 million in 2019, compared to $85.9 million in 2018. This improvement was primarily due to higher incentive income, lower interest expense, lower legal settlements and provisions, lower salaries and benefits, as well as reductions across various other operating expense categories. These improvements were partially offset by higher bonus expense and lower management fees.

Economic Income is a non-GAAP measure. For additional information regarding non-GAAP measures, as well as for a discussion of the drivers of the year-over-year change in Economic Income, please see "—Economic Income Analysis."

Overview of Assets Under Management and Fund Performance

Assets under management totaled $34.5 billion as of December 31, 2019. Longer-dated assets under management, which are those subject to initial commitment periods of three years or longer, were $23.4 billion, comprising 68% of our total assets under management as of December 31, 2019. Assets under management in our dedicated credit, real estate and other strategy-specific funds were $25.1 billion, comprising 73% of assets under management as of December 31, 2019.

Assets under management in our multi-strategy funds totaled $9.3 billion as of December 31, 2019, decreasing $1.1 billion, or 10%, year-over-year. This change was driven by net capital outflows of $2.4 billion, primarily in the Sculptor Master Fund, our largest multi-strategy fund, and $65.4 million of distributions to investors in certain smaller funds that we have decided to close. These decreases were partially offset by performance-related appreciation of $1.4 billion.

Sculptor Master Fund generated a gross return of 19.6% and a net return of 14.8% year-to-date through December 31, 2019. Sculptor Master Fund delivered positive returns across all major strategies. Please see "—Assets Under Management and Fund Performance—Multi-Strategy Funds" for additional information regarding the returns of the Sculptor Master Fund.

Assets under management in our dedicated credit products totaled $21.7 billion as of December 31, 2019, increasing $2.5 billion, or 13%, year-over-year. Assets under management in our opportunistic credit funds totaled $6.0 billion as of December 31, 2019, increasing $273.9 million, or 5%, year-over-year. This change was driven by $183.4 million of net inflows, partially offset by $47.3 million of distributions in our closed-end opportunistic credit funds, and $137.8 million of performance-related appreciation.

Sculptor Credit Opportunities Master Fund, our global opportunistic credit fund, generated a gross return of 2.9% and a net return of 1.4% year-to-date through December 31, 2019. Performance was broad-based with gains across both the structured and corporate credit strategies. Assets under management for the fund were $1.6 billion as of December 31, 2019.

Assets under management in Institutional Credit Strategies totaled $15.7 billion as of December 31, 2019, increasing $2.2 billion, or 16%, year-over-year. The increase was driven primarily by the closing of additional CLOs and launches of aircraft securitizations and a CBO, partially offset by changes in underlying collateral value and distributions.

Assets under management in our real estate funds totaled $3.4 billion as of December 31, 2019, increasing $816.8 million, or 32%, year-over-year primarily due to launch of Sculptor Real Estate Fund IV and a related co-investment vehicle, partially offset by $1.2 billion of distributions and other reductions primarily related to the expiration of the investment period of Sculptor Real Estate Fund III and related co-investment vehicles. Since inception through December 31, 2019, the gross internal rate of return ("IRR") was 29.9% and 19.6% net for Sculptor Real Estate Fund III (for which the investment period ended in September 2019).

Assets Under Management and Fund Performance

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

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

With respect to investors with quarterly redemption rights, requests for redemptions submitted during a quarter generally reduce assets under management on the first day of the following quarter. Accordingly, quarterly redemptions generally will have no impact on management fees during the quarter in which they are submitted. Instead, these redemptions will reduce management fees in the following quarter. With respect to investors with annual redemption rights, redemptions paid prior to the end of a quarter impact assets under management in the quarter in which they are paid, and therefore impact management fees for that quarter.

Investors in our closed-end credit funds, securitization vehicles, real estate and certain other funds are not able to redeem their investments. In those funds, investors generally make a commitment that is funded over an investment period (or at launch for our securitization vehicles). Upon the expiration of the investment period, the investments are then sold or realized over time, and distributions are made to the investors in the fund.

In a declining market, during periods when the hedge fund industry generally experiences outflows, or in response to specific company events, we could experience increased redemptions and a consequent reduction in our assets under management. Over the past few years, our assets under management have declined and this trend may continue to some extent for some period of time in light of the 2016 settlements. However, throughout the latter part of 2017 and 2018, net outflows from our multi-strategy funds began to normalize and were partially offset by growth in our Institutional Credit Strategies business, as well as positive fund performance. We believe that strong fund performance should translate to inflows, although we cannot pinpoint the timing.

Information with respect to our assets under management throughout this report, including the tables set forth below, includes investments by us, our executive managing directors, employees and certain other related parties. As of December 31, 2019, approximately 3% of our assets under management represented investments by us, our executive managing directors, employees and certain other related parties in our funds. As of that date, approximately 41% of these affiliated assets under management are not charged management fees and are not subject to an incentive income calculation. Additionally, to the extent that a fund is an investor in another fund, we waive or rebate a corresponding portion of the management fees charged to the fund.

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

Appreciation (depreciation) in the tables below reflects the aggregate net capital appreciation (depreciation) for the entire period and is presented on a total return basis, net of all fees and expenses (except incentive income on Special Investments), and includes the reinvestment of all dividends and other income. Management fees and incentive income vary by product. Appreciation (depreciation) within Institutional Credit Strategies includes the effects of changes in the par value of the underlying collateral of the CLOs, foreign currency translation changes in the measurement of assets under management of our European CLOs and changes in the portfolio appraisal values for aircraft securitizations.

Summary of Changes in Assets Under Management

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

	Year Ended December 31, 2019				
	December 31, 2018	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	December 31, 2019
			(dollars in thousands)		
Multi-strategy funds	$ 10,420,858	$ (2,391,604)	$ (65,358)	$ 1,368,222	$ 9,332,118
Credit					
Opportunistic credit funds	5,751,411	183,390	(47,312)	137,817	6,025,306
Institutional Credit Strategies	13,491,734	2,523,928	(134,112)	(171,231)	15,710,319
Real estate funds	2,577,040	2,005,902	(1,195,235)	6,169	3,393,876
Other	286,635	(62,728)	(215,975)	379	8,311
Total	**$ 32,527,678**	**$ 2,258,888**	**$ (1,657,992)**	**$ 1,341,356**	**$ 34,469,930**

	Year Ended December 31, 2018				
	December 31, 2017	Inflows / (Outflows)	Distributions / Other Reductions	Appreciation / (Depreciation)	December 31, 2018
			(dollars in thousands)		
Multi-strategy funds	$ 13,695,040	$ (2,399,530)	$ (651,129)	$ (223,523)	$ 10,420,858
Credit					
Opportunistic credit funds	5,513,618	165,550	(170,810)	243,053	5,751,411
Institutional Credit Strategies	10,136,991	3,626,562	(194,060)	(77,759)	13,491,734
Real estate funds	2,495,190	164,858	(82,882)	(126)	2,577,040
Other	587,723	(141,463)	(159,715)	90	286,635
Total	**$ 32,428,562**	**$ 1,415,977**	**$ (1,258,596)**	**$ (58,265)**	**$ 32,527,678**

In the year ended December 31, 2019, our funds experienced performance-related appreciation of $1.3 billion and net inflows of $2.3 billion. The net inflows were comprised of (i) $5.3 billion of gross inflows, primarily due to launches of new CLOs and aircraft securitizations, and our first CBO, and closes of Sculptor Real Estate Fund IV and a related co-investment vehicle; and (ii) $3.1 billion of gross outflows due to redemptions, primarily in our multi-strategy funds. We also had $1.7 billion of distributions and other reductions, primarily related to the expiration of the investment period of Sculptor Real Estate Fund III and related co-investment vehicles. In 2019, excluding securitization vehicles within Institutional Credit Strategies, our largest sources of gross inflows were from pensions, corporations, institutional and other investors, and fund-of-funds, while related parties were the largest source of gross outflows. Gross outflows include approximately $1.1 billion of redemptions to former executive managing directors, the majority of which were driven by the anticipated Liquidity Redemption discussed in Note 3.

As of February 1, 2020, estimated assets under management remained unchanged at $34.5 billion, driven by a $329.6 million closes in Sculptor Real Estate Fund IV, $217.2 million of performance-related appreciation, offset by net outflows of $479.9 million in our multi-strategy funds and opportunistic credit funds.

In the year ended December 31, 2018, our funds experienced performance-related depreciation of $58.3 million and net inflows of $1.4 billion. The net inflows were comprised of $5.2 billion of gross inflows, primarily due to launches of new CLOs, and $3.8 billion of gross outflows due to redemptions, primarily in our multi-strategy funds. We also had $1.3 billion in distributions and other reductions related to certain smaller funds that we have decided to close, refinancing and subsequent pay down of notes of a CLO, and real estate and closed-end funds that are in the process of realizing investments and making distributions to investors in those funds. In 2018, excluding securitization vehicles within Institutional Credit Strategies, our largest sources of gross inflows were from pensions, related parties and corporate and institutional investors, while related parties and pensions were the largest sources of gross outflows.

Weighted-Average Assets Under Management and Average Management Fee Rates

The table below presents our weighted-average assets under management and average management fee rates. Weighted-average assets under management exclude the impact of fourth quarter investment performance for the periods presented, as these amounts generally do not impact management fees calculated for those periods. The average management fee rates presented below take into account the effect of non-fee paying assets under management. Please see the respective sections below for average management fee rates by fund type.

	Year Ended December 31,	
	2019	2018
	(dollars in thousands)	
Weighted-average assets under management	$ 32,528,795	$ 32,707,353
Average management fee rates	0.73 %	0.81 %

The decline in our average management fee rate for the periods presented occurred primarily because of a change in the mix of products that comprise our assets under management. Our average management fee will vary from period to period based on the mix of products that comprise our assets under management.

Fund Performance Information

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

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

Multi-Strategy Funds

The table below presents assets under management and investment performance for our multi-strategy funds. Assets under management are generally based on the net asset value of these products. Management fees generally range from 0.95% to 2.25% annually of assets under management. For the fourth quarter of 2019, our multi-strategy funds had an average management fee rate of 1.28%.

We generally crystallize incentive income from the majority of our multi-strategy funds on an annual basis. Incentive income is generally equal to 20% of the realized and unrealized profits attributable to each investor. A portion of the assets under management in each of the Sculptor Master Fund and our other multi-strategy funds is subject to initial commitment periods of three years, and for certain of these assets, we only earn incentive income once profits attributable to an investor exceed a preferential return, or “hurdle rate,” which is generally equal to the 3-month T-bill or LIBOR rate for our multi-strategy funds. Once the investment performance has exceeded the hurdle rate for these assets, we may receive a “catch-up” allocation, resulting in a potential recognition by us of a full 20% of the net profits attributable to investors in these assets.

Fund	Assets Under Management as of December 31,		Returns for the Year Ended December 31,				Annualized Returns Since Inception Through December 31, 2019	
			2019		2018			
	2019	2018	Gross	Net	Gross	Net	Gross	Net
	(dollars in thousands)							
Sculptor Master Fund[1]	$ 8,587,306	$ 9,403,028	19.6 %	14.8 %	-0.1 %	-1.9 %	16.2 % (1)	11.3 % (1)
Sculptor Enhanced Master Fund	667,539	689,398	29.1 %	22.6 %	-2.1 %	-3.9 %	14.3 %	9.8 %
Other funds	77,273	328,432	n/m	n/m	n/m	n/m	n/m	n/m
	$ 9,332,118	$ 10,420,858						

n/m not meaningful

(1) The annualized returns since inception are those of the Sculptor Multi-Strategy Composite, which represents the composite performance of all accounts that were managed in accordance with our broad multi-strategy mandate that were not subject to portfolio investment restrictions or other factors that limited our investment discretion since inception on April 1, 1994. Performance is calculated using the total return of all such accounts net of all investment fees and expenses of such accounts, except incentive income on unrealized gains attributable to Special Investments that could reduce returns in these investments at the time of realization, and the returns include the reinvestment of all dividends and other income. The performance calculation for the Sculptor Master Fund excludes realized and unrealized gains and losses attributable to currency hedging specific to certain investors investing in Sculptor Master Fund in currencies other than the U.S. Dollar. For the period from April 1, 1994 through December 31, 1997, the returns are gross of certain overhead expenses that were reimbursed by the accounts. Such reimbursement arrangements were terminated at the inception of the Sculptor Master Fund on January 1, 1998. The size of the accounts comprising the composite during the time period shown vary materially. Such differences impacted our investment decisions and the diversity of the investment strategies followed. Furthermore, the composition of the investment strategies we follow is subject to our discretion, has varied materially since inception and is expected to vary materially in the future. As of December 31, 2019, the gross and net annualized returns since the Sculptor Master Fund's inception on January 1, 1998 were 12.7% and 8.6%, respectively.

The $1.1 billion, or 10%, year-over-year decrease in assets under management in our multi-strategy funds was primarily due to capital net outflows of $2.4 billion, primarily from the Sculptor Master Fund, our largest multi-strategy fund, and distributions of $65.4 million in certain other multi-strategy funds that we have decided to close. These decreases were partially offset by performance-related appreciation of $1.4 billion. In 2019, the largest sources of gross outflows from our multi-strategy funds were attributable to related parties, foundations and endowments and private banks.

In 2019, the Sculptor Master Fund generated a gross return of 19.6% and a net return of 14.8%. Sculptor Master Fund delivered positive returns across all major strategies. Fundamental equities led multi-strategy performance in 2019, as we generated gains across all geographies. Merger arbitrage and convertible and derivative arbitrage were also strong contributors with gains across all geographies, primarily in the U.S. Corporate credit and structured credit also generated gains in both Europe and the U.S. These gains were partially offset by losses in private investments in the U.S. and Asia.

In 2018, the Sculptor Master Fund generated a gross return of -0.1% and a net return of -1.9%. Sculptor Master Fund's performance was driven primarily by fundamental equities, which experienced losses during the second half of 2018. The losses were partially offset with positive performance driven by the fund's convertible and derivative arbitrage, credit-related, merger arbitrage and private investments strategies. Corporate credit and structured credit also generated gains in both the U.S. and Europe.

Convertible and derivative arbitrage led multi-strategy performance in 2018, as we generated gains across all geographies. Structured credit was a strong contributor with performance coming predominantly from event-driven and process-oriented investments. Corporate credit achieved positive performance in both the U.S. and Europe despite the negative performance of high-yield benchmark indices. While fundamental equities overall lost money in 2018, the U.S. was a bright spot, generating a positive return for the year, while generally down in Europe and Asia.

Due to the performance-related depreciation in Sculptor Master Fund for the year ended December 31, 2018, we only earned incentive income in 2019 after the losses from 2018 were recovered for fund investors, which impacted our incentive by approximately $57.3 million in 2019. As of December 31, 2019, Sculptor Master Fund's performance surpassed substantially all of these high-water marks due to performance-related appreciation generated in 2019.

Credit

	Assets Under Management as of December 31, 2019	2018
	(dollars in thousands)	
Opportunistic credit funds	$ 6,025,306	$ 5,751,411
Institutional Credit Strategies	15,710,319	13,491,734
	$ 21,735,625	**$ 19,243,145**

Opportunistic Credit Funds

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

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

Assets under management for our opportunistic credit funds are generally based on the net asset value of those funds plus any unfunded commitments. Management fees for our opportunistic credit funds generally range from 0.50% to 2.00% annually of the net asset value of these funds. For the fourth quarter of 2019, our opportunistic credit funds had an average management fee rate of 0.76%.

The table below presents assets under management and investment performance information for certain of our opportunistic credit funds. Incentive income related to these funds (excluding the closed-end opportunistic fund, which is explained further below) is generally equal to 20% of realized and unrealized profits attributable to each investor, and a portion of these assets under management is subject to hurdle rates, which are generally 6% to 8% for our open-end opportunistic credit funds. Once the cumulative investment performance has exceeded the hurdle rate, we may receive a "catch-up" allocation, resulting in a potential recognition by us of a full 20% of the net profits attributable to investors in these funds. The measurement periods for these assets under management generally range from one to five years.

	Assets Under Management as of December 31,		Returns for the Year Ended December 31,				Annualized Returns Since Inception Through December 31, 2019	
			2019		2018			
	2019	2018	Gross	Net	Gross	Net	Gross	Net
Fund	(dollars in thousands)							
Sculptor Credit Opportunities Master Fund	$ 1,604,275	$ 1,771,832	2.9 %	1.4 %	9.3 %	6.5 %	14.5 %	10.5 %
Customized Credit Focused Platform	3,251,159	3,084,883	6.8 %	4.8 %	5.9 %	4.3 %	16.7 %	12.5 %
Closed-end opportunistic credit funds	537,213	471,207	See below for return information on our closed-end opportunistic credit funds.					
Other funds	632,659	423,489	n/m	n/m	n/m	n/m	n/m	n/m
	$ 6,025,306	**$ 5,751,411**						

n/m not meaningful

Assets under management in our opportunistic credit funds increased by $273.9 million, or 5%, year-over-year. This change was driven by $183.4 million of net inflows, and $137.8 million of appreciation. These increases were partially offset by $47.3 million of distributions in our closed-end opportunistic credit funds.

In 2019, the Sculptor Credit Opportunities Master Fund, our global opportunistic credit fund, generated a gross return of 2.9% and a net return of 1.4%. Performance was broad-based with gains across both the structured and corporate credit strategies.

In 2018, the Sculptor Credit Opportunities Master Fund, our global opportunistic credit fund, generated a gross return of 9.3% and a net return of 6.5%. Performance was broad-based with gains across both the structured and corporate credit strategies, and geographies. This result represented outperformance versus high-yield benchmark indices which finished the year in negative territory.

The table below presents assets under management, investment performance and other information for our closed-end opportunistic credit funds. Our closed-end opportunistic credit funds follow a European-style waterfall, whereby incentive income may be paid to us only after a fund investor receives distributions in excess of their total contributed capital and a preferential return, which is generally 6% to 8%. Incentive income related to these funds is generally equal to 20% of the cumulative realized profits in excess of the preferential return attributable to each investor over the life of the fund. Once the investment performance has exceeded the preferential return, we may receive a "catch-up" allocation, resulting in a potential recognition by us of a full 20% of the net profits attributable to investors in these funds. These funds have concluded their investment periods, and therefore we expect assets under management for these funds to decrease as investments are sold and the related proceeds are distributed to the investors in these funds.

	Assets Under Management as of December 31,		Inception to Date as of December 31,2019				
	2019	2018	Total Commitments	Total Invested Capital[1]	Gross IRR[2]	Net IRR[3]	Gross MOIC[4]
Fund (Investment Period)	(dollars in thousands)						
Sculptor European Credit Opportunities Fund (2012-2015)	$ —	$ 3,867	$ 459,600	$ 305,487	15.7 %	11.8 %	1.5x
Sculptor Structured Products Domestic Fund II (2011-2014)	54,935	71,300	326,850	326,850	19.6 %	15.5 %	2.1x
Sculptor Structured Products Offshore Fund II (2011-2014)	59,288	75,666	304,531	304,531	17.1 %	13.4 %	1.9x
Sculptor Structured Products Offshore Fund I (2010-2013)	4,661	6,152	155,098	155,098	23.9 %	19.1 %	2.1x
Sculptor Structured Products Domestic Fund I (2010-2013)	4,363	5,472	99,986	99,986	22.7 %	18.1 %	2.0x
Other funds	413,966	308,750	414,750	53,372	n/m	n/m	n/m
	$ 537,213	**$ 471,207**	**$ 1,760,815**	**$ 1,245,324**			

n/m not meaningful

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

(2) Gross IRR for our closed-end opportunistic credit funds represents the estimated, unaudited, annualized return based on the timing of cash inflows and outflows for the fund as of December 31, 2019, including the fair value of unrealized investments as of such date, together with any appreciation or depreciation from related hedging activity. Gross IRR does not include the effects of management fees or incentive income, which would reduce the return, and includes the reinvestment of all fund income.

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

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

Institutional Credit Strategies

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

Assets under management for Institutional Credit Strategies are generally based on the par value of the collateral and cash held for CLOs and CBO, and adjusted portfolio values for our aircraft securitizations. However, assets under management are reduced for any investments in these securitization vehicles held by our other funds in order to avoid double counting these assets. Management fees for Institutional Credit Strategies, generally range from 0.30% to 0.50% annually of assets under management. For the fourth quarter of 2019, Institutional Credit Strategies had an average management fee rate of 0.49% gross of rebates on cross-investments from other funds we manage (0.39% net of such rebates).

Incentive income from our CLOs and CBO is generally equal to 20% of the excess cash flows due to the holders of the subordinated notes issued by the CLOs and CBO, and is generally subject to a 12% hurdle rate. Because of the hurdle rate and structure of our CLOs and CBO, we do not expect to earn a meaningful amount of incentive income from these entities, and therefore no return information is presented for these vehicles. We do not earn incentive income from our aircraft securitizations.

	Most Recent Closing or Refinancing Year	Deal Size	Assets Under Management as of December 31, 2019	Assets Under Management as of December 31, 2018
			(dollars in thousands)	
Collateralized loan obligations	2016	$ 1,062,500	$ 1,001,025	$ 1,003,540
	2017	4,209,590	3,487,159	3,503,546
	2018	7,487,273	7,080,592	7,129,033
	2019	2,331,964	2,254,650	957,325
		15,091,327	13,823,426	12,593,444
Aircraft securitizations	2018	696,000	497,611	680,231
	2019	1,128,000	1,052,972	—
		1,824,000	1,550,583	680,231
Collateralized bond obligation	2019	349,550	274,183	—
Other funds	n/a	n/a	62,127	218,059
		$ 17,264,877	**$ 15,710,319**	**$ 13,491,734**

Assets under management in Institutional Credit Strategies totaled $15.7 billion as of December 31, 2019, increasing $2.2 billion, or 16%, year-over-year. The year-over-year increase in assets under management in Institutional Credit Strategies was driven primarily by the closing of additional CLOs and launches of aircraft securitizations and a CBO, partially offset by changes in underlying collateral value and distributions.

In 2018, the year-over-year increase in assets under management was driven primarily by the closing of additional CLOs and an aircraft securitization. In June 2018, in partnership with GE Capital Aviation Services, we closed a $696.0 million aircraft securitization, where we serve as the asset manager.

Real Estate Funds

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

Assets under management for our real estate funds are generally based on the amount of capital committed by our fund investors during the investment period and the amount of actual capital invested for periods following the investment period. However, assets under management are reduced for unfunded commitments by our executive managing directors that will be funded through transfers from other funds in order to avoid double counting these assets. Management fees for our real estate funds generally range from 0.50% to 1.50% annually of assets under management; however, management fees for Sculptor Real Estate Credit Fund I are based on invested capital both during and after the investment period. For the fourth quarter of 2019, our real estate funds had an average management fee rate of 0.75%.

The tables below present assets under management, investment performance and other information for our real estate funds. Our real estate funds generally follow an American-style waterfall, whereby incentive income may be paid to us after a fund investment is realized if a fund investor receives distributions in excess of the capital contributed for such investment, as well as a preferential return on such investment, which is generally 6% to 10%. Upon each subsequent realization, incentive income, which is generally 20% of realized profits, is recalculated based on the cumulative realized profits in excess of the preferential return attributable to each investor over the life of the fund. Once the investment performance has exceeded the hurdle rate, we may receive a "catch-up" allocation, resulting in a potential recognition by us of a full 20% of the realized net profits attributable to investors in these funds.

Due to the recalculation of cumulative realized profits upon each realization, the fund may clawback incentive income previously paid to us. As a result, we record incentive income paid to us by the real estate funds as unearned revenue in our consolidated balance sheets until the criteria for revenue recognition has been met.

	Assets Under Management as of December 31,	
	2019	2018
Fund	(dollars in thousands)	
Sculptor Real Estate Fund I	$ —	$ 13,578
Sculptor Real Estate Fund II	63,011	103,152
Sculptor Real Estate Fund III	535,579	1,458,499
Sculptor Real Estate Fund IV	1,408,049	—
Sculptor Real Estate Credit Fund I	730,349	698,318
Other funds	656,888	303,493
	$ 3,393,876	**$ 2,577,040**

	Inception to Date as of December 31, 2019									
		Total Investments					Realized/Partially Realized Investments[1]			
	Total Commitments	Invested Capital[2]	Total Value[3]	Gross IRR[4]	Net IRR[5]	Gross MOIC[6]	Invested Capital	Total Value	Gross IRR[4]	Gross MOIC[6]
Fund (Investment Period)	(dollars in thousands)									
Sculptor Real Estate Fund I[7] (2005-2010)	$ 408,081	$ 386,298	$ 845,975	25.5 %	16.1 %	2.2x	$ 386,298	$ 845,975	25.5 %	2.2x
Sculptor Real Estate Fund II[7] (2011-2014)	839,508	762,588	1,554,144	33.0 %	21.7 %	2.0x	762,588	1,554,144	33.0 %	2.0x
Sculptor Real Estate Fund III[7] (2014-2019)	1,500,000	1,029,731	1,666,290	29.9 %	19.6 %	1.6x	564,785	1,045,214	37.2 %	1.9x
Sculptor Real Estate Fund IV[8] (2019-2023)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sculptor Real Estate Credit Fund I[8] (2015-2020)	736,225	280,785	328,812	n/m	n/m	n/m	87,921	114,286	n/m	n/m
Other funds	750,165	428,904	557,458	n/m	n/m	n/m	65,797	110,177	n/m	n/m
	$ 4,233,979	**$ 2,888,306**	**$ 4,952,679**				**$ 1,867,389**	**$ 3,669,796**		

	Unrealized Investments as of December 31, 2019		
	Invested Capital	Total Value	Gross MOIC[(6)]
Fund (Investment Period)	(dollars in thousands)		
Sculptor Real Estate Fund I (2005-2010)[(7)]	$ —	$ —	—
Sculptor Real Estate Fund II (2011-2014)[(7)]	—	—	—
Sculptor Real Estate Fund III (2014-2019)[(7)]	464,946	621,076	1.3x
Sculptor Real Estate Fund IV (2019-2023)[(8)]	n/a	n/a	n/a
Sculptor Real Estate Credit Fund I (2015-2020)[(8)]	192,864	214,526	n/m
Other funds	363,107	447,281	n/m
	$ 1,020,917	**$ 1,282,883**	

n/m not meaningful

n/a not applicable

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

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

(3) Total value represents the sum of realized distributions and the fair value of unrealized and partially realized investments as of December 31, 2019. Total value will be impacted (either positively or negatively) by future economic and other factors. Accordingly, the total value ultimately realized will likely be higher or lower than the amounts presented as of December 31, 2019.

(4) Gross IRR for our real estate funds represents the estimated, unaudited, annualized return based on the timing of cash inflows and outflows for the aggregated investments as of December 31, 2019, including the fair value of unrealized and partially realized investments as of such date, together with any unrealized appreciation or depreciation from related hedging activity. Gross IRR is not adjusted for estimated management fees, incentive income or other fees or expenses to be paid by the fund, which would reduce the return.

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

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

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

(8) This fund has invested less than half of its committed capital; therefore, IRR and MOIC information is not presented, as it is not meaningful.

Assets under management in our real estate funds increased $816.8 million, or 32%, year-over-year due to net inflows of $2.0 billion, primarily due to launch of Sculptor Real Estate Fund IV and a related co-investment vehicle, partially offset by $1.2 billion of distributions and other reductions primarily related to the expiration of the investment period of Sculptor Real Estate Fund III and related co-investment vehicles. Our real estate franchise continues to deploy capital and generate strong returns with a 19.6% annualized net return in Sculptor Real Estate Fund III. We look to continue to grow this business by expanding our product offering and through raising successor funds.

Other

Management fees for these funds is 1.50% annually of assets under management, generally based on the amount of capital committed to these platforms by our fund investors. For the fourth quarter of 2019, our other funds had an average management fee rate of 0.53%.

Incentive income for these funds is generally 20% of realized and unrealized annual profits or of cumulative profits attributable to each investor. Incentive income for these funds is generally subject to hurdle rate of 8%.

Longer-Term Assets Under Management

As of December 31, 2019, approximately 68% of our assets under management were subject to initial commitment periods of three years or longer. Incentive income on these assets, if any, is based on the cumulative investment performance generated over this commitment period. The table below presents the amount of these assets under management, as well as the amount of incentive income accrued at the fund level but that has not yet been recognized in our revenues. Further, these amounts may ultimately not be recognized as revenue by us in the event of future losses in the respective funds. See "—Understanding Our Results —Revenues—Incentive Income" for additional information.

	December 31, 2019	
	Longer-Term Assets Under Management	Accrued Unrecognized Incentive Income
	(dollars in thousands)	
Multi-strategy funds	$ 344,623	$ 11,280
Credit		
Opportunistic credit funds	4,012,023	143,134
Institutional Credit Strategies	15,667,058	—
Real estate funds	3,393,877	99,163
Other	8,311	—
	$ 23,425,892	**$ 253,577**

We generally recognize incentive income on our longer-term assets under management in multi-strategy funds and open-end opportunistic credit funds at or near the end of their respective commitment periods, which are generally three to five years, when such amounts are probable of not significantly reversing. We may begin recognizing incentive income related to assets under management in our closed-end opportunistic credit funds and real estate funds after the conclusion of their respective investment period, when such amounts are probable of not significantly reversing. However, these investment periods may generally be extended for an additional one to two years.

Understanding Our Results

Revenues

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

The ability of investors to contribute capital to and redeem capital from our funds causes our assets under management to fluctuate from period to period. Fluctuations in assets under management also result from our funds' investment performance. Both of these factors directly impact the revenues we earn from management fees and incentive income. For example, a $1.0 billion increase or decrease in assets under management subject to a 1% management fee would generally increase or decrease annual management fees by $10.0 million. If profits, net of management fees, attributable to a fee-paying fund investor were $10.0 million in a given year, we generally would earn incentive income equal to $2.0 million, assuming a 20% incentive income rate, a one-year commitment period, no hurdle rate and no high-water marks from prior years.

For any given quarter, our revenues are influenced by the combination of assets under management and the investment performance of our funds. For example, incentive income for the majority of our multi-strategy assets under management is recognized in the fourth quarter each year, based on full year investment performance.

Management Fees. Management fees are generally calculated and paid to us on a quarterly basis in advance, based on the amount of assets under management at the beginning of the quarter. Management fees are prorated for capital inflows and redemptions during the quarter. Accordingly, changes in our management fee revenues from quarter to quarter are driven by changes in the quarterly opening balances of assets under management, the relative magnitude and timing of inflows and redemptions during the respective quarter, as well as the impact of differing management fee rates charged on those inflows and redemptions. See "—Weighted-Average Assets Under Management and Average Management Fee Rates" for information on our average management fee rate and Note 13 to our consolidated financial statements in this annual report for additional information regarding management fees.

Incentive Income. We earn incentive income based on the cumulative performance of our funds over a commitment period. We recognize incentive income when such amounts are probable of not significantly reversing. See Note 13 to our consolidated financial statements in this annual report for additional information regarding incentive income.

Other Revenues. Other revenues consist primarily of interest income on investments in CLOs, cash equivalents and longer-term U.S. government obligations, as well as subrental income. Interest income is recognized on an effective yield basis. Subrental income is recognized on a straight-line basis over the lease term.

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

Expenses

Compensation and Benefits. Compensation and benefits consist of salaries, benefits, payroll taxes, and discretionary and guaranteed cash bonus expenses. We generally recognize compensation and benefits expenses over the related service period.

On an annual basis, compensation and benefits comprise a significant portion of total expenses, with discretionary cash bonuses generally comprising a significant portion of total compensation and benefits. We accrue minimum annual discretionary cash bonuses on a straight-line basis during the year. The total amount of discretionary cash bonuses ultimately recognized for the full year, which is determined in the fourth quarter of each year, could differ materially from the minimum amount accrued, as the total discretionary cash bonus is dependent upon a variety of factors, including fund performance for the year.

Compensation and benefits also include equity-based compensation expense, which is primarily in the form of RSUs granted to our independent board members, employees and executive managing directors, as well as PSUs and Partner Equity Units granted to executive managing directors.

Prior to 2019, we also issued Group D Units to executive managing directors. Group D Units were not considered equity under GAAP, and therefore no equity-based compensation expense was recognized for these units when they were granted. Distributions to holders of Group D Units were included within compensation and benefits in the consolidated statements of comprehensive income (loss). Upon the conversion of Group D Units into Group E Units in connection with the Recapitalization, we recognized a one-time charge for the grant-date fair value of the vested units and began to amortize the grant-date fair value of the unvested units over the service period.

We also have profit-sharing arrangements whereby certain employees or executive managing directors are entitled to a share of incentive income that we earn from certain funds. This incentive income is typically paid to us and then we pay a portion to the profit-sharing participant as investments held by these funds are realized. To the extent that the payments to the employees or executive managing directors are probable and reasonably estimable, we accrue these payments as compensation expense for GAAP purposes, which may occur prior to the recognition of the related incentive income.

Deferred cash interests ("DCIs") are also granted to certain employees and executive managing directors as a form of compensation. DCIs reflect notional fund investments made by us on behalf of an employee or executive managing director. DCIs generally vest over a three-year period, subject to an employee's or executive managing director's continued service. Upon vesting, we pay the employee or executive managing director an amount in cash equal to the notional investment represented by the DCIs, as adjusted for notional fund performance. Except as otherwise provided in the relevant DCI plan or in an award agreement, in the event of a termination of the employee's or executive managing director's service, any portion of the DCIs that is unvested as of the date of termination will be forfeited.

Interest Expense. Amounts included within interest expense relate primarily to indebtedness outstanding. See "—Liquidity and Capital Resources—Debt Obligations" and "—Liquidity and Capital Resources—Securities Sold Under Agreements to Repurchase" for additional information.

General, Administrative and Other. General, administrative and other expenses are comprised of professional services, occupancy and equipment, information processing and communications, recurring placement and related service fees, business development, insurance, foreign exchange gains and losses, and other miscellaneous expenses. Legal settlements and provisions are also included within general, administrative and other.

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

Other Income (Loss)

Changes in Tax Receivable Agreement Liability. Changes in tax receivable agreement liability consists of changes in our estimate of the future payments related to the tax receivable agreement that result from changes in future income tax savings due to changes in tax rates. See Note 19 to our consolidated financial statements included in this report for additional information.

Net Losses on Early Retirement of Debt. Net losses on early retirement of debt consist of net losses realized upon the early retirement of any indebtedness outstanding, and include the write-off of unamortized debt discounts and issuance costs, as well as other fees incurred in connection with the early retirement of debt.

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

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

Income Taxes

Income taxes consist of our provision for federal, state and local income taxes in the United States and foreign income taxes, including provisions for deferred income taxes resulting from temporary differences between the tax and GAAP bases. The computation of the provision requires certain estimates and significant judgment, including, but not limited to, the expected taxable income for the year, projections of the proportion of income earned and taxed in foreign jurisdictions, permanent differences between the tax and GAAP bases and the likelihood of being able to fully utilize deferred income tax assets existing as of the end of the period.

The Sculptor Operating Partnerships are partnerships for U.S. federal income tax purposes. The Registrant was a partnership for U.S. federal income tax purposes until the Corporate Classification Change on April 1, 2019. Prior to the Corporate Classification Change, only a portion of the income we earned was subject to corporate-level income taxes in the United States and foreign jurisdictions. The amount of incentive income we earn in a given year, the resultant flow of revenues and expenses through our legal entity structure, the effect that changes in our Class A Share price may have on the ultimate deduction we are able to take related to the settlement of RSUs, and any changes in future enacted income tax rates may have a significant impact on our income tax provision and effective income tax rate. Following the Corporate Classification Change, generally all of the income allocated to the Registrant from the Sculptor Operating Group will be subject to corporate-level income taxes in the United States.

Net (Loss) Income Attributable to Noncontrolling Interests

Noncontrolling interests represent ownership interests in our subsidiaries held by parties other than us and are primarily made up of Group A Units. Increases or decreases in net (loss) income attributable to the Group A Units are driven by the earnings of the Sculptor Operating Group. See Note 4 for additional information regarding our ownership interest in the Sculptor Operating Group.

Prior to the fourth quarter of 2019, we also consolidated certain of our opportunistic credit funds, wherein investors are able to redeem their interests after an initial lock-up period of up to three years. Allocations of earnings to these interests were reflected within net income attributable to redeemable noncontrolling interests in the consolidated statements of comprehensive income (loss). Increases or decreases in the net income (loss) attributable to fund investors' interests in consolidated funds were driven by the earnings of those funds as allocated under the contractual terms of the relevant fund agreements.

Results of Operations

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenues

	Year Ended December 31,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Management fees	$ 253,011	$ 281,862	$ (28,851)	(10) %
Incentive income	321,621	202,896	118,725	59 %
Other revenues	15,982	15,976	6	— %
Income of consolidated funds	6,732	6,489	243	4 %
Total Revenues	**$ 597,346**	**$ 507,223**	**$ 90,123**	**18 %**

Total revenues increased $90.1 million, primarily due to the following:

- A $28.9 million decrease in management fees, driven primarily by (i) a $34.5 million decrease in multi-strategy funds due to lower average assets under management; and (ii) a $3.2 million decrease in real estate funds, primarily due to a step down in the management fee basis from committed capital to invested capital effective April 1, 2019, for Sculptor Real Estate Fund III. These decreases were partially offset by (i) a $7.7 million increase in Institutional Credit Strategies, primarily due to launches of additional CLOs, aircraft securitizations, and a CBO; (ii) a $3.5 million increase related to closes of Sculptor Real Estate Fund IV during the fourth quarter of 2019; and (iii) a $2.7 million increase in opportunistic credit funds due to higher average assets under management. See "—Assets Under Management and Fund Performance—Weighted-Average Assets Under Management and Average Management Fee Rates" above for information regarding our average management fee rate.

- A $118.7 million increase in incentive income, primarily due to the following:

  - *Multi-strategy funds.* A $168.5 million increase in incentive income from our multi-strategy funds, which was driven by: (i) a $153.0 million increase from assets under management subject to a one-year measurement period; (ii) an $11.8 million increase related to fund investor redemptions; and (iii) a $7.7 million increase in tax distributions taken to cover tax liabilities on incentive income that has been accrued on certain longer-term assets under management. These increases were partially offset by a $4.0 million decrease from longer-term assets under management.

  - *Opportunistic credit funds.* A $40.7 million decrease in incentive income from our opportunistic credit funds, which was driven by: (i) a $25.9 million decrease from longer-term assets under management; (ii) a $13.5 million decrease from assets under management subject to a one-year measurement period; (iii) a $6.7 million decrease in tax distributions taken to cover tax liabilities on incentive income that has been accrued on certain longer-term assets under management; and (iv) a $1.5 million decrease related to fund investor redemptions. These decreases were partially offset by a $6.9 million increase due to a contract modification that resulted in an offset to previously recognized incentive income in the prior year period.

  - *Real estate funds.* An $8.2 million decrease in incentive income from our real estate funds, primarily due to an $18.5 million decrease in tax distributions, partially offset by a $10.3 million increase due to higher realizations.

Expenses

	Year Ended December 31,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Compensation and benefits	$ 418,349	$ 312,723	$ 105,626	34 %
Interest expense	24,900	24,179	721	3 %
General, administrative and other	149,961	181,977	(32,016)	(18) %
Expenses of consolidated funds	646	406	240	59 %
Total Expenses	**$ 593,856**	**$ 519,285**	**$ 74,571**	**14 %**

Total expenses increased $74.6 million, primarily due to the following:

- A $105.6 million increase in compensation and benefits expenses driven by: (i) a $78.2 million increase in bonus expense as a result of higher incentive income; and (ii) a $40.4 million increase in equity-based compensation expense, primarily driven by the Recapitalization-related equity-based compensation grants. These increases were partially offset by (i) a $9.9 million decrease in salaries and benefits, as our worldwide headcount decreased to 390 as of December 31, 2019, from 416 as of December 31, 2018; and (ii) a $3.1 million decrease in expenses related to distributions accrued on Group D Units, as there were no Group D Units outstanding following the Recapitalization.

- An offsetting $32.0 million decrease in general, administrative, and other expenses, primarily due to (i) a $12.7 million decrease in legal settlements and provisions due to a $31.8 million accrual in the prior year for a matter that was settled in 2018, compared to a $19.1 million legal provision recorded in 2019 as described in Note 19; (ii) a $9.8 million decrease in professional services, primarily due to lower legal expenses incurred year-over-year, which was driven in part by lower expenses related to the Recapitalization and related strategic actions; (iii) a $3.2 million decrease in foreign exchange losses; and (iv) a $2.2 million decrease in recurring placement and related service fees due to lower average assets in our multi-strategy funds subject to these fees.

Other Income (Loss)

	Year Ended December 31,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Changes in tax receivable agreement liability	$ 4,776	$ 2,218	$ 2,558	115 %
Net losses on early retirement of debt	(6,375)	(14,303)	7,928	(55)%
Net gains (losses) on investments	8,068	(7,055)	15,123	NM
Net gains (losses) of consolidated funds	3,768	(5,200)	8,968	NM
Total Other Income (Loss)	**$ 10,237**	**$ (24,340)**	**$ 34,577**	**NM**

Total other income increased by $34.6 million, primarily due to higher net gains on investments, primarily due to losses on investments in CLOs in the prior year, and higher net gains on investments held by the consolidated funds due to favorable fund performance. Gains on investments in consolidated funds are expected to decrease in the future, as the majority of the assets related to the funds were deconsolidated in the third quarter of 2019, as described in Note 6. Additionally, losses recognized on early retirement of debt decreased, primarily driven by the retirement of our Senior Notes in the prior year. Changes in the tax receivable agreement liability were a result of changes in state apportionment factors.

Income Taxes

	Year Ended December 31,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Income taxes	$ 34,112	$ 12,500	$ 21,612	173 %

For the year-to-date period, income taxes increased by $21.6 million, primarily due to the deferred tax impacts of the Corporate Classification Change and the Recapitalization, namely, an increase of $2.8 million resulting from a decrease in our state apportionment factor, a $3.0 million increase from Recapitalization-related expenses that are non-deductible for tax purposes, and higher profits before taxes for the period. Our effective income tax rate for the year ended December 31, 2019, was impacted by the Corporate Classification Change, as well as by Recapitalization-related expenses incurred during the period, including Group E Units grants and transaction-related expenses, not deductible for tax purposes.

Net (Loss) Income Attributable to Noncontrolling Interests

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

	Year Ended December 31,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Group A Units	$ (36,917)	$ (25,716)	$ (11,201)	44 %
Other	733	807	(74)	(9) %
Total	**$ (36,184)**	**$ (24,909)**	**$ (11,275)**	**45 %**
Redeemable noncontrolling interests	$ 8,745	$ 291	$ 8,454	NM

Net (loss) income attributable to noncontrolling interests decreased by $11.3 million. The year-over-year decrease was driven primarily by improved profitability of the Sculptor Operating Group. In addition, for periods following the Recapitalization, net income generated by Sculptor Capital Advisors LP and Sculptor Capital Advisors II LP was allocated 100% to Sculptor Capital Management, Inc., while losses from Sculptor Capital LP were allocated on a pro rata basis among the Group A Units (noncontrolling interests) and Sculptor Capital Management, Inc. as described in Note 4. In the prior year period, all of the net income and net losses were allocated pro rata among the Group A Units and Sculptor Capital Management, Inc. Income (loss) attributable to redeemable noncontrolling interests relates to the funds we deconsolidated in the third quarter of 2019, as a result, we expect this balance to be zero after December 31, 2019.

Net Income (Loss) Attributable to Class A Shareholders

	Year Ended December 31,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Net Income (Loss) Attributable to Class A Shareholders	$ 51,418	$ (24,284)	$ 75,702	NM

Net income (loss) attributable to Class A Shareholders increased by $75.7 million from the prior year period. The year-over-year improvement was primarily due to an adjustment to the redemption value of Preferred Units recognized during the first quarter of 2019 in connection with the Recapitalization. The increase was also due to higher incentive income and lower general and administrative expenses, including lower legal settlements and provisions, as well as reductions across various operating expense categories. In addition, we allocated more income to Class A Shareholders during the year, following the Recapitalization, as described in Note 4. Further contributing to the year-over-year improvement, were higher net gains on investments, a decrease in losses recognized on early retirement of debt, and changes in tax receivable agreement liability. These improvements were partially offset by higher bonus and equity-based compensation expenses, lower management fees, as well as higher income taxes.

For the discussion of results of operations for the year ended December 31, 2018 compared to year ended December 31, 2017, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—December 31, 2018 Compared to December 31, 2017" in our annual report on Form 10-K for the year ended December 31, 2018, dated March 15, 2019 and filed with the SEC.

Economic Income Analysis

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

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

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

- Equity-based compensation expenses, depreciation and amortization expenses, changes in the tax receivable agreement liability, net losses on early retirement of debt, gains and losses on fixed assets, and gains and losses on investments in funds, as management does not consider these items to be reflective of operating performance. However, the fair value of RSUs that are settled in cash to employees or executive managing directors is included as an expense at the time of settlement.

- Amounts related to non-cash interest expense accretion on Debt Securities issued in exchange for 2016 Preferred Units in connection with the Recapitalization. Upon exchange, Debt Securities were recognized at fair value and are being accreted to par value over time through interest expense for GAAP; however, management does not consider this interest accretion to be reflective of our operating performance.

- Amounts related to the consolidated funds, including the related eliminations of management fees and incentive income, as management reviews the total amount of management fees and incentive income earned in relation to total assets under management and fund performance.

In addition, expenses related to incentive income profit-sharing arrangements are generally recognized at the same time the related incentive income revenue is recognized, as management reviews the total compensation expense related to these arrangements in relation to any incentive income earned by the relevant fund. Further, deferred cash compensation is expensed in full in the year granted for Economic Income, rather than over the service period for GAAP.

As a result of the adjustments described above, as well as an adjustment to present management fees net of recurring placement and related service fees (rather than considering these fees an expense), management fees, incentive income, other revenues, compensation and benefits, general, administrative and other expenses and net income (loss) attributable to noncontrolling interests as presented on an Economic Income basis are also non-GAAP measures.

For reconciliations of our non-GAAP measures to the respective GAAP measures, please see "—Economic Income Reconciliations" at the end of this MD&A.

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

Prior to the fourth quarter of 2019, we had two operating segments: Sculptor Funds and Real Estate. In the fourth quarter of 2019, we combined these into one operating and reportable segment, which is reflective of how our chief operating decision makers review operating results of the Company and make resource allocation decisions.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Economic Income Revenues (Non-GAAP)

	Year Ended December 31,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Economic Income Basis				
Management fees	$ 237,251	$ 264,374	$ (27,123)	(10) %
Incentive income	321,880	202,896	118,984	59 %
Other revenues	15,982	15,937	45	— %
Total Economic Income Revenues	**$ 575,113**	**$ 483,207**	**$ 91,906**	**19 %**

Economic Income revenues increased $91.9 million, primarily due to the following:

- A $27.1 million decrease in management fees, driven primarily by (i) a $32.0 million decrease in multi-strategy funds due to lower average assets under management; and (ii) a $3.6 million decrease in real estate funds, primarily due to a step down in the management fee basis from committed capital to invested capital effective April 1, 2019, for Sculptor Real Estate Fund III. These decreases were partially offset by (i) a $7.2 million increase in Institutional Credit Strategies, primarily due to launches of additional CLOs, aircraft securitizations, and a CBO; (ii) a $3.1 million increase related to closes of Sculptor Real Estate Fund IV during the fourth quarter of 2019; and (iii) a $2.7 million increase in opportunistic credit funds due to higher average assets under management. See "—Assets Under Management and Fund Performance—Weighted-Average Assets Under Management and Average Management Fee Rates" above for information regarding our average management fee rate.

- A $119.0 million increase in incentive income, primarily due to the following:

  - *Multi-strategy funds.* A $168.5 million increase in incentive income from our multi-strategy funds, which was driven by: (i) a $153.0 million increase from assets under management subject to a one-year measurement period; (ii) an $11.8 million increase related to fund investor redemptions; and (iii) a $7.7 million increase in tax distributions taken to cover tax liabilities on incentive income that has been accrued on certain longer-term assets under management. These increases were partially offset by a $4.0 million decrease from longer-term assets under management.

  - *Opportunistic credit funds.* A $40.7 million decrease in incentive income from our opportunistic credit funds, which was driven by: (i) a $25.9 million decrease from longer-term assets under management; (ii) a $13.5 million decrease from assets under management subject to a one-year measurement period; (iii) a $6.7 million decrease in tax distributions taken to cover tax liabilities on incentive income that has been accrued on certain longer-term assets under management; and (iv) a $1.5 million decrease related to fund investor redemptions. These decreases were partially offset by a $6.9 million increase due to a contract modification that resulted in an offset to previously recognized incentive income in the prior year period.

  - *Real estate funds.* An $8.2 million decrease in incentive income from our real estate funds, primarily due to an $18.5 million decrease in tax distributions, partially offset by a $10.3 million increase due to higher realizations.

Economic Income Expenses (Non-GAAP)

	Year Ended December 31,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Economic Income Basis				
Compensation and benefits	$ 303,726	$ 219,045	$ 84,681	39 %
Interest expense	10,360	24,179	(13,819)	(57) %
General, administrative and other expenses	125,185	154,113	(28,928)	(19) %
Total Economic Income Expenses	**$ 439,271**	**$ 397,337**	**$ 41,934**	**11 %**

Economic Income expenses increased by $41.9 million, primarily due to the following:

- An $84.7 million increase in compensation and benefits expenses, driven by a $94.6 million increase in bonus expense as a result of higher incentive income. This increase was partially offset by a $9.9 million decrease in salaries and benefits due to lower headcount.
- An offsetting $28.9 million decrease in general, administrative and other expenses, primarily due to (i) a $12.7 million decrease in legal settlements and provisions due to a $31.8 million accrual in the prior year for a matter that was settled in 2018, compared to a $19.1 million legal provision recorded in 2019 as described in Note 19; (ii) a $9.8 million decrease in professional services, primarily due to lower legal expenses incurred year-over-year, which was driven in part by lower expenses related to the Recapitalization and related strategic actions; and (iii) a $3.2 million decrease in foreign exchange losses.
- A $13.8 million decrease in interest expense, driven primarily by lower average debt outstanding balance.

Other Economic Items (Non-GAAP)

	Year Ended December 31,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Economic Income Basis				
Net losses on investments	$ —	$ (24)	$ 24	(100)%
Net loss attributable to noncontrolling interests	$ (11)	$ (21)	$ 10	(48)%

Net loss attributable to noncontrolling interests represents the amount of loss that was reduced from Economic Income and attributed to residual interests in certain businesses not owned by us.

Economic Income (Non-GAAP)

	Year Ended December 31,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Economic Income	$ 135,853	$ 85,867	$ 49,986	58 %

Economic Income was $135.9 million in 2019, compared to $85.9 million in 2018. This improvement was primarily due to higher incentive income, lower interest expense, lower legal settlements and provisions, lower salaries and benefits, as well as reductions across various other operating expense categories. These improvements were partially offset by higher bonus expense and lower management fees.

For the discussion of Economic Income for the year ended December 31, 2018 compared to year ended December 31, 2017, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Economic Income Analysis" in our annual report on Form 10-K for the year ended December 31, 2018, dated March 15, 2019 and filed with the SEC.

Liquidity and Capital Resources

The working capital needs of our business have historically been met, and we anticipate will continue to be met, through cash generated from management fees and incentive income earned by the Sculptor Operating Group from our funds, as well as other sources of liquidity noted above and below.

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

- Pay our operating expenses.
- Pay interest and principal, as applicable, on our debt obligations, repurchase agreements and 2019 Preferred Units, including required paydowns under the Cash Sweep discussed below.
- Provide capital to facilitate the growth of our business, including making risk retention investments in CLOs managed by us that are subject to EU risk retention rules.
- Pay income taxes as well as compensation-related tax withholding obligations.
- Make cash distributions in accordance with our distribution policy as discussed below under "—Dividends and Distributions."

Historically, management fees have been sufficient to cover all of our "fixed" operating expenses, which we define as salaries, benefits, a minimum discretionary bonus and our general, administrative and other expenses incurred in the ordinary course of business. Net capital outflows from our multi-strategy funds have resulted in lower management fees over the last several years, and while we are making every effort to scale our operations so that management fees are sufficient to cover our fixed operating expenses, our current management fees do not cover our current fixed operating expenses. No assurances can be given that our management fees ultimately will be sufficient for these purposes in future periods.

When management fees do not cover fixed operating expenses, we rely on cash on hand and incentive income to cover any shortfall, as well as to fund any other liabilities. We cannot predict the amount of incentive income, if any, that we may earn in any given year. Total annual revenues, which are heavily influenced by the amount of incentive income we earn, historically have been sufficient to fund both our fixed operating expenses and all of our other working capital needs, including annual discretionary cash bonuses. These cash bonuses, which historically have comprised our largest cash operating expense, are variable such that in any year where total annual revenues are greater or less than the prior year, cash bonuses may be adjusted accordingly. Our ability to scale our largest cash operating expense to our total annual revenues helps us manage our cash flow and liquidity position from year to year.

Based on our past results, management's experience and our current level of assets under management, we believe that our existing cash resources, together with the cash generated from management fees will be sufficient to meet our anticipated fixed operating expenses and other working capital needs for at least the next 12 months.

Historically, we have determined the amount of discretionary cash bonuses during the fourth quarter of each year, based on our total annual revenues. We have historically funded these amounts through fourth quarter management fees and incentive income crystallized on December 31, which represents the majority of the incentive income we typically earn each year. To the extent our funds generate incentive income in the fourth quarter, we may elect to increase the amount of cash bonuses paid to employees over the amount already accrued throughout the year, with any incremental amounts recognized as expense in the fourth quarter. Although we cannot predict the amount, if any, of incentive income we may earn, we are able to regularly monitor expected management fees and we believe that we will be able to adjust our expense infrastructure, including discretionary cash bonuses, as needed to meet the requirements of our business and in order to maintain positive operating cash flows. Nevertheless, if we generate insufficient cash flows from operations to meet our short-term liquidity needs, we may have to borrow funds or sell assets, subject to existing contractual arrangements.

We may use cash on hand to repay all or a portion of our indebtedness outstanding or any other liabilities prior to their respective maturity or due dates, which would reduce amounts available to distribute to our Class A Shareholders. Additionally, we may refinance all or a portion of our outstanding indebtedness prior to their respective maturity dates. For any amounts unpaid as of a maturity or due date, we will be required to repay the remaining balance by using cash on hand, refinancing the remaining balance by issuing new notes or entering into new credit facilities, which could result in higher borrowing costs, or by issuing equity or other securities, which would dilute existing shareholders. No assurance can be given that we will be able to issue new notes, enter into new credit facilities or issue equity or other securities in the future on attractive terms or at all. Any new notes or new credit facilities that we may be able to issue or enter into may have covenants that impose additional limitations on us, including with respect to making distributions, entering into business transactions or other matters, and may result in increased interest expense. If we are unable to meet our debt obligations on terms that are favorable to us, our business may be adversely impacted.

On July 27, 2017, the UK Financial Conduct Authority announced that it would phase out LIBOR as a benchmark by the end of 2021. To address a potential transition away from LIBOR, the Senior Subordinated Credit Agreement and Senior Credit Agreement each provide for an agreed upon methodology to calculate the new floating rate reference plus new applicable spreads. See “Part I, Item 1A. Risk Factors—Risks Related to Our Business—Changes in the method of determining LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect our credit arrangements and our collateralized loan obligation transactions” in this annual report for additional information.

In order to meet risk retention requirements for certain of the CLOs we manage, we use a combination of cash on hand, as well as financing under the CLO Investments Loans and repurchase agreements to fund our 5% risk retention investments. We expect to continue relying on a combination of cash on hand and financing to fund future CLO risk retention investments.

For our other longer-term liquidity requirements, we expect to continue to fund our fixed operating expenses through management fees and to fund discretionary cash bonuses and the repayment of our debt obligations through a combination of management fees and incentive income. We may also decide to meet these requirements by issuing additional debt, equity or other securities.

Over the long term, we believe we will be able to grow our assets under management and generate positive investment performance in our funds, which we expect will allow us to grow our management fees and incentive income in amounts sufficient to cover our long-term liquidity requirements.

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

- Support the future growth in our business.
- Create new or enhance existing products and investment platforms.
- Repay amounts due under our debt obligations, repurchase agreements and 2019 Preferred Units.
- Repurchase Class A Shares or Sculptor Operating Group Units.
- Pursue new investment opportunities.
- Develop new distribution channels.
- Cover potential costs incurred in connection with the legal and regulatory matters described in the notes to our consolidated financial statements included in this report.

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

Cash Sweep

As part of the Recapitalization, we also instituted the Cash Sweep with regards to the paydown of the 2018 Term Loan and the 2019 Preferred Units. See Note 3 for detailed information regarding how the Cash Sweep amount is determined.

Debt Obligations

2018 Term Loan

As of December 31, 2019, $45.0 million remained outstanding under the 2018 Term Loan. In February 2019, we repaid $100.0 million of the 2018 Term Loan and terminated the 2018 Revolving Credit Facility. In accordance with the Cash Sweep, we repaid an additional $55.0 million during 2019 and another $27.0 million on February 13, 2020. See Note 8 for additional details.

Preferred Units Restructuring

In connection with the Recapitalization, $200.0 million of the 2016 Preferred Units was restructured into the Debt Securities and the remaining $200.0 million of the 2016 Preferred Units was restructured into the 2019 Preferred Units. As of December 31, 2019, both the Debt Securities and the 2019 Preferred Units remain outstanding. See Notes 8 and 10 for additional information.

CLO Investments Loans and Securities Sold Under Agreements to Repurchase

We enter into loans and repurchase agreements to finance portions of our required risk retention investments in CLOs. In general, we will make interest and principal payments on these borrowings at such time interest and principal payments are received on our investments in the related CLOs. See Notes 9 and 11 to our consolidated financial statements for additional details.

Tax Receivable Agreement

We have made, and may in the future be required to make, payments under the tax receivable agreement that we entered into with our executive managing directors and Ziff Investors Partnership, L.P. II and certain of its affiliates and control persons (the “Ziffs”). As of December 31, 2019, assuming no material changes in the relevant tax law and that we generate sufficient taxable income to realize the full tax benefit of the increased amortization resulting from the increase in tax basis of certain Sculptor Operating Group assets, we expected to pay our executive managing directors and the Ziffs approximately $205.8 million. Future cash savings and related payments to our executive managing directors under the tax receivable agreement in respect of subsequent exchanges would be in addition to these amounts. See Note 19 to our consolidated financial statements for additional details.

Payments under the tax receivable agreement are anticipated to increase the tax basis adjustment and, consequently, result in increasing annual amortization deductions in the taxable years of and after such increases to the original basis adjustments, and potentially will give rise to increasing tax savings with respect to such years and correspondingly increasing payments under the tax receivable agreement.

The obligation to make payments under the tax receivable agreement is an obligation of Sculptor Corp, and any other corporate taxpaying entities that hold Group B Units, and not of the Sculptor Operating Group. We may need to incur debt to finance payments under the tax receivable agreement to the extent the Sculptor Operating Group does not distribute cash to Sculptor Corp in an amount sufficient to meet our obligations under the tax receivable agreement.

The actual increase in tax basis of the Sculptor Operating Group assets resulting from an exchange or from payments under the tax receivable agreement, as well as the amortization thereof and the timing and amount of payments under the tax receivable agreement, will vary based upon a number of factors, including the following:

- The amount and timing of our income will impact the payments to be made under the tax receivable agreement. To the extent that we do not have sufficient taxable income to utilize the amortization deductions available as a result of the increased tax basis in the Sculptor Operating Partnerships' assets, payments required under the tax receivable agreement would be reduced.

- The price of our Class A Shares at the time of any exchange will determine the actual increase in tax basis of the Sculptor Operating Partnerships' assets resulting from such exchange; payments under the tax receivable agreement resulting from future exchanges, if any, will be dependent in part upon such actual increase in tax basis.

- The composition of the Sculptor Operating Group assets at the time of any exchange will determine the extent to which we may benefit from amortizing the increased tax basis in such assets and thus will impact the amount of future payments under the tax receivable agreement resulting from any future exchanges.

- The extent to which future exchanges are taxable will impact the extent to which we will receive an increase in tax basis of the Sculptor Operating Group assets as a result of such exchanges, and thus will impact the benefit derived by us and the resulting payments, if any, to be made under the tax receivable agreement.

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

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

Dividends and Distributions

The table below presents the cash dividends paid on our Class A Shares in 2019 and 2018, and the related cash distributions to our executive managing directors on their Sculptor Operating Group Units.

	Class A Shares		
Payment Date	**Record Date**	**Dividend per Share**	**Related Distributions to Executive Managing Directors (dollars in thousands)**
November 25, 2019	November 18, 2019	$ 0.03	$ —
August 21, 2019	August 14, 2019	$ 0.32	$ —
May 28, 2019	May 20, 2019	$ 0.37	$ —
March 29, 2019	March 22, 2019	$ 0.23	$ —
November 20, 2018	November 13, 2018	$ 0.20	$ 5,943
August 20, 2018	August 13, 2018	$ 0.20	$ 5,943
May 21, 2018	May 14, 2018	$ 0.20	$ 6,016
March 5, 2018	February 26, 2018	$ 0.70	$ 20,771

As discussed in Note 3, in connection with the Recapitalization, and pursuant to the Cash Sweep, we and our executive managing directors agreed to a "Distribution Holiday" on the Sculptor Operating Group Units and certain RSUs that will terminate on the earlier of (x) 45 days after the last day of the first calendar quarter as of which the achievement of $600.0 million of Economic Income adjusted for certain items described in the Sculptor Operating Partnership limited partnership agreements is realized and (y) April 1, 2026. During the Distribution Holiday, dividends may continue to be paid on our Class A Shares.

As agreed to as part of the Recapitalization, during the Distribution Holiday, pursuant to the Cash Sweep, we expect to pay dividends on our Class A Shares annually in an aggregate amount equal to not less than 20% or greater than 30% of our annual Economic Income less an estimate of payments under the tax receivable agreement and income taxes related to the earnings for the periods; provided, that, if the minimum amount of dividends eligible to be made hereunder would be $1.00 or less per Class A Share, then up to $1.00 per Class A Share (subject to appropriate adjustment in the event of any equity dividend, equity split, combination or other similar recapitalization with respect to the Class A Shares).

The declaration and payment of any distribution may be subject to legal, contractual or other restrictions. For example, as a Delaware corporation, the Registrant's Board may only declare and pay dividends either out of its surplus (as defined in DGCL) or in case there is no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Our cash needs and payment obligations may fluctuate significantly from quarter to quarter, and we may have material unexpected expenses in any period. This may cause amounts available for distribution to significantly fluctuate from quarter to quarter or may reduce or eliminate such amounts.

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

Historically, when we have paid dividends on our Class A Shares, we also made distributions to our executive managing directors on their interests in the Sculptor Operating Group, subject to the terms of the limited partnership agreements of the Sculptor Operating Partnerships; however, as part of the Recapitalization, the Sculptor Operating Partnerships initiated the Distribution Holiday. See Note 3 to our consolidated financial statements in this report for additional information regarding the Distribution Holiday.

Our cash distribution policy has certain risks and limitations, particularly with respect to our liquidity. Although we expect to pay distributions according to our policy, we may not make distributions according to our policy, or at all, if, among other things, we do not have the cash necessary to pay the distribution. Furthermore, by paying cash distributions rather than investing that cash in our businesses, we might risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our obligations, operations, new investments or unanticipated capital expenditures, should the need arise. In such event, we may not be able to execute our business and growth strategy to the extent intended.

Our Funds' Liquidity and Capital Resources

Our funds have access to liquidity from our prime brokers and other counterparties. Additionally, our funds may have committed facilities in addition to regular financing from our counterparties. These sources of liquidity provide our funds with additional financing resources, allowing them to take advantage of opportunities in the global marketplace.

Our funds' current liquidity position could be adversely impacted by any substantial, unanticipated investor redemptions from our funds that are made within a short time period. As discussed above in "—Assets Under Management and Fund Performance," capital contributions from investors in our multi-strategy and open-end opportunistic credit funds generally are subject to initial lock-up periods of one to three years. Following the expiration of these lock-up periods, subject to certain limitations, investors may redeem capital generally on a quarterly or annual basis upon giving 30 to 90 days' prior written notice. These lock-ups and redemption notice periods help us to manage our liquidity position. Investors in our other funds are generally not allowed to redeem until the end of the life of the fund.

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

Cash Flows Analysis

Operating Activities. Net cash from operating activities for the years ended December 31, 2019 and 2018 was $212.0 million and $188.2 million, respectively. Our net cash flows from operating activities are generally comprised of current-year management fees, the collection of incentive income earned during the fourth quarter of the previous year, interest income collected on our investments in CLO's, less cash used for operating expenses, including interest paid on our debt obligations. Additionally, net cash from operating activities also includes the investment activities of the funds we consolidate.

Net cash flows from operating activities for the year ended December 31, 2019 increased from the prior year period due to lower discretionary bonuses paid in 2019 as compared to 2018. The majority of our cash bonus expenses are paid out during the first quarter of the following year. The increase in cash flows from operating activities was also due to investment activities of the funds we consolidate. These investment-related cash flows are of the consolidated funds and do not directly impact the cash flows related to our Class A Shareholders. As we deconsolidated certain of our funds in the third quarter 2019, we do not expect significant cash flows in the future from consolidated funds. Additionally, we paid less in interest in the current year period as compared to the prior year period, primarily as a result of lower average debt outstanding balance.

The increases in operating cash flows were partially offset by lower year-end incentive income earned in 2018, a large portion of which was collected in the beginning of 2019, as compared to year-end incentive income earned in 2017, a large portion of which was collected in the beginning of 2018. Also offsetting the year-over-year increase were lower management fees and an increase in costs related to the Recapitalization, which were partially offset by decreases across various operating expense categories.

Investing Activities. Net cash from investing activities for the years ended December 31, 2019 and 2018 was $(14.8) million, and $(168.7) million, respectively. Investing cash outflows in 2019 primarily related to purchases of U.S. government obligations and investments made in Sculptor funds, partially offset by maturities of U.S. government obligations. Investing cash outflows in 2018 primarily related to purchases of U.S. government obligations used to manage excess liquidity and risk retention investments in our CLOs, partially offset by maturities of U.S. government obligations and proceeds from sales of certain risk retention investments in our CLOs.

Financing Activities. Net cash from financing activities for the years ended December 31, 2019 and 2018 was $(275.6) million, and $(165.1) million, respectively. Net cash from financing activities is generally comprised of dividends paid to our Class A Shareholders, borrowings and repayments related to our debt obligations, and proceeds from repurchase agreements used to finance risk retention investments in our European CLOs. Contributions from noncontrolling interests, which primarily relate to fund investor contributions into the consolidated funds, and distributions to noncontrolling interests, which primarily relate to fund investor redemptions from the consolidated funds and distributions to our executive managing directors on their Group A Units (prior to the Distribution Holiday), are also included in net cash from financing activities. As we deconsolidated certain of our funds in the third quarter 2019, we do not expect significant cash flows in the future from consolidated funds.

In the year ended December 31, 2019, we repaid $155.0 million of the 2018 Term Loan, $37.8 million of CLO Investment Loans and we entered into repurchase agreements to finance risk retention investments in our European CLOs.

In the second quarter of 2018, we repaid our $400.0 million Senior Notes and entered into our 2018 Term Loan, borrowing $250.0 million and repaying $50.0 million of the balance in the same period. In addition, we made borrowings under our CLO Investments Loans in the first nine months of 2018, as well as repaid borrowings made in connection with the sale of certain CLO risk retention investments in the second quarter of 2018. We also entered into repurchase agreements to finance risk retention investments in our European CLOs.

We paid dividends of $19.6 million to our Class A Shareholders in the year ended December 31, 2019, compared to dividends of $24.8 million to our Class A Shareholders in the year ended December 31, 2018. No distributions were made to our executive managing directors in the year ended December 31, 2019, as a result of the Distribution Holiday, compared to $33.9 million of distributions in the year ended December 31, 2018.

Contractual Obligations

The table below summarizes our contractual cash obligations as of December 31, 2019, and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

	2020	2021 - 2022	2023 - 2024	2025 - Thereafter	Total
			(dollars in thousands)		
Long-term debt(1)	$ —	$ 43,464	$ 143,301	$ 119,201	$ 305,966
Estimated interest on long-term debt(2)	16,745	34,605	20,493	11,447	83,290
Securities sold under agreements to repurchase(3)	—	—	—	97,508	97,508
Operating leases(4)	22,610	41,026	34,545	82,234	180,415
Tax receivable agreement(5)	30,305	51,817	58,431	65,199	205,752
Unrecognized tax benefits(6)	—	—	—	—	—
Incentive income subject to clawback(7)	—	—	—	—	—
Total Contractual Obligations	**$ 69,660**	**$ 170,912**	**$ 256,770**	**$ 375,589**	**$ 872,931**

(1) Represents indebtedness outstanding under the Debt Securities, 2018 Term Loan and the CLO Investments Loans. In relation to CLO Investments Loans, the amounts present our best estimate of the timing of expected payments on investments in CLOs, as the timing of payments on CLO Investments Loans is contingent on principal payments made to us on our investments in CLOs. Amounts presented represent expected cash payments, and have not been reduced for any discounts or deferred debt issuance costs that are netted against these balances for presentation in our consolidated balance sheet.

(2) Represents expected future interest payments on long-term debt based on the LIBOR and EURIBOR rates that were in effect as of December 31, 2019.

(3) Represents payments on securities sold under agreements to repurchase in accordance with the set scheduled maturity date that corresponds to the maturities of the securities sold under such transaction and exclude any interest payments as such amounts cannot be reasonably estimated. Interest payments on securities sold under agreements are based on the weighted average effective interest rate of each class of securities that have been sold, plus a spread to be agreed upon by the parties.

(4) Represents the payments required under our various operating leases for office space and data centers.

(5) Represents the maximum amounts that would be payable to our executive managing directors and the Ziffs under the tax receivable agreement assuming that we will have sufficient taxable income each year to fully realize the expected tax savings resulting from the purchase by the Sculptor Operating Group of Group A Units with proceeds from the 2007 Offerings, as well as subsequent exchanges. In light of the numerous factors affecting our obligation to make such payments, the timing and amounts of any such actual payments may differ materially from those presented in the table above.

(6) We are not currently able to make a reasonable estimate of the timing of payments in individual years in connection with our unrecognized tax benefits of $8.3 million, and therefore these amounts are not included in the table above.

(7) As of December 31, 2019, we had incentive income collected from certain of our funds that is subject to clawback in the event of future losses in the respective fund. We are not currently able to make a reasonable estimate of the timing of payments, if any, as the payments are contingent on future realizations of investments in the respective fund, the timing of which is uncertain.

Off-Balance Sheet Arrangements

In the normal course of business, we enter into various off-balance sheet arrangements including sponsoring and owning general partner interests in our funds and retained interests in a CLO we manage. We also have ongoing capital commitment arrangements with certain of our funds. None of our off-balance sheet arrangements require us to fund losses or guarantee target returns to investors in any of our other investment funds. See Notes 5 and 6 of our consolidated financial statements included in this report for information on our retained and variable interests in our funds and CLOs.

Critical Accounting Policies and Estimates

Critical accounting policies are those that require us to make significant judgments, estimates or assumptions that affect amounts reported in our financial statements or the notes thereto. We base our judgments, estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable and prudent. Actual results may differ materially from these estimates. See Note 2 to our consolidated financial statements included in this report for a description of our accounting policies. Set forth below is a summary of what we believe to be our most critical accounting policies and estimates.

Fair Value of Investments

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

GAAP prioritizes the level of market price observability used in measuring assets and liabilities at fair value. Market price observability is impacted by a number of factors, including the type of assets and liabilities and the specific characteristics of the assets and liabilities. Assets and liabilities with readily available, actively quoted prices (Level I) or for which fair value can be measured from actively quoted prices (Level II) generally will have a higher degree of market price observability and lesser degree of judgment used in measuring fair value than those measured using pricing inputs that are unobservable in the market (Level III). See Note 5 to our consolidated financial statements included in this report for additional information regarding fair value measurements.

As of December 31, 2019, the absolute values of our funds' invested assets and liabilities (excluding the notes and loans payable of our securitization vehicles) were classified within the fair value hierarchy as follows: approximately 30% within Level I; approximately 51% within Level II; and approximately 19% within Level III. As of December 31, 2018, the absolute values of our funds' invested assets and liabilities (excluding the notes and loans payable of our securitization vehicles) were classified within the fair value hierarchy as follows: approximately 36% within Level I; approximately 41% within Level II; and approximately 23% within Level III. The percentage of our funds' assets and liabilities within the fair value hierarchy will fluctuate based on the investments made at any given time and such fluctuations could be significant. A portion of our funds' Level III assets relate to Special Investments or other investments on which we do not earn any incentive income until such investments are sold or otherwise realized. Upon the sale or realization event of these assets, any realized profits are included in the calculation of incentive income for such year. Accordingly, the estimated fair value of our funds' Level III assets may not have any relation to the amount of incentive income actually earned with respect to such assets.

Valuation of Investments. Fair value represents the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants as of the measurement date. The fair value of our funds' investments is based on observable market prices when available. We, as the investment manager of our funds, determine the fair value of investments that are not actively traded on a recognized securities exchange or otherwise lack a readily ascertainable market value. The methods and procedures to value these investments may include the following: performing comparisons with prices of comparable or similar securities; obtaining valuation-related information from the issuers; calculating the present value of future cash flows; assessing other analytical data and information relating to the investment that is an indication of value; obtaining information provided by third parties; and evaluating financial information provided by the management of these investments.

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

We have established an internal control infrastructure over the valuation of financial instruments that includes ongoing oversight by our Valuation Controls Group and Valuation Committee, as well as periodic audits by our Internal Audit Group. These management control functions are segregated from the trading and investing functions.

The Valuation Committee is responsible for establishing the valuation policy and monitors compliance with the policy, ensuring that all of the funds' investments reflect fair value, as well as providing oversight of the valuation process. The valuation policy includes, but is not limited to the following: determining the pricing sources used to value specific investment classes; the selection of independent pricing services; performing due diligence of independent pricing services; and the classification of investments within the fair value hierarchy. The Valuation Committee reviews a variety of reports on a monthly basis, which include the following: summaries of the sources used to determine the value of the funds' investments; summaries of the fair value hierarchy of the funds' investments; methodology changes and variance reports that compare the values of investments to independent pricing services. The Valuation Committee is independent from the investment professionals and may obtain input from investment professionals for consideration in carrying out its responsibilities.

The Valuation Committee has assigned the responsibility of performing price verification and related quality controls in accordance with the valuation policy to the Valuation Controls Group. The Valuation Controls Group's other responsibilities include the following: overseeing the collection and evaluation of counterparty prices, broker-dealer quotations, exchange prices and pricing information provided by independent pricing services. Additionally, the Valuation Controls Group is responsible for performing back testing by comparing prices observed in executed transactions to valuations and valuations provided by independent pricing service providers on a bi-weekly and monthly basis; performing stale pricing analysis on a monthly basis; performing due diligence reviews on independent pricing services on an annual basis; and recommending changes in valuation policies to the Valuation Committee. The Valuation Controls Group also verifies that indicative broker quotations used to value certain investments are representative of fair value through procedures such as comparison to independent pricing services, back testing procedures, review of stale pricing reports and performance of other due diligence procedures as may be deemed necessary.

Investment professionals and members of the Valuation Controls Group review a daily profit and loss report, as well as other periodic reports that analyze the profit and loss and related asset class exposure of the funds' investments.

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

For information regarding the impact that the fair value measurement of assets under management has on our results, please see "Part II—Item 7A. Quantitative and Qualitative Disclosures about Market Risk."

Recognition of Incentive Income

The determination of whether to recognize incentive income under GAAP requires a significant amount of judgment regarding whether it is probable that a significant revenue reversal of incentive income that we are potentially entitled to as of a point in time will not occur in future periods, which would preclude the recognition of such amounts as incentive income. Management considers a variety of factors when evaluating whether the recognition of incentive income is appropriate, including: the performance of the fund, whether we have received or are entitled to receive incentive income distributions and whether such amounts are restricted, the investment period and expected term of the fund, where the fund is in its life-cycle, the volatility and liquidity of investments held by the fund, our team's experience with similar investments and potential sales of investments within the fund. Management continuously evaluates whether there are additional considerations that could potentially impact the recognition of incentive income and notes that the recognition, and potential reversal, of incentive income is subject to potentially significant variability due to changes to the aforementioned considerations.

Variable Interest Entities

The determination of whether or not to consolidate a variable interest entity under GAAP requires a significant amount of judgment concerning the degree of control over an entity by its holders of variable interests. To make these judgments, management has conducted an analysis, on a case-by-case basis, of whether we are the primary beneficiary and are therefore required to consolidate the entity. Management continually reconsiders whether we should consolidate a variable interest entity. Upon the occurrence of certain events, such as investor redemptions or modifications to fund organizational documents and investment management agreements, management will reconsider its conclusion regarding the status of an entity as a variable interest entity.

Income Taxes

We use the asset and liability method of accounting for deferred income taxes. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is established when management believes it is more likely than not that a deferred income tax asset will not be realized.

Substantially all of our deferred income tax assets relate to the goodwill and other intangible assets deductible for tax purposes by Sculptor Corp that arose in connection with the purchase of Group A Units with proceeds from the 2007 Offerings, subsequent exchanges of Group A Units for Class A Shares and subsequent payments made under the tax receivable agreement, in addition to any related net operating loss carryforward. In accordance with relevant provisions of the Code, we expect to take these goodwill and other intangible deductions over the 15-year period following the 2007 Offerings and subsequent exchanges, as well as an additional 20-year loss carryforward period available to us for net operating losses generated prior to 2018 and indefinite carryforward period for net operating losses generated beginning 2018, in order to fully realize the deferred income tax assets. Our analysis of whether we expect to have sufficient future taxable income to realize these deductions is based solely on estimates over this period.

Sculptor Corp generated taxable income of $69.1 million for the year ended December 31, 2019, before taking into account deductions related to the amortization of the goodwill and other intangible assets. We determined that we would need to generate taxable income of at least $1.0 billion over the remaining four-year weighted-average amortization period, as well as an additional 20-year loss carryforward period available, in order to fully realize the deferred income tax assets. Using the estimates and assumptions discussed below, we expect to generate sufficient taxable income over the remaining amortization and loss carryforward periods available to us in order to fully realize these deferred income tax assets.

To generate $1.0 billion in taxable income over the remaining amortization and loss carryforward periods available to us, we estimated that, based on estimated assets under management of $34.0 billion as of January 1, 2020, we would need to generate a minimum compound annual growth rate in assets under management of less than 3% over the period for which the taxable income estimate relates to fully realize the deferred income tax assets, assuming no performance-related growth, and therefore no incentive income. The assumed nature and amount of this estimated growth rate are not based on historical results or current expectations of future growth; however, the other assumptions underlying the taxable income estimate, such as general maintenance of current expense ratios and cost allocation percentages among the Sculptor Operating Partnerships, which impact the amount of taxable income flowing through our legal structure, are based on our near-term operating budget. If our actual growth rate in assets under management falls below this minimum threshold for any extended time during the period for which these estimates relate and we do not otherwise experience offsetting growth rates in other periods, we may not generate taxable income sufficient to realize the deferred income tax assets and may need to record a valuation allowance.

Management regularly reviews the model used to generate the estimates, including the underlying assumptions. If it determines that a valuation allowance is required for any reason, the amount would be determined based on the relevant circumstances at that time. To the extent we record a valuation allowance against our deferred income tax assets related to the goodwill and other intangible assets, we would record a corresponding decrease in the liability under the tax receivable agreement equal to approximately 69% of such amount; therefore, our consolidated net income (loss) would only be impacted by 31% of any valuation allowance recorded against the deferred income tax assets.

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

As of December 31, 2019, we had $243.1 million of net operating losses available to offset future taxable income for federal income tax purposes that will expire between 2030 and 2037, and $71.4 million of net operating losses available to be carried forward without expiration. Additionally, $153.5 million of net operating losses are available to offset future taxable income for state income tax purposes and $149.7 million for local income tax purposes that will expire between 2035 and 2039. Based on the analysis set forth above, as of December 31, 2019, we have determined that it is not necessary to record a valuation allowance with respect to our deferred income tax assets related to the goodwill and other intangible assets deductible for tax purposes, and any related net operating loss carryforward. However, we have determined that we may not realize certain foreign income tax credits and accordingly, a valuation allowance of $11.1 million has been established for these items.

Impact of Recently Adopted Accounting Pronouncements on Recent and Future Trends

The Financial Accounting Standards Board (the "FASB") has issued various Accounting Standards Updates ("ASUs") that could impact our future trends. For additional details regarding these ASUs, including methods of adoption, see Note 2 to our consolidated financial statements included in this report for additional information.

We adopted ASC No. 2016-02, *Leases (Topic 842)*, as amended, as of January 1, 2019 ("ASC 842"). Adoption of ASC 842 resulted in the recognition of $126.0 million and $135.9 million of operating lease assets and liabilities, respectively, with the net of these amounts offsetting the deferred rent credit liability in existence immediately prior to adoption. Operating lease-related expense recognition is generally in line with the accounting guidance in effect prior to the adoption of ASC 842, and therefore we do not expect ASC 842 to have a material impact on our future operating expense trends.

None of the other changes to GAAP that went into effect during the year ended December 31, 2019 are expected to substantively impact our future trends.

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

None of the changes to GAAP that have been issued but that we have not yet adopted are expected to substantively impact our future trends.

Economic Income Reconciliations

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

	Year Ended December 31,		
	2019	2018	2017
		(dollars in thousands)	
Net Income (Loss) Attributable to Class A Shareholders—GAAP	**$ 51,418**	**$ (24,284)**	**$ 18,222**
Change in redemption value of Preferred Units	(44,364)	—	2,853
Net Income (Loss) Allocated to Sculptor Capital Management, Inc.—GAAP	**7,054**	**(24,284)**	**21,075**
Net (loss) income allocated to Group A Units	(36,917)	(25,716)	130,730
Equity-based compensation, net of RSUs settled in cash	124,935	83,268	84,039
Adjustment to recognize deferred cash compensation in the period of grant	(11,579)	10,445	(28,893)
Recapitalization-related non-cash interest expense accretion	14,540	—	—
Income taxes	34,112	12,500	317,559
Net losses on early retirement of debt	6,375	14,303	—
Allocations to Group D Units	—	3,060	6,674
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	1,266	(3,094)	22,967
Changes in tax receivable agreement liability	(4,776)	(2,218)	(222,859)
Depreciation, amortization and net gains and losses on fixed assets	8,449	10,308	10,334
Other adjustments	(7,606)	7,295	(3,891)
Economic Income—Non-GAAP	**$ 135,853**	**$ 85,867**	**$ 337,735**

	Year Ended December 31,	
	2016	2015
	(dollars in thousands)	
Net (Loss) Income Attributable to Class A Shareholders—GAAP	**$ (130,762)**	**$ 25,740**
Change in redemption value of Preferred Units	6,082	—
Net (Loss) Income Allocated to Sculptor Capital Management, Inc.—GAAP	**(124,680)**	**25,740**
Net (loss) income allocated to Group A Units	(195,087)	136,449
Equity-based compensation, net of RSUs settled in cash	75,217	106,565
Adjustment to recognize deferred cash compensation in the period of grant	(1,851)	—
Income taxes	10,886	132,224
Adjustment for incentive income allocations from consolidated funds subject to clawback	—	(45,077)
Allocations to Group D Units	—	12,675
Adjustment for expenses related to compensation and profit-sharing arrangements based on fund investment performance	6,752	8,612
Reorganization expenses	—	14,064
Changes in tax receivable agreement liability	1,663	(55,852)
Depreciation, amortization and net gains and losses on fixed assets	19,882	11,331
Other adjustments	(4,357)	(1,515)
Economic Income—Non-GAAP	**$ (211,575)**	**$ 345,216**

Economic Income Revenues

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(dollars in thousands)				
Management fees—GAAP	$ 253,011	$ 281,862	$ 319,458	$ 533,156	$ 643,991
Adjustment to management fees(1)	(15,760)	(17,488)	(20,151)	(38,424)	(1,804)
Management Fees—Economic Income Basis—Non-GAAP	**237,251**	**264,374**	**299,307**	**494,732**	**642,187**
Incentive income—GAAP	321,621	202,896	528,000	233,440	187,563
Adjustment to incentive income(2)	259	—	—	—	17,449
Incentive Income—Economic Income Basis—Non-GAAP	**321,880**	**202,896**	**528,000**	**233,440**	**205,012**
Other revenues—GAAP	15,982	15,976	6,777	2,006	2,077
Adjustment to other revenues(3)	—	(39)	(1,097)	—	—
Other Revenues—Economic Income Basis—Non-GAAP	**15,982**	**15,937**	**5,680**	**2,006**	**2,077**
Total Revenues—Economic Income Basis—Non-GAAP	**$ 575,113**	**$ 483,207**	**$ 832,987**	**$ 730,178**	**$ 849,276**

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

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

(3) Adjustment to exclude gains on fixed assets.

Economic Income Expenses

	Year Ended December 31,	
	2019	2018
	(dollars in thousands)	
Compensation and benefits—GAAP	$ 418,349	$ 312,723
Adjustment to compensation and benefits(1)	(114,623)	(93,678)
Compensation and Benefits—Economic Income Basis—Non-GAAP	**$ 303,726**	**$ 219,045**
Interest expense—GAAP	$ 24,900	$ 24,179
Adjustment to interest expense(2)	(14,540)	—
Interest Expense—Economic Income Basis—Non-GAAP	**$ 10,360**	**$ 24,179**
General, administrative and other expenses—GAAP	$ 149,961	$ 181,977
Adjustment to general, administrative and other expenses(3)	(24,776)	(27,864)
General, Administrative and Other Expenses—Economic Income Basis—Non-GAAP	**$ 125,185**	**$ 154,113**

(1) Adjustment to exclude equity-based compensation, as management does not consider these non-cash expenses to be reflective of our operating performance. However, the fair value of RSUs that are settled in cash to employees or executive managing directors is included as an expense at the time of settlement. In addition, expenses related to incentive income profit-sharing arrangements are generally recognized at the same time the related incentive income revenue is recognized, as management reviews the total compensation expense related to these arrangements in relation to any incentive income earned by the relevant fund. Further, deferred cash compensation is expensed in full in the year granted for Economic Income, rather than over the service

period for GAAP. Distributions to the Group D Units are also excluded, as management reviews operating performance at the Sculptor Operating Group level, where substantially all of our operations are performed, prior to making any income allocations.

(2) Adjustment to exclude non-cash interest expense accretion on Debt Securities issued in exchange for 2016 Preferred Units in connection with the Recapitalization. Upon exchange, Debt Securities were recognized at fair value and are being accreted to par value over time through interest expense for GAAP; however, management does not consider this interest accretion to be reflective of the operating performance of the Company.

(3) Adjustment to exclude depreciation, amortization and losses on fixed assets as management does not consider these items to be reflective of our operating performance. Additionally, recurring placement and related service fees are excluded, as management considers these fees a reduction in management fees, not an expense.

Other Economic Income Items

	Year Ended December 31,	
	2019	2018
	dollars in thousands	
Net gains (losses) on investments—GAAP	$ 8,068	$ (7,055)
Adjustment to net (losses) gains on investments[(1)]	(8,068)	7,031
Net Losses on Investments—Non-GAAP	**$ —**	**$ (24)**
Net loss attributable to noncontrolling interests—GAAP	$ (36,184)	$ (24,909)
Adjustment to net loss attributable to noncontrolling interests[(2)]	36,173	24,888
Net Loss Attributable to Noncontrolling Interests—Economic Income Basis—Non-GAAP	**$ (11)**	**$ (21)**

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

(2) Adjustment to exclude amounts allocated to our executive managing directors on their interests in the Sculptor Operating Group, as management reviews operating performance at the Sculptor Operating Group level. We conduct substantially all of our activities through the Sculptor Operating Group.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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

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

Impact on Management Fees

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

Impact on Incentive Income

Incentive income for our funds is generally based on a percentage of profits generated by our funds over a commitment period, which is impacted by global market conditions and other factors. Major factors that influence the degree of impact include how the investments held by our funds are impacted by changes in the market and the extent to which any high-water marks impact our ability to earn incentive income. Consequently, incentive income cannot be readily predicted or estimated.

Market Risk

The amount of our assets under management is generally based on the net asset value of multi-strategy and opportunistic credit funds, and committed or invested capital for our real estate funds. A 10% change in the fair value of the net assets held by our funds as of December 31, 2019 and 2018, would have resulted in a change of approximately $1.4 billion and $1.5 billion, respectively, in our assets under management.

A 10% change in the fair value of the net assets held by our funds as of January 1, 2020 (the date management fees are calculated for the first quarter of 2020) would impact management fees charged on that day by approximately $3.6 million. A 10% change in the fair value of the net assets held by our funds as of January 1, 2019, would have impacted management fees charged on that day by approximately $4.0 million.

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

Exchange Rate Risk

Our funds hold investments denominated in non-U.S. dollar currencies, which may be affected by movements in the rate of exchange between the U.S. dollar and foreign currencies. We estimate that as of December 31, 2019 and 2018, a 10% weakening or strengthening of the U.S. dollar against all or any combination of currencies to which our funds have exposure to exchange rates would not have a material effect on our revenues, net income attributable to Class A Shareholders or Economic Income.

Interest Rate Risk

Borrowings under the Debt Securities, 2018 Term Loan as well as our investments in CLOs accrue interest at variable rates. Our funds also have financing arrangements and hold credit instruments that accrue interest at variable rates. Interest rate changes may therefore impact the amount of interest income and interest expense, future earnings and cash flows.

We estimate that as of December 31, 2019 and December 31, 2018, a 100 basis point increase or decrease in variable rates would not have a material effect on our annual interest income, interest expense, net income attributable to Class A Shareholders or Economic Income. A tightening of credit and an increase in prevailing interest rates could make it more difficult for us to raise capital and sustain the growth rate of the funds.

Credit Risk

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

Item 8. Financial Statements and Supplementary Data

Our financial statements, the related notes thereto and the report of independent auditors are included in this annual report beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in and disagreements with accountants on accounting and financial disclosure.

Item 9A. Controls and Procedures

Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of December 31, 2019, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and were operating at a reasonable assurance level.

Inherent Limitations on Effectiveness of Controls

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

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

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management assessed our internal control over financial reporting as of December 31, 2019. Management based its assessment on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and our overall control environment.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2019. We reviewed the results of management's assessment and re-assessment with the Audit Committee of our Board of Directors.

Our independent registered public accounting firm, Ernst & Young LLP, independently assessed the effectiveness of the Company's internal control over financial reporting. Ernst & Young LLP has audited our financial statements included in this annual report and issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2019, which is set forth on the following page.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, that occurred in the fourth quarter of 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Sculptor Capital Management, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Sculptor Capital Management, Inc.'s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Sculptor Capital Management, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018 and the related consolidated statements of comprehensive income (loss), changes in shareholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and our report dated February 24, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

New York, New York
February 24, 2020

PART III

The information required to be disclosed in this Part III will be included in the definitive proxy statement for our 2020 annual meeting of shareholders, which we refer to as the "Proxy Statement," and is incorporated into this Part III by reference as indicated below.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be included in our Proxy Statement and is incorporated herein by reference. We will file such Proxy Statement with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2019.

Pursuant to Item 401(b) of Regulation S-K, the information required under this Item 10 pertaining to our executive officers is reported in "Item 1. Business—Information About Our Executive Officers," included in this annual report.

We have adopted a Code of Business Conduct and Ethics applicable to all our directors, officers and employees. Our Code of Business Conduct and Ethics is posted in the "Public Investors" section of our website (*www.sculptor.com*). We will provide printed copies of our code free of charge on written request to us at Sculptor Capital Management, Inc., 9 West 57th Street, New York, New York 10019, Attention: Office of the Secretary. We intend to disclose any amendments to, or waivers from, provisions of our code that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or any person performing in similar functions, on our website promptly following the date of such amendment or waiver.

Item 11. Executive Compensation

The information required by this item will be included in our Proxy Statement and is incorporated herein by reference. We will file such Proxy Statement with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2019.

The "Compensation Committee Report" contained in our Proxy Statement shall not be deemed "soliciting material" or "filed" with the SEC or otherwise subject to the liabilities of Section 18 of the Exchange Act, nor shall it be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act, except to the extent we specifically request that such information be treated as soliciting material or specifically incorporate such information by reference into a document filed under the Securities Act or the Exchange Act.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be included in our Proxy Statement and is incorporated herein by reference. We will file such Proxy Statement with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2019.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be included in our Proxy Statement and is incorporated herein by reference. We will file such Proxy Statement with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2019.

Item 14. Principal Accountant Fees and Services

The information required by this item will be included in our Proxy Statement and is incorporated herein by reference. We will file such Proxy Statement with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2019.

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. The financial statements included in this annual report are listed on page F-1.
2. Financial statement schedules:

   None.
3. Exhibits included or incorporated by reference herein:

   See Exhibit Index on the following page.

Item 16. Form 10-K Summary

None.

Item 6. Exhibits

Exhibit No.	Description
2.1**	Agreement and Plan of Merger, dated as of February 7, 2019, by and between OZ Management LP and Orion Merger Sub I LP, incorporated herein by reference to Exhibit 2.1 of our Current Report on Form 8-K, filed on February 11, 2019.
2.2**	Agreement and Plan of Merger, dated as of February 7, 2019, by and between OZ Advisors LP and Orion Merger Sub II LP, incorporated herein by reference to Exhibit 2.2 of our Current Report on Form 8-K, filed on February 11, 2019.
2.3**	Agreement and Plan of Merger, dated as of February 7, 2019, by and between OZ Advisors II LP and Orion Merger Sub III LP, incorporated herein by reference to Exhibit 2.3 of our Current Report on Form 8-K, filed on February 11, 2019.
2.4	Agreement and Plan of Merger, dated as of April 1, 2019, by and between Och-Ziff Holding Corporation and Och-Ziff Holding LLC, incorporated herein by reference to Exhibit 2.1 of our Current Report on Form 8-K, filed on April 2, 2019.
3.1	Restated Certificate of Incorporation of Sculptor Capital Management, Inc., dated as of November 5, 2019, incorporated herein by reference to Exhibit 3.1 of our Quarterly Report on Form 10-Q filed on November 7, 2019.
3.2	Amended and Restated By-Laws of Sculptor Capital Management, Inc., effective as of September 12, 2019, incorporated herein by reference to Exhibit 3.2 of our Current Report on Form 8-K, filed on August 30, 2019.
4.1	Specimen of Class A Specimen Share Certificate (included in Exhibit 3.2).
4.2	Class B Shareholders Agreement by and among Och-Ziff Capital Management Group LLC and the Class B Shareholders, dated as of November 13, 2007, incorporated herein by reference to Exhibit 4.2 of our Annual Report on Form 10-K for the year ended December 31, 2007, filed on March 26, 2008.
4.3	Registration Rights Agreement by and among Och-Ziff Capital Management Group LLC and DIC Sahir Limited, dated as of November 19, 2007, incorporated herein by reference to Exhibit 4.4 of our Annual Report on Form 10-K for the year ended December 31, 2007, filed on March 26, 2008.
4.4	Indenture, dated as of November 20, 2014, among Och-Ziff Finance Co. LLC, the Guarantors party thereto and Wilmington Trust, National Association, as trustee, incorporated herein by reference to Exhibit 4.1 of our Current Report on Form 8-K, filed on November 20, 2014.
4.5	First Supplemental Indenture, dated as of November 20, 2014, among Och-Ziff Finance Co. LLC, the Guarantors party thereto and Wilmington Trust, National Association, as trustee, incorporated herein by reference to Exhibit 4.2 of our Current Report on Form 8-K, filed on November 20, 2014.
4.6	Form of 4.500% Senior Note due 2019 (included in Exhibit 4.5 hereto).
4.7	Second Amended and Restated Registration Rights Agreement of Och-Ziff Capital Management Group LLC, dated as of February 7, 2019, by and among Och-Ziff Capital Management Group LLC and the Covered Persons, incorporated herein by reference to Exhibit 10.7 of our Current Report on Form 8-K, filed on February 11, 2019.
4.8	OZ Management LP Unit Designation of the Preferences and Relative, Participating, Optional, and Other Special Rights, Powers and Duties of Class A Cumulative Preferred Units, dated as of February 7, 2019, by and among OZ Management LP, Och-Ziff Holding Corporation and Och-Ziff Capital Management Group LLC, incorporated herein by reference to Exhibit 4.1 of our Current Report on Form 8-K, filed on February 11, 2019.
4.9	OZ Advisors LP Unit Designation of the Preferences and Relative, Participating, Optional, and Other Special Rights, Powers and Duties of Class A Cumulative Preferred Units, dated as of February 7, 2019, by and among OZ Advisors LP, Och-Ziff Holding Corporation and Och-Ziff Capital Management Group LLC, incorporated herein by reference to Exhibit 4.2 of our Current Report on Form 8-K, filed on February 11, 2019.

Exhibit No.	Description
4.10	OZ Advisors II LP Unit Designation of the Preferences and Relative, Participating, Optional, and Other Special Rights, Powers and Duties of Class A Cumulative Preferred Units, dated as of February 7, 2019, by and among OZ Advisors II LP, Och-Ziff Holding LLC and Och-Ziff Capital Management Group LLC, incorporated herein by reference to Exhibit 4.3 of our Current Report on Form 8-K, filed on February 11, 2019.
4.10.1	Amendment to OZ Advisors II LP Unit Designation of the Preferences and Relative, Participating, Optional, and Other Special Rights, Powers and Duties of Class A Cumulative Preferred Units, dated as of April 1, 2019, by and between Och-Ziff Capital Management Group LLC and Och-Ziff Holding LLC, incorporated herein by reference to Exhibit 4.1 of our Current Report on Form 8-K, filed on April 2, 2019.
4.11	Senior Subordinated Term Loan and Guaranty Agreement, dated as of February 7, 2019, by and among OZ Management LP, OZ Advisors LP, OZ Advisors II LP, as borrowers, the lenders party thereto and Wilmington Trust, N.A., as administrative agent, incorporated herein by reference to Exhibit 4.4 of our Current Report on Form 8-K, filed on February 11, 2019.
4.12*	Description of Capital Stock Registered Under Section 12 of Exchange Act
10.1	Amended and Restated Tax Receivable Agreement by and among inter alia Och-Ziff Capital Management Group LLC, Oz Holding Corp., Oz Holding LLC, OZ Management LP, OZ Advisors LP, and OZ Advisors II LP, dated as of January 12, 2009, incorporated herein by reference to Exhibit 10.3 of our Annual Report on Form 10-K for the year ended December 31, 2008, filed on March 12, 2009.
10.1.1	Amendment to Tax Receivable Agreement, dated as of September 29, 2016, by and among inter alia Och-Ziff Capital Management Group LLC, Och-Ziff Holding Corp., Och-Ziff Holding LLC, OZ Management LP, OZ Advisors LP, and OZ Advisors II LP, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on September 29, 2016.
10.1.2	Amendment, dated as of February 7, 2019, to the First Amended and Restated Tax Receivable Agreement, dated as of January 12, 2009, by and among Och-Ziff Capital Management Group LLC, Och-Ziff Holding Corporation, Och-Ziff Holding LLC, OZ Management LP, OZ Advisors LP and OZ Advisors II LP, incorporated herein by reference to Exhibit 10.9 of our Current Report on Form 8-K, filed on February 11, 2019.
10.2+	Och-Ziff Capital Management Group LLC Amended and Restated 2007 Equity Incentive Plan, incorporated herein by reference to Exhibit 10.1 of our Registration Statement on Form S-8, filed on November 12, 2008 (File No. 333-155315).
10.3+	Form of Class A Restricted Share Unit Award Agreement Under the Och-Ziff Capital Management Group LLC 2013 Incentive Plan (for the Independent Directors), amended as of October 29, 2015, incorporated herein by reference to Exhibit 10.13 of our Annual Report on Form 10-K for the year ended December 31, 2015, filed on February 11, 2016.
10.4+	The Och-Ziff Capital Management Group LLC 2012 Partner Incentive Plan, approved as of August 1, 2012, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on August 2, 2012.
10.5+	The Och-Ziff Capital Management Group LLC 2013 Incentive Plan, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on May 8, 2013.
10.5.1+	Amendment to The Och-Ziff Capital Management LLC 2013 Incentive Plan, effective May 9, 2017, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed May 9, 2017.
10.5.2+	Second Amendment to Och-Ziff Capital Management Group LLC 2013 Incentive Plan, dated as of February 7, 2019, incorporated herein by reference to Exhibit 10.16 of our Current Report on Form 8-K, filed on February 11, 2019.
10.6	Credit and Guaranty Agreement, dated as of November 20, 2014, among OZ Management LP, as borrower, OZ Advisors LP, OZ Advisors II LP and Och-Ziff Finance Co. LLC, as guarantors, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Goldman Sachs Bank USA, as syndication agent, and J.P. Morgan Securities LLC and Goldman Sachs Bank USA, as joint lead arrangers and joint bookrunners, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on November 20, 2014.

Exhibit No.	Description
10.6.1	Amendment No. 1 to Credit and Guaranty Agreement, dated as of December 29, 2015, among OZ Management LP, as borrower, OZ Advisors LP, OZ Advisors II LP and Och-Ziff Finance Co. LLC, as guarantors, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, incorporated herein by reference to Exhibit 10.18 of our Annual Report on Form 10-K for the year ended December 31, 2015, filed on February 11, 2016.
10.6.2	Amendment No. 2 to Credit and Guaranty Agreement, dated as of June 13, 2017, among OZ Management LP, as borrower, OZ Advisors LP, OZ Advisors II LP and Och-Ziff Finance Co. LLC, as guarantors, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q, filed on August 2, 2017.
10.7	Securities Purchase Agreement, dated September 29, 2016, by and among OZ Management LP, OZ Advisors LP, OZ Advisors II LP and the Purchasers party thereto, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on September 29, 2016.
10.8	Plea Agreement, dated as of September 29, 2016, by and among OZ Africa Management GP, LLC, the U.S. Department of Justice and the U.S. Attorney's Office for the Eastern District of New York, incorporated herein by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q, filed on November 2, 2016.
10.9	Deferred Prosecution Agreement, dated as of September 29, 2016, by and among Och-Ziff Capital Management Group LLC, the U.S. Department of Justice and the U.S. Attorney's Office for the Eastern District of New York, incorporated herein by reference to Exhibit 10.4 of our Quarterly Report on Form 10-Q, filed on November 2, 2016.
10.9.1	Amendment to Deferred Prosecution Agreement, dated as of January 23, 2020, by and among Sculptor Capital Management, Inc., the U.S. Department of Justice and the U.S. Attorney's Office for the Eastern District of New York, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed January 23, 2020.
10.10	Order Instituting Administrative and Cease-and-Desist Proceedings pursuant to Section 21C of the Securities Exchange Act of 1934 and Sections 203(e) and (k) of the Investment Advisers Act of 1940, dated as of September 29, 2016, between Och-Ziff Capital Management Group LLC, et. al and the U.S. Securities and Exchange Commission, incorporated herein by reference to Exhibit 10.5 of our Quarterly Report on Form 10-Q, filed on November 2, 2016.
10.11+	Partner Agreement between OZ Management LP and James Levin, dated as of November 10, 2010, incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.
10.12+	Partner Agreement between OZ Advisors LP and James Levin, dated as of November 10, 2010, incorporated herein by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.
10.13+	Partner Agreement between OZ Advisors II LP and James Levin, dated as of November 10, 2010, incorporated herein by reference to Exhibit 10.4 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.
10.14+	Partner Agreement between OZ Management LP and James Levin, dated as of June 22, 2011, incorporated herein by reference to Exhibit 10.5 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.
10.15+	Partner Agreement between OZ Advisors LP and James Levin, dated as of June 22, 2011, incorporated herein by reference to Exhibit 10.6 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.
10.16+	Partner Agreement between OZ Advisors II LP and James Levin, dated as of June 22, 2011, incorporated herein by reference to Exhibit 10.7 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.
10.17+	Partner Agreement between OZ Management LP and James Levin, dated as of December 13, 2011, incorporated herein by reference to Exhibit 10.8 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.
10.18+	Partner Agreement between OZ Advisors LP and James Levin, dated as of December 13, 2011, incorporated herein by reference to Exhibit 10.9 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.
10.19+	Partner Agreement between OZ Advisors II LP and James Levin, dated as of December 13, 2011, incorporated herein by reference to Exhibit 10.10 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.
10.20+	Partner Agreement between OZ Management LP and James Levin, dated as of January 28, 2013, incorporated herein by reference to Exhibit 10.11 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.

Exhibit No.	Description
10.21+	Partner Agreement between OZ Advisors LP and James Levin, dated as of January 28, 2013, incorporated herein by reference to Exhibit 10.12 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.
10.22+	Partner Agreement between OZ Advisors II LP and James Levin, dated as of January 28, 2013, incorporated herein by reference to Exhibit 10.13 of our Quarterly Report on Form 10-Q, filed on May 2, 2014.
10.23+	Partner Agreement between OZ Management LP and Alesia J. Haas, dated as of December 9, 2016, incorporated herein by reference to Exhibit 10.33 of our Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 1, 2017.
10.24+	Partner Agreement between OZ Advisors LP and Alesia J. Haas, dated as of December 9, 2016, incorporated herein by reference to Exhibit 10.34 of our Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 1, 2017.
10.25+	Partner Agreement between OZ Advisors II LP and Alesia J. Haas, dated as of December 9, 2016, incorporated herein by reference to Exhibit 10.35 of our Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 1, 2017.
10.26+	Och-Ziff Deferred Cash Interest Plan, incorporated herein by reference to Exhibit 10.39 of our Annual Report on Form 10-K for the year ended December 31, 2016, filed on March 1, 2017.
10.27+	Partner Agreement between OZ Management LP and James Levin, dated as of February 14, 2017, incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.28+	Partner Agreement between OZ Advisors LP and James Levin, dated as of February 14, 2017, incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.29+	Partner Agreement between OZ Advisors II LP and James Levin, dated as of February 14, 2017, incorporated herein by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.30+	Class P Exchange Agreement by and among the Och-Ziff Capital Management Group LLC, Och-Ziff Corp, Och-Ziff Holding, OZ Management, OZ Advisors, OZ Advisors II, and the Och-Ziff Limited Partners, effective as of March 1, 2017, incorporated herein by reference to Exhibit 10.7 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.31+	Relinquishment Agreement among Och-Ziff Holding Corporation, Och-Ziff Holding LLC, Daniel S. Och, the Family Trust created under Article IV of the Daniel S. Och 2014 Descendants' Trust Agreement, the Family Trust created under Article III of the Jane C. Och 2011 Descendants' Trust Agreement and the Family Trust created under Article IV of the Och Children's Trust 2012 Agreement, effective as of March 1, 2017, incorporated herein by reference to Exhibit 10.8 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.32+	Partner Agreement between OZ Management LP and Wayne Cohen, dated as of November 10, 2010, incorporated herein by reference to Exhibit 10.9 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.33+	Partner Agreement between OZ Advisors LP and Wayne Cohen, dated as of November 10, 2010, incorporated herein by reference to Exhibit 10.10 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.34+	Partner Agreement between OZ Advisors II LP and Wayne Cohen, dated as of November 10, 2010, incorporated herein by reference to Exhibit 10.11 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.35+	Partner Agreement between OZ Management LP and Wayne Cohen, dated as of June 22, 2011, incorporated herein by reference to Exhibit 10.12 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.36+	Partner Agreement between OZ Advisors LP and Wayne Cohen, dated as of June 22, 2011, incorporated herein by reference to Exhibit 10.13 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.37+	Partner Agreement between OZ Advisors II LP and Wayne Cohen, dated as of June 22, 2011, incorporated herein by reference to Exhibit 10.14 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.38+	Partner Agreement between OZ Management LP and Wayne Cohen, dated as of December 13, 2011, incorporated herein by reference to Exhibit 10.15 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.

Exhibit No.	Description
10.39+	Partner Agreement between OZ Advisors LP and Wayne Cohen, dated as of December 13, 2011, incorporated herein by reference to Exhibit 10.16 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.40+	Partner Agreement between OZ Advisors II LP and Wayne Cohen, dated as of December 13, 2011, incorporated herein by reference to Exhibit 10.17 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.41+	Partner Agreement between OZ Management LP and Wayne Cohen, dated as of April 15, 2013, incorporated herein by reference to Exhibit 10.18 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.42+	Partner Agreement between OZ Advisors LP and Wayne Cohen, dated as of April 15, 2013, incorporated herein by reference to Exhibit 10.19 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.43+	Partner Agreement between OZ Advisors II LP and Wayne Cohen, dated as of April 15, 2013, incorporated herein by reference to Exhibit 10.20 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.44+	Partner Agreement between OZ Management LP and Wayne Cohen, dated as of February 22, 2017, incorporated herein by reference to Exhibit 10.21 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.45+	Partner Agreement between OZ Advisors LP and Wayne Cohen, dated as of February 22, 2017, incorporated herein by reference to Exhibit 10.22 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.46+	Partner Agreement between OZ Advisors II LP and Wayne Cohen, dated as of February 22, 2017, incorporated herein by reference to Exhibit 10.23 of our Quarterly Report on Form 10-Q, filed on May 2, 2017.
10.47+	Employment Agreement between OZ Management LP and Robert Shafir, dated as of January 27, 2018, incorporated herein by reference of Exhibit 10.65 of our Annual Report on Form 10-K for the year ended December 31, 2017, filed on February 23, 2018.
10.48+	Och-Ziff Deferred Cash Interest Plan for Employees, incorporated herein by reference to Exhibit 10.66 of our Annual Report on Form 10-K for the year ended December 31, 2017, filed on February 23, 2018.
10.49+	Partner Agreement between OZ Management LP and James Levin, dated as of February 16, 2018 and effective January 1, 2018, incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q for the period ended March 31, 2018 filed on May 2, 2018.
10.50+	Partner Agreement between OZ Advisors LP and James Levin, dated as of February 16, 2018 and effective January 1, 2018, incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the period ended March 31, 2018 filed on May 2, 2018.
10.51+	Partner Agreement between OZ Advisor II LP and James Levin, dated as of February 16, 2018 and effective January 1, 2018, incorporated herein by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q for the period ended March 31, 2018 filed on May 2, 2018.
10.52+	Partner Agreement between OZ Management LP and Rob Shafir, dated as of March 6, 2018, incorporated herein by reference to Exhibit 10.4 of our Quarterly Report on Form 10-Q for the period ended March 31, 2018 filed on May 2, 2018.
10.53+	Partner Agreement between OZ Advisors LP and Rob Shafir, dated as of March 6, 2018, incorporated herein by reference to Exhibit 10.5 of our Quarterly Report on Form 10-Q for the period ended March 31, 2018 filed on May 2, 2018.
10.54+	Partner Agreement between OZ Advisors II LP and Rob Shafir, dated as of March 6, 2018, incorporated herein by reference to Exhibit 10.6 of our Quarterly Report on Form 10-Q for the period ended March 31, 2018 filed on May 2, 2018.
10.55+	Cancellation, Reallocation and Grant Agreement, dated as of March 28, 2018, incorporated herein by reference to Exhibit 10.7 of our Quarterly Report on Form 10-Q for the period ended March 31, 2018 filed on May 2, 2018.
10.56+	The 2018 Partner Incentive Pool, incorporated herein by reference Exhibit 10.1 of our Quarterly Report on Form 10-Q for the period ended June 30, 2018 filed on August 2, 2018.

Exhibit No.	Description
10.57+	Partner Agreement between OZ Management LP and Thomas Sipp, dated July 19, 2018 and effective May 3, 2018, incorporated herein by reference Exhibit 10.4 of our Quarterly Report on Form 10-Q for the period ended June 30, 2018 filed on August 2, 2018.
10.58+	Partner Agreement between OZ Advisors LP and Thomas Sipp, dated July 19, 2018, effective May 3, 2018, incorporated herein by reference Exhibit 10.5 of our Quarterly Report on Form 10-Q for the period ended June 30, 2018 filed on August 2, 2018.
10.59+	Partner Agreement between OZ Management Advisors II LP and Thomas Sipp, dated July 19, 2018, and effective May 3, 2018, incorporated herein by reference Exhibit 10.6 of our Quarterly Report on Form 10-Q for the period ended June 30, 2018 filed on August 2, 2018.
10.60+	First Amendment to the Omnibus Agreement Between Thomas Sipp and OZ Management LP, OZ Advisors LP and OZ Advisors II LP, dated July 10, 2019, incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q filed on August 6, 2019.
10.61+	CFO Sign-on RSU Agreement between OZ Management LP and Thomas Sipp, dated as of July 19, 2018, incorporated herein by reference Exhibit 10.7 of our Quarterly Report on Form 10-Q for the period ended June 30, 2018 filed on August 2, 2018.
10.62	Letter Agreement (including Term Sheet attached as Exhibit A), dated January 27, 2018, incorporated herein by reference Exhibit 10.1 of our Current Report on Form 8-K, filed on January 30, 2018.
10.63	Credit and Guaranty Agreement, dated as of April 10, 2018, among OZ Management LP, as borrower, OZ Advisors LP and OZ Advisors II LP, as guarantors, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on April 10, 2018.
10.63.1	Amendment No. 1, dated as of February 7, 2019, to the Credit and Guaranty Agreement, dated April 10, 2018, by and among OZ Management LP, as borrower, OZ Advisors LP and OZ Advisors II LP, as guarantors, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, incorporated herein by reference to Exhibit 10.8 of our Current Report on Form 8-K, filed on February 11, 2019.
10.64	Letter Agreement (including Term Sheet attached as Exhibit A), dated December 5, 2018, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on December 6, 2018.
10.64.1	Amendment to the Letter Agreement and Term Sheet, dated January 14, 2019, by and between Och-Ziff Capital Management Group LLC and Daniel S. Och, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on January 14, 2019.
10.64.2	Amendment No. 2 to the Letter Agreement and Term Sheet, dated January 31, 2019, by and between Och-Ziff Capital Management Group LLC and Daniel S. Och, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on February 1, 2019.
10.64.3	Amendment No. 3 to the Letter Agreement and Term Sheet, dated February 6, 2019, by and between Och-Ziff Capital Management Group LLC and Daniel S. Och, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on February 7, 2019.
10.65	Amended and Restated Agreement of Limited Partnership of OZ Management LP, dated as of February 7, 2019, by and among Och-Ziff Holding Corporation, the Limited Partners and Och-Ziff Capital Management Group LLC, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on February 11, 2019.
10.65.1	First Amendment to Amended and Restated Agreement of Limited Partnership of OZ Management LP, effective as of September 12, 2019, incorporated herein by reference to Exhibit 10.3 of our Current Report on Form 8-K, filed on August 30, 2019.
10.66	Amended and Restated Agreement of Limited Partnership of OZ Advisors LP, dated as of February 7, 2019, by and among Och-Ziff Holding Corporation, the Limited Partners and Och-Ziff Capital Management Group LLC, incorporated herein by reference to Exhibit 10.2 of our Current Report on Form 8-K, filed on February 11, 2019.
10.66.1	First Amendment to Amended and Restated Agreement of Limited Partnership of OZ Advisors LP, effective as of September 12, 2019, incorporated herein by reference to Exhibit 10.4 of our Current Report on Form 8-K, filed on August 30, 2019.

Exhibit No.	Description
10.67	Amended and Restated Agreement of Limited Partnership of OZ Advisors II LP, dated as of February 7, 2019, by and among Och-Ziff Holding Corporation, the Limited Partners and Och-Ziff Capital Management Group LLC, incorporated herein by reference to Exhibit 10.3 of our Current Report on Form 8-K, filed on February 11, 2019.
10.67.1	First Amendment to Amended and Restated Agreement of Limited Partnership of OZ Advisors II LP, effective as of September 12, 2019, incorporated herein by reference to Exhibit 10.5 of our Current Report on Form 8-K, filed on August 30, 2019.
10.68+	Robert Shafir Distribution Holiday Agreement, dated as of February 7, 2019, by and between Robert Shafir and Och-Ziff Capital Management Group LLC, incorporated herein by reference to Exhibit 10.4 of our Current Report on Form 8-K, filed on February 11, 2019.
10.69+	Form of Independent Director Distribution Holiday Agreement, dated as of February 7, 2019, incorporated herein by reference to Exhibit 10.5 of our Current Report on Form 8-K, filed on February 11, 2019.
10.70	Amended and Restated Exchange Agreement, dated as of February 7, 2019, by and among Och-Ziff Capital Management Group LLC, Och-Ziff Holding Corporation, Och-Ziff Holding LLC, OZ Management LP, OZ Advisors LP, OZ Advisors II LP and the Och-Ziff Limited Partners and Class B Shareholders, incorporated herein by reference to Exhibit 10.6 of our Current Report on Form 8-K, filed on February 11, 2019.
10.71+	Governance Agreement, dated as of February 7, 2019, among Och-Ziff Capital Management Group LLC, Och-Ziff Holding Corporation, Och-Ziff Holding LLC, OZ Management LP, OZ Advisors LP, OZ Advisors II LP and Daniel S. Och, incorporated herein by reference to Exhibit 10.10 of our Current Report on Form 8-K, filed on February 11, 2019.
10.72	Form of Recapitalization Consent, incorporated herein by reference to Exhibit 10.11 of our Current Report on Form 8-K, filed on February 11, 2019.
10.73+	Omnibus Agreement, dated as of February 7, 2019, by and among Wayne Cohen, OZ Management LP, OZ Advisors LP and OZ Advisors II LP, incorporated herein by reference to Exhibit 10.12 of our Current Report on Form 8-K, filed on February 11, 2019.
10.74+	Omnibus Agreement, dated as of February 7, 2019, by and among James Levin, OZ Management LP, OZ Advisors LP and OZ Advisors II LP, incorporated herein by reference to Exhibit 10.13 of our Current Report on Form 8-K, filed on February 11, 2019.
10.75+	Omnibus Agreement, dated as of February 7, 2019, by and among David Levine, OZ Management LP, OZ Advisors LP and OZ Advisors II LP, incorporated herein by reference to Exhibit 10.14 of our Current Report on Form 8-K, filed on February 11, 2019.
10.76+	Omnibus Agreement, dated as of February 7, 2019, by and among Thomas Sipp, OZ Management LP, OZ Advisors LP and OZ Advisors II LP, incorporated herein by reference to Exhibit 10.15 of our Current Report on Form 8-K, filed on February 11, 2019.
10.77+	Form of Class E Common Unit Award Agreement, dated as of February 7, 2019, incorporated herein by reference to Exhibit 10.17 of our Current Report on Form 8-K, filed on February 11, 2019.
10.78	Form of Indemnification Agreement, incorporated herein by reference to Exhibit 10.7 of our Quarterly Report on Form 10-Q filed on November 7, 2019.
10.79	Amended and Restated Certificate of Incorporation of Och-Ziff Holding Corporation dated May 28, 2019, incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q filed on August 6, 2019.
10.79.1	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Och-Ziff Holding Corporation, effective as of September 12, 2019, incorporated herein by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed on August 30, 2019.
10.80	Second Amended and Restated By-Laws of Sculptor Capital Holding Corporation, effective as of September 12, 2019, incorporated herein by reference to Exhibit 10.2 of our Current Report on Form 8-K, filed on August 30, 2019.
21.1*	Subsidiaries of the Registrant.

Exhibit No.	Description
23.1*	Consent of Ernst & Young LLP.
31.1*	Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.
31.2*	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.
32.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following financial information from the Annual Report on Form 10-K for the year ended December 31, 2019, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Comprehensive Income (Loss); (iii) Consolidated Statements of Changes in Shareholders' Equity (Deficit); (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101)

*	Filed herewith
**	Certain schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K.
+	Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 24, 2020

SCULPTOR CAPITAL MANAGEMENT, INC.

By: /s/ Thomas M. Sipp

Thomas M. Sipp

Chief Financial Officer and Executive Managing Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Robert Shafir Robert Shafir	Chief Executive Officer, Executive Managing Director and Director (Principal Executive Officer)	February 24, 2020
/s/ Thomas M. Sipp Thomas M. Sipp	Chief Financial Officer and Executive Managing Director (Principal Financial Officer)	February 24, 2020
/s/ Herbert A. Pollard Herbert A. Pollard	Chief Accounting Officer and Managing Director (Principal Accounting Officer)	February 24, 2020
/s/ Richard G. Ketchum Richard G. Ketchum	Chairman of the Board of Directors	February 24, 2020
/s/ Allan S. Bufferd Allan S. Bufferd	Director	February 24, 2020
/s/ Marcy Engel Marcy Engel	Director	February 24, 2020
/s/ Michael D. Fascitelli Michael D. Fascitelli	Director	February 24, 2020
/s/ Georganne C. Proctor Georganne C. Proctor	Director	February 24, 2020
/s/ J. Morgan Rutman J. Morgan Rutman	Director	February 24, 2020

SCULPTOR CAPITAL MANAGEMENT, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Sculptor Capital Management, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sculptor Capital Management, Inc. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income (loss), changes in shareholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2020 expressed an unqualified opinion thereon.

Adoption of ASU No. 2016-02

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for accounting for leases in 2019 due to the adoption of ASU No. 2016-02, Leases (Topic 842).

Adoption of ASU No. 2014-09

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2018, the Company changed its method for recognizing revenue as a result of the adoption of Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606).

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2007.
New York, New York
February 24, 2020

SCULPTOR CAPITAL MANAGEMENT, INC.

CONSOLIDATED BALANCE SHEETS

		December 31, 2019		December 31, 2018
		(dollars in thousands)		
Assets				
Cash and cash equivalents	$	240,938	$	315,809
Restricted cash		4,501		8,075
Investments (includes assets measured at fair value of $329,435 and $361,378, including assets sold under agreements to repurchase of $98,085 and $62,186 as of December 31, 2019, and December 31, 2018, respectively)		411,426		389,897
Income and fees receivable		215,395		82,843
Due from related parties		15,355		20,754
Deferred income tax assets		310,557		355,025
Operating lease assets		115,810		—
Other assets, net		82,608		82,403
Assets of consolidated funds:				
Investments of consolidated funds, at fair value		—		171,495
Other assets of consolidated funds		649		21,090
Total Assets	**$**	**1,397,239**	**$**	**1,447,391**
Liabilities and Shareholders' Equity (Deficit)				
Liabilities				
Compensation payable	$	187,180	$	105,036
Unearned incentive income		60,798		61,397
Due to related parties		211,915		281,821
Operating lease liabilities		128,043		—
Debt obligations		286,728		289,987
Securities sold under agreements to repurchase		97,508		62,801
Other liabilities		59,217		63,603
Liabilities of consolidated funds:				
Other liabilities of consolidated funds		389		14,541
Total Liabilities		**1,031,778**		**879,186**
Commitments and Contingencies (Note 19)				
Redeemable Noncontrolling Interests (Note 4)		**150,000**		**577,660**
Shareholders' Equity (Deficit)				
Class A Shares, $0.01 and no par value, 100,000,000 and 100,000,000 shares authorized, 21,284,945 and 19,905,126 shares issued and outstanding as of December 31, 2019 and 2018, respectively		213		—
Class B Shares, $0.01 and no par value, 75,000,000 and 75,000,000 shares authorized, 29,208,952 and 29,458,948 shares issued and outstanding as of December 31, 2019 and 2018, respectively		292		—
Additional paid-in capital		117,936		3,135,841
Accumulated deficit		(343,759)		(3,564,727)
Shareholders' deficit attributable to Class A Shareholders		(225,318)		(428,886)
Shareholders' equity attributable to noncontrolling interests		440,779		419,431
Total Shareholders' Equity (Deficit)		**215,461**		**(9,455)**
Total Liabilities, Redeemable Noncontrolling Interests and Shareholders' Equity (Deficit)	**$**	**1,397,239**	**$**	**1,447,391**

See notes to consolidated financial statements.

SCULPTOR CAPITAL MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,		
	2019	2018	2017
		(dollars in thousands)	
Revenues			
Management fees	$ 253,011	$ 281,862	$ 319,458
Incentive income	321,621	202,896	528,000
Other revenues	15,982	15,976	6,777
Income of consolidated funds	6,732	6,489	4,102
Total Revenues	**597,346**	**507,223**	**858,337**
Expenses			
Compensation and benefits	418,349	312,723	436,549
Interest expense	24,900	24,179	23,191
General, administrative and other	149,961	181,977	152,071
Expenses of consolidated funds	646	406	9,391
Total Expenses	**593,856**	**519,285**	**621,202**
Other Income (Loss)			
Changes in tax receivable agreement liability	4,776	2,218	222,859
Net losses on early retirement of debt	(6,375)	(14,303)	—
Net gains (losses) on investments	8,068	(7,055)	3,465
Net gains (losses) of consolidated funds	3,768	(5,200)	8,472
Total Other Income (Loss)	**10,237**	**(24,340)**	**234,796**
Income (Loss) Before Income Taxes	**13,727**	**(36,402)**	**471,931**
Income taxes	34,112	12,500	317,559
Consolidated and Comprehensive Net (Loss) Income	**(20,385)**	**(48,902)**	**154,372**
Less: Net loss (income) attributable to noncontrolling interests	36,184	24,909	(131,630)
Less: Net income attributable to redeemable noncontrolling interests	(8,745)	(291)	(1,667)
Net Income (Loss) Attributable to Sculptor Capital Management, Inc.	**7,054**	**(24,284)**	**21,075**
Change in redemption value of Preferred Units	44,364	—	(2,853)
Net Income (Loss) Attributable to Class A Shareholders	**$ 51,418**	**$ (24,284)**	**$ 18,222**
Earnings (Loss) per Class A Share			
Earnings (Loss) per Class A Share - basic	$ 2.48	$ (1.26)	$ 0.98
Earnings (Loss) per Class A Share - diluted	$ 1.57	$ (1.26)	$ 0.97
Weighted-average Class A Shares outstanding - basic	20,773,493	19,270,929	18,642,379
Weighted-average Class A Shares outstanding - diluted	46,300,690	19,270,929	18,718,176

See notes to consolidated financial statements.

SCULPTOR CAPITAL MANAGEMENT, INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

	Year Ended December 31,		
	2019	2018	2017
		(dollars in thousands)	
Number of Class A Shares			
Beginning balance	19,905,126	18,957,321	18,484,326
Equity-based compensation	1,379,819	947,805	472,995
Ending Balance	**21,284,945**	**19,905,126**	**18,957,321**
Number of Class B Shares			
Beginning balance	29,458,948	33,933,948	29,731,702
Equity-based compensation	(249,996)	(4,125,000)	17,246
Relinquishment of Group A Units (Note 4)	—	(350,000)	(3,000,000)
Class B Shares granted to holders of Group P Units	—	—	7,185,000
Ending Balance	**29,208,952**	**29,458,948**	**33,933,948**
Class A Shares Par Value			
Beginning balance	$ —	$ —	$ —
Equity-based compensation	8	—	—
Reclassification upon corporate conversion	205	—	—
Ending Balance	**$ 213**	**$ —**	**$ —**
Class B Shares Par Value			
Beginning balance	$ —	$ —	$ —
Equity-based compensation	—	—	—
Reclassification upon corporate conversion	292	—	—
Ending Balance	**$ 292**	**$ —**	**$ —**
Additional Paid-in Capital			
Beginning balance	$ 3,135,841	$ 3,102,074	$ 3,097,431
Dividend equivalents on Class A restricted share units	1,739	1,618	556
Equity-based compensation, net of taxes	83,061	33,575	31,411
Reclassification upon corporate conversion	(3,235,728)	—	—
Impact of changes in Sculptor Operating Group ownership	(124)	(1,426)	(14,092)
Reallocation of equity and income tax effects of Recapitalization	37,816	—	—
Amendment to tax receivable agreement	50,967	—	10,840
Dilution of proceeds from tax receivable agreement amendment (Note 4)	—	—	(21,219)
Change in redemption value of Preferred Units	44,364	—	(2,853)
Ending Balance	**$ 117,936**	**$ 3,135,841**	**$ 3,102,074**

SCULPTOR CAPITAL MANAGEMENT, INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT) — (continued)

	Year Ended December 31,		
	2019	2018	2017
		(dollars in thousands)	
Accumulated Deficit			
Beginning balance	$ (3,564,727)	$ (3,555,905)	$ (3,563,452)
Impact of adoption of ASU 2014-09	—	41,922	—
Cash dividends declared on Class A Shares	(19,578)	(24,842)	(12,972)
Dividend equivalents on Class A restricted share units	(1,739)	(1,618)	(556)
Reclassification upon corporate conversion	3,235,231	—	—
Comprehensive net income, excluding amounts attributable to redeemable noncontrolling interests	7,054	(24,284)	21,075
Ending Balance	**$ (343,759)**	**$ (3,564,727)**	**$ (3,555,905)**
Shareholders' Deficit Attributable to Class A Shareholders	**$ (225,318)**	**$ (428,886)**	**$ (453,831)**
Shareholders' Equity Attributable to Noncontrolling Interests			
Beginning balance	$ 419,431	$ 357,902	$ 171,929
Impact of adoption of ASU 2014-09	—	75,062	—
Capital contributions	2,606	1,733	1,297
Capital distributions	(1,007)	(37,043)	(22,526)
Equity-based compensation, net of taxes	37,853	45,260	45,174
Impact of changes in Sculptor Operating Group ownership	124	1,426	14,092
Reallocation of equity and income tax effects of Recapitalization	(39,086)	—	—
Amendment to tax receivable agreement	—	—	(320)
Dilution of proceeds from tax receivable agreement amendment (Note 4)	—	—	21,219
Change in redemption value of Preferred Units	57,042	—	(4,593)
Comprehensive net income, excluding amounts attributable to redeemable noncontrolling interests	(36,184)	(24,909)	131,630
Ending Balance	**$ 440,779**	**$ 419,431**	**$ 357,902**
Total Shareholders' Equity (Deficit)	**$ 215,461**	**$ (9,455)**	**$ (95,929)**
Cash dividends paid on Class A Shares	$ 0.95	$ 1.30	$ 0.70

See notes to consolidated financial statements.

SCULPTOR CAPITAL MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2019	2018	2017
		(dollars in thousands)	
Cash Flows from Operating Activities			
Consolidated net (loss) income	$ (20,385)	$ (48,902)	$ 154,372
Adjustments to reconcile consolidated net loss to net cash provided by operating activities:			
Amortization of equity-based compensation	127,505	87,130	84,169
Depreciation, amortization and net gains and losses on fixed assets	8,449	10,308	10,334
Net losses on early retirement of debt	6,375	14,303	—
Deferred income taxes	26,935	8,599	312,764
Non-cash lease expense	21,222	—	—
Net (gains) losses on investments, net of dividends	(4,577)	11,350	(3,465)
Operating cash flows due to changes in:			
Income and fees receivable	(132,552)	300,450	(177,819)
Due from related parties	5,399	7,448	(7,708)
Other assets, net	7,733	30,607	(6,388)
Compensation payable	79,290	(106,645)	2,658
Unearned incentive income	(599)	17,109	47,631
Due to related parties	(2,674)	266	(222,563)
Operating lease liabilities	(18,286)	—	—
Other liabilities	1,107	(11,144)	(3,869)
Consolidated funds related items:			
Net (gains) losses of consolidated funds	(3,768)	5,200	(8,472)
Purchases of investments	(128,917)	(378,626)	(423,147)
Proceeds from sale of investments	263,505	245,309	184,783
Other assets of consolidated funds	(31,832)	(7,769)	(307,379)
Other liabilities of consolidated funds	8,041	3,203	80,421
Net Cash Provided by (Used in) Operating Activities	**211,971**	**188,196**	**(283,678)**
Cash Flows from Investing Activities			
Purchases of fixed assets	(1,935)	(5,830)	(4,990)
Proceeds from sale of fixed assets	—	—	57,599
Purchases of United States government obligations	(400,766)	(293,183)	(112,400)
Maturities of United States government obligations	437,574	129,781	100,000
Investments in funds	(110,650)	(179,930)	(165,519)
Return of investments in funds	60,957	180,415	6,959
Net Cash Used in Investing Activities	**(14,820)**	**(168,747)**	**(118,351)**

SCULPTOR CAPITAL MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS — (continued)

	Year Ended December 31,		
	2019	2018	2017
		(dollars in thousands)	
Cash Flows from Financing Activities			
Issuance and sale of Preferred Units, net of issuance costs	—	—	150,054
Contributions from noncontrolling and redeemable noncontrolling interests	6,353	148,950	3,629
Distributions to noncontrolling and redeemable noncontrolling interests	(104,098)	(52,506)	(22,526)
Dividends on Class A Shares	(19,578)	(24,842)	(12,972)
Proceeds from debt obligations, net of issuance costs	3,423	301,558	154,490
Repayment of debt obligations, including prepayment costs	(192,790)	(595,463)	(167,516)
Proceeds from securities sold under agreements to repurchase, net of issuance costs	36,134	63,099	—
Proceeds from debt obligations of consolidated CLO	—	—	666,711
Repayment of debt obligations of consolidated CLO	—	—	(222,434)
Other, net	(5,040)	(5,874)	(7,707)
Net Cash (Used in) Provided by Financing Activities	**(275,596)**	**(165,078)**	**541,729**
Net change in cash and cash equivalents and restricted cash	(78,445)	(145,629)	139,700
Cash and cash equivalents and restricted cash, beginning of period	323,884	469,513	329,813
Cash and Cash Equivalents and Restricted Cash, End of Period	**$ 245,439**	**$ 323,884**	**$ 469,513**
Supplemental Disclosure of Cash Flow Information			
Cash paid during the period:			
Interest	$ 11,583	$ 28,472	$ 20,904
Income taxes	$ 4,978	$ 2,930	$ 4,156
Non-cash transactions:			
Assets related to the initial consolidation of CLO	$ —	$ —	$ 100,156
Liabilities related to the initial consolidation of CLO	$ —	$ —	$ 99,878
Increase in paid-in capital as a result of tax receivable agreement amendment	$ 50,967	$ —	$ 10,520
Assets related to funds deconsolidated	$ 92,946	$ —	$ 653,629
Liabilities related to funds deconsolidated	$ 49,588	$ —	$ 629,282
Reconciliation of cash and cash equivalents and restricted cash:			
Cash and cash equivalents	$ 240,938	$ 315,809	$ 469,513
Restricted cash	4,501	8,075	—
Total Cash and Cash Equivalents and Restricted Cash	**$ 245,439**	**$ 323,884**	**$ 469,513**

See notes to consolidated financial statements.

1. OVERVIEW

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

The Company manages multi-strategy funds, dedicated credit funds, including opportunistic credit funds and Institutional Credit Strategies products, real estate funds and other alternative investment vehicles. Through Institutional Credit Strategies, the Company’s asset management platform that invests in performing credits, the Company manages collateralized loan obligations (“CLOs”), aircraft securitizations, collateralized bond obligations (“CBOs”), commingled products and other customized solutions for clients.

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

Prior to the fourth quarter of 2019, the Company had two operating segments: Sculptor Funds and Real Estate. In the fourth quarter of 2019, the Company combined these into one operating and reportable segment, which is reflective of how the chief operating decision makers review operating results of the Company and make resource allocation decisions. The Company generates substantially all of its revenues in the United States.

The Company conducts its operations through Sculptor Capital LP, Sculptor Capital Advisors LP and Sculptor Capital Advisors II LP (collectively, the “Sculptor Operating Partnerships” and collectively with their consolidated subsidiaries, the “Sculptor Operating Group”). The Registrant holds its interests in the Sculptor Operating Group indirectly through Sculptor Capital Holding Corporation (“Sculptor Corp”), a wholly owned subsidiary of the Registrant.

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

The Registrant, certain of its subsidiaries and the Company’s founder, Daniel S. Och, entered into a letter agreement dated December 5, 2018, providing for the implementation of certain transactions (the letter agreement together with the term sheet attached thereto, as amended, collectively, the “Letter Agreement”). The Letter Agreement provided for, among other things, the preparation and execution of further agreements (the “Implementing Agreements”) and other actions to implement the transactions contemplated by the Letter Agreement (collectively, the “Recapitalization”). In February 2019, the Company completed the Recapitalization. See Note 3 for additional details.

Company Structure

As of December 31, 2019, the Registrant is a holding company that, through Sculptor Corp, holds equity ownership interests in the Sculptor Operating Group. The Registrant had issued and outstanding the following share classes:

- **Class A Shares**—Class A Shares are publicly traded and entitle the holders thereof to one vote per share on matters submitted to a vote of shareholders. The holders of Class A Shares are entitled to any distributions declared on the Class A Shares by the Registrant's Board of Directors (the "Board").

- **Class B Shares**—Class B Shares are held by executive managing directors, as further discussed below. These shares are not publicly traded but rather entitle the executive managing directors to one vote per share on matters submitted to a vote of shareholders. These shares do not participate in the earnings of the Registrant, as the executive managing directors participate in the related economics of the Sculptor Operating Group through their direct ownership in the Sculptor Operating Group, subject to the Distribution Holiday discussed below.

The Company conducts its operations through the Sculptor Operating Group. The following is a list of the outstanding units of the Sculptor Operating Partnerships as of December 31, 2019:

- **Group A Units**—Group A Units are limited partner interests issued to certain executive managing directors. Beginning on the final day of the Distribution Holiday (as defined in Note 3), each executive managing director may exchange his or her vested and booked-up (as defined below) Group A Units for an equal number of Class A Shares (or the cash equivalent thereof) over a period of two years in three equal installments commencing upon the final day of the Distribution Holiday and on each of the first and second anniversary thereof (or, for units that become vested and booked-up Group A Units after the final day of the Distribution Holiday, from the later of the date on which they would have been exchangeable in accordance with the foregoing and the date on which they become vested and booked-up Group A Units) (and thereafter such units will remain exchangeable), in each case, subject to certain restrictions. A "book-up" is achieved when sufficient appreciation has occurred to meet a prescribed capital account book-up target under the terms of the Sculptor Operating Partnership limited partnership agreements.

  Holders of Group A Units do not receive distributions during the Distribution Holiday. Group A Unit grants are accounted for as equity-based compensation. See Note 14 for additional information.

  In connection with the Recapitalization, each Group A Unit outstanding on the Recapitalization date was recapitalized into 0.65 Group A Units and 0.35 Group A-1 Units.

- **Group A-1 Units**—Group A-1 Units are limited partner interests into which 0.35 of each Group A Unit was recapitalized in connection with the reallocation that was effectuated by the Recapitalization. The Group A-1 Units will be canceled at such time and to the extent that the Group E Units granted in connection with the Recapitalization vest and achieve a book-up. Group A-1 Units are not eligible to receive distributions at any time and do not participate in the net income (loss) of the Sculptor Operating Group. However, the holders of Group A-1 Units shall participate in any sale, change of control or other liquidity event that takes place prior to cancellation of the Group A-1 Units. In the Recapitalization, the holders of the 2016 Preferred Units (as defined below) forfeited an additional 749,813 Group A Units, which were recapitalized into Group A-1 Units.

- **Group B Units**—Sculptor Corp holds a general partner interest and Group B Units in each Sculptor Operating Partnership. Sculptor Corp owns all of the Group B Units, which represent equity interest in the Sculptor Operating Partnerships. Except during the Distribution Holiday as described above, the Group B Units are economically identical to the Group A Units held by executive managing directors but are not exchangeable for Class A Shares and are not subject to vesting, forfeiture or minimum retained ownership requirements.

- **Group E Units**—Group E Units are limited partner interests issued to certain executive managing directors that are only entitled to future profits and gains. Each Group E Unit converts into a Group A Unit and becomes exchangeable for one Class A Share (or the cash equivalent thereof) to the extent there has been a sufficient amount of appreciation for a Group E Unit to achieve a book-up target and, subject to other conditions contained in the limited partnership agreements of the Sculptor Operating Partnerships, the Distribution Holiday has ended (or an earlier exchange date is established by the Exchange Committee). The Group E Units are entitled to share in residual assets upon liquidation, dissolution or winding up and become eligible to participate in any tag along right, in a change of control transaction or other liquidity event only to the extent of their relative positive capital accounts (if any). In connection with the Recapitalization, all outstanding Group D Units, which were non-equity profits interests, converted into Group E Units on a one-for-one basis. Holders of Group E Units do not receive distributions during the Distribution Holiday. See Note 3 for additional information. Group E Unit grants are accounted for as equity-based compensation. See Note 14 for additional information.

- **Group P Units**—Group P Units are limited partner interests issued to certain executive managing directors that are only entitled to future profits and gains. Each Group P Unit becomes exchangeable for one Class A Share (or the cash equivalent thereof), in each case upon satisfaction of certain service and performance conditions at such time and, with respect to exchanges, to the extent there has been sufficient appreciation for a Group P Unit to achieve a book-up target and, subject to other conditions contained in the limited partnership agreements of the Sculptor Operating Partnerships, the Distribution Holiday has ended (or an earlier exchange date is established by the Exchange Committee). The Group P Units are entitled to share in residual assets upon liquidation, dissolution or winding up and become eligible to participate in any tag along right, in a change of control transaction or other liquidity event only to the extent that certain performance conditions are met and to the extent of their relative positive capital accounts (if any). The terms of the Group P Units may be varied for certain executive managing directors. Group P Unit grants are accounted for as equity-based compensation. See Note 14 for additional information.

- **Preferred Units**— The Preferred Units are non-voting preferred equity interests in the Sculptor Operating Partnerships. Preferred Units issued in 2016 and 2017 are collectively referred to as the “2016 Preferred Units.” The Preferred Units issued in 2019 are referred to as the “2019 Preferred Units.” See Note 10 for additional information.

Executive managing directors hold a number of Class B Shares equal to the number of Group A Units, Group A-1 Units and Group P Units held. Upon the exchange of a Group A Unit or a Group P Unit for a Class A Share, the corresponding Class B Share is canceled and a Group B Unit is issued to Sculptor Corp. One Class B Share will be issued to each holder of Group E Units upon the vesting of each such holder’s Group E Unit, at which time a corresponding number of Class B Shares held by holders of Group A-1 Units will be canceled.

The following table presents the number of shares and units (excluding Preferred Units) of the Registrant and the Sculptor Operating Partnerships, respectively, that were outstanding as of December 31, 2019:

	As of December 31, 2019
Sculptor Capital Management, Inc.	
Class A Shares	21,284,945
Class B Shares	29,208,952
Sculptor Operating Partnerships	
Group A Units	16,019,506
Group A-1 Units	9,779,446
Group B Units	21,284,945
Group E Units	13,450,821
Group P Units	3,410,000

In addition, the Company grants Class A restricted share units (“RSUs”) and performance-based RSUs (“PSUs”) to its employees and executive managing directors as a form of compensation. RSU and PSU grants are accounted for as equity-based compensation. See Note 14 for additional information.

Reverse Share Split

At the close of trading on January 3, 2019, the Company effectuated a 1-for-10 reverse share split (the “Reverse Share Split”) of the Class A Shares. As a result of the Reverse Share Split, every ten issued and outstanding Class A Shares were combined into one Class A Share. In addition, corresponding adjustments were made to the Class B Shares, Group A Units, Group B Units, Group D Units, Group P Units, RSUs and PSUs. All prior period share, unit, per share and per unit amounts have been restated to give retroactive effect to the Reverse Share Split.

Corporate Conversion

The Company changed its tax classification from a partnership to a corporation effective April 1, 2019 (the “Corporate Classification Change”), and subsequently converted from a Delaware limited liability company into a Delaware corporation effective May 9, 2019. Upon the Corporate Classification Change, the Company reclassified the negative equity balance as of such date to accumulated deficit.

Name Change

Effective September 12, 2019, the Company changed its name to Sculptor Capital Management, Inc. The Company’s Class A Shares now trade on the New York Stock Exchange under the symbol “SCU.” Also effective September 12, 2019, Och-Ziff Holding Corporation changed its name to Sculptor Capital Holding Corporation, and in its capacity as the general partner of the Sculptor Operating Partnerships, changed the names of OZ Management LP, OZ Advisors LP and OZ Advisors II LP to Sculptor Capital LP, Sculptor Capital Advisors LP and Sculptor Capital Advisors II LP, respectively.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) as set forth in the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”). All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements of the Company. The most critical of these estimates are related to (i) fair value measurements of the assets and liabilities of the funds, which impacts the Company's management fees and incentive income; (ii) the determination of whether to recognize incentive income; (iii) the determination of whether or not to consolidate a variable interest entity; and (iv) the estimate of future taxable income, which impacts the carrying amount of the Company's deferred income tax assets. While management believes that the estimates utilized in preparing the consolidated financial statements are reasonable and prudent, actual results could differ materially from those estimates.

Foreign Currency

The functional currency of substantially all of the Company's consolidated subsidiaries is the U.S. dollar. Monetary assets and liabilities denominated in foreign currencies are remeasured into U.S. dollars at the closing rates of exchange on the balance sheet date. Gains and losses on transactions denominated in foreign currencies due to changes in exchange rates are recorded as other expenses within general, administrative and other in the consolidated statements of comprehensive income (loss).

Consolidation Policies

The Company adopted Accounting Standards Update ("ASU") 2015-02, *Amendments to the Consolidation Analysis* as of January 1, 2016 using the modified retrospective method of transition, which resulted in a cumulative effect adjustment to opening equity on the date of adoption. The impact to the Company's opening retained earnings in 2016 was driven by the cumulative effect of a change in the incentive income recognition methodology for the funds no longer consolidated by the Company, net of deferred income tax effects.

The Company's multi-strategy funds, open-end opportunistic credit funds and certain other funds are generally organized using a "master-feeder" structure. Fund investors, including the Company's executive managing directors, employees and other related parties, to the extent they invest in a given fund, generally invest directly into the feeder funds. These feeder funds are typically limited partnerships or limited companies that hold direct or indirect interests in a master fund. The master fund, together with its subsidiaries, is the primary investment vehicle for its feeder funds. The Company generally collects its management fees and incentive income from the feeder funds or subsidiaries of the feeder funds ("intermediate funds"), and generally does not collect any management fees or incentive income directly from the master funds.

The Company also organizes certain funds (e.g., its real estate funds and closed-end opportunistic credit funds) without the use of a master-feeder structure. These are typically organized as limited partnerships, in which the Company is the general partner and collects management fees and incentive income directly from these entities; however, in the case of the real estate funds, the Company collects management fees directly from those funds' investors.

Finally, CLOs are collateralized financing vehicles that issue notes to investors and use those proceeds to acquire various types of credit-related investments that serve as collateral for the notes. Senior notes issued by these vehicles make periodic payments based on a stated interest rate, while the most subordinated notes have no stated interest rate but receive periodic payments from excess cash flows remaining after periodic payments have been made to the other notes and for fees and expenses due.

The Company generally directs the activities of its funds through its role as general partner, investment manager, or CLO collateral manager.

Where the Company holds a variable interest in an entity, it is required to determine whether it should consolidate the entity. Fee arrangements are not considered variable interests when they are commensurate with the level of effort required to provide services and include only terms, conditions, or amounts that are customarily present in arrangements for similar services negotiated at arm's length, and where the Company does not hold other interests in the entity that would absorb more than an insignificant amount of the variability of the entity.

Where the Company does not have a variable interest in the entity, it will not consolidate the entity. Where the Company has a variable interest, it is required to determine whether the entity will be considered as a Variable Interest Entity ("VIE") or Voting Interest Entity ("VOE"), the classification of which will determine the analysis that the Company is required to perform when determining whether it should consolidate the entity.

The consolidated financial statements include the accounts of the Registrant and entities in which it, directly or indirectly, is determined to have a controlling financial interest under the following set of guidelines:

- ***VIEs—***The Company determines whether, if by design, an entity has any of the following characteristics: (i) equity investors who lack the characteristics of a controlling financial interest; (ii) the entity does not have sufficient equity at risk to finance its expected activities without additional subordinated financial support from other parties; or (iii) substantially all of the activities of the entity are performed on behalf of a party with disproportionately few voting rights. An entity with any one of these characteristics is a VIE. Partnerships, and similarly structured entities, will be considered as VIEs where a simple majority of third party investors with equity at risk are not able to exercise substantive kick-out or participating rights over the general partner.

- ***VOEs—***Where an entity does not have the characteristics of a VIE, it is a VOE.

The determination of whether a fund is a VIE or a VOE is based on the facts and circumstances for each individual fund in accordance with the guidelines described below. Classification of such entities is reassessed where there is a substantive change in the governing documents or contractual arrangements of the entity, to the capital structure of the entity or in the activities of the entity. The Company continuously reassesses whether it should consolidate a VIE or VOE.

Funds that are VIEs

Funds that are VIEs are generally VIEs because fund investors are deemed to lack the characteristics of a controlling financial interest or the entity does not have sufficient equity at risk.

The party identified as the primary beneficiary of a VIE is required to consolidate the entity. A party is the primary beneficiary of a VIE where it has a controlling financial interest in the entity, which is defined as (i) the power to direct the activities of the entity that most significantly impact the entity's economic performance; and (ii) the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity.

Where the Company holds a variable interest in an entity, it is required to determine whether it should consolidate the entity. Where the Company does not have a controlling financial interest, but is part of a related party group under common control that collectively has characteristics of a controlling financial interest, the Company may be required to determine which party within the related party group is more closely associated with the VIE and would therefore consolidate a VIE. This assessment would also be performed where power is shared within a related party group that collectively has characteristics of a controlling financial interest. For the purposes of determining whether it is the primary beneficiary of a fund that is a VIE, the Company considers its indirect economic interests in a VIE held through related parties that are under common control on a proportionate basis, consistent with the way it would evaluate its indirect economic interests held through related parties that are not under common control.

The types of funds that are VIEs and not consolidated are generally (i) master funds and intermediate fund vehicles for the Company's multi-strategy funds, as well as opportunistic credit, real estate and certain other fund vehicles, as third party investors in these entities have not been granted substantive removal rights; and (ii) CLOs, as they lack sufficient equity at risk to finance their expected activities without additional subordinated financial support from other parties. The Company does not consolidate VIEs where it does not have a controlling financial interest.

The types of funds that are VIEs consolidated by the Company are certain new funds that the Company has seeded and generally expects to deconsolidate when the fund has a certain level of additional third party capital.

Funds that are VOEs

Funds that are corporations, or similarly structured entities, that are not VIEs would be consolidated by the Company where the Company has a majority equity investment and has control over significant operating, financial and investing decisions of the entity. The Company will generally not consolidate partnerships, or similarly structured entities, that are not VIEs where a single investor or simple majority of third party investors with equity have the ability to exercise substantive kick-out or participating rights.

The types of funds that are VOEs and not consolidated by the Company are generally feeder funds of the Company's multi-strategy funds, as third party fund investors in these entities have been granted substantive removal rights.

The Company does not currently consolidate any funds that are VOEs.

Allocations of Sculptor Operating Group Earnings and Capital

Prior to the Recapitalization, the attribution of net income (loss) of each Sculptor Operating Partnership was based on the relative ownership percentages of the Group A Units (noncontrolling interests) and the Group B Units (indirectly held by the Registrant). In applying the substantive profit-sharing arrangements in the Sculptor Operating Partnership limited partnership agreements to our consolidated financial statements, for periods subsequent to the Recapitalization and for the duration of the Distribution Holiday, we will allocate net income of each Sculptor Operating Partnership in any fiscal year solely to the Group B Units and any net loss on a pro rata basis based on the relative ownership percentages of the Group A Units and Group B Units. To the extent a Sculptor Operating Partnership incurs a net loss in an interim period, any net income recognized in a subsequent interim period in the same fiscal year is allocated on a pro rata basis to the extent of previously allocated net loss. Conversely, to the extent a Sculptor Operating Partnership recognizes net income in an interim period, any net loss incurred in a subsequent interim period in the same fiscal year is allocated solely to the Group B Units to the extent of previously allocated net income.

As of December 31, 2019, Group P Units are not participating in the earnings of the Sculptor Operating Group, as certain service and performance conditions, as described in Note 14, have not been met as of the reporting period end.

See Note 4 for additional information regarding the Company's interest in the Sculptor Operating Group.

Noncontrolling Interests

The Group A Units represent interests in the Sculptor Operating Group not held by the Company, and amounts attributable to these units are presented as noncontrolling interests in the consolidated balance sheets, and allocations to these interests are presented as net income (loss) attributable to noncontrolling interests in the consolidated statements of comprehensive income (loss). Additionally, until the third quarter of 2019, the Company consolidated certain credit funds that it manages, wherein investors were able to redeem their interests on a monthly basis. Amounts relating to these fund investors' interests in these funds were presented as redeemable noncontrolling interests in the consolidated balance sheets. Profits and losses attributable to these interests were presented as net income (loss) attributable to redeemable noncontrolling interests in the consolidated statements of comprehensive income (loss). See Note 4 for additional information regarding noncontrolling interests.

Preferred Units

The Company presents Preferred Units as redeemable noncontrolling interests, outside of permanent equity on the Company's consolidated balance sheet, as the redemption of the Preferred Units may be effected in a manner not solely in control of the Company. The Company recorded the proceeds from the issuance and sale net of transactions costs. As the redemption of the Preferred Units is outside of the control of the Company, the carrying value of the Preferred Units is their current full redemption value. The change in redemption value was treated as a reduction of the common equity holders' interests in the Sculptor Operating Group. The pro rata share of the change in redemption value that was allocable to the Registrant was treated as an adjustment to net income (loss) attributable to Class A Shareholder when calculating earnings (loss) per Class A Share. See Note 10 for additional information on the Preferred Units.

Revenue Recognition Policies

The Company provides asset management services to its customers, including certain administrative services related to the funds' operations, in exchange for management and incentive fees, which are included in the Company's agreements with its customers. The services provided in connection with the identified performance obligations are satisfied over time. The agreements are generally automatically renewed on an annual basis unless the agreements are terminated by the general partner or directors of the respective funds.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

The Company adopted ASU 2014-09 using a modified retrospective application approach as of the beginning of the first quarter of 2018 to all contracts within the scope of the standard as of the date of adoption. As a result of the adoption of ASU 2014-09, the Company now recognizes certain incentive income earlier than as prescribed under guidance in effect for prior years as the threshold for recognition of incentive income under ASU 2014-09 is lower than under the previous standard. The Company recognized an opening adjustment in 2018 to shareholders' equity of $117.0 million, of which $41.9 million was attributable to Class A shareholders.

Management Fees

Management fees for the Company's multi-strategy funds typically range from 0.95% to 2.25% annually of assets under management based on the net asset value of these funds. For the Company's opportunistic credit funds, management fees typically range from 0.50% to 2.00% annually based on the net asset value of these funds. Management fees for Institutional Credit Strategies, which primarily relate to CLOs, generally range from 0.30% to 0.50% annually based on the par value of the collateral and cash held in the CLOs. Management fees for the Company's real estate funds typically range from 0.50% to 1.50% annually based on the amount of capital committed or invested during the investment period, and on the amount of invested capital after the investment period. Management fees are recognized over the period during which the related services are performed.

Management fees are generally calculated and paid to the Company on a quarterly basis in advance, based on the amount of assets under management at the beginning of the quarter. Management fees are prorated for capital inflows and redemptions during the quarter. Accordingly, changes in the Company's management fee revenues from quarter to quarter are driven by changes in the quarterly opening balances of assets under management, the relative magnitude and timing of inflows and redemptions during the respective quarter, as well as the impact of differing management fee rates charged on those inflows and redemptions.

The Company considers management fees to be a form of variable consideration, as the amount earned each quarter may depend on various contingencies, such as the value of assets under management, capital inflows and outflows during the period, or changes in committed or invested capital. Management fees, however, are generally recognized at the end of each reporting period and are not subject to clawback and, therefore, the value of the management fees the Company is entitled to receive at the end of each quarter is generally no longer subject to the constraint.

Incentive Income

The Company earns incentive income based on the cumulative performance of the funds over a commitment period. Prior to the adoption of new revenue recognition accounting guidance in 2018, incentive income was recognized at the end of the applicable commitment period when the amounts were contractually payable, or “crystallized,” and when no longer subject to clawback. Beginning in 2018, as a result of the adoption of the new revenue recognition accounting guidance, the Company recognizes incentive income when such amounts are probable of not significantly reversing.

Incentive income is typically equal to 20% of the realized and unrealized profits, net of management fees, attributable to each fund investor in the Company’s multi-strategy funds, open-end opportunistic credit funds and certain other funds. Incentive income excludes unrealized gains and losses attributable to investments that the Company, as investment manager, believes lack a readily ascertainable market value, are illiquid or should be held until the resolution of a special event or circumstance (“Special Investments”). For the Company’s closed-end opportunistic credit funds, real estate funds and certain other funds, incentive income is typically equal to 20% of the realized profits, net of management fees, attributable to each fund investor. For CLOs, incentive income is typically 20% of the excess cash flows available to the holders of the subordinated notes.

The Company’s ability to earn incentive income from some of its funds may be impacted by hurdle rates, whereby the Company is not entitled to incentive income until the investment returns exceed an agreed upon benchmark. For a portion of these assets subject to hurdle rates, once the investment performance has exceeded the hurdle rate, the Company may receive a preferential “catch-up” allocation, equal to a full 20% of the net profits attributable to investors in these assets.

All of the Company’s multi-strategy funds and open-end opportunistic credit funds are subject to a perpetual loss carry forward, or perpetual “high-water mark,” meaning the Company will not be able to earn incentive income with respect to positive investment performance it generates for a fund investor in any year following negative investment performance until that loss is recouped, at which point a fund investor’s investment surpasses the high-water mark. The Company earns incentive income on any profits, net of management fees, in excess of the high-water mark.

The commitment period for most of the Company’s multi-strategy assets under management is for a period of one year on a calendar-year basis with incentive income recognized annually on December 31. The Company may also recognize incentive income related to fund investor redemptions at other times during the year, and on assets under management subject to commitment periods that are longer than one year where the commitment period expires during the year. The Company may also recognize incentive income for tax distributions that the Company is entitled to that cover estimated tax obligations of the Company related to the management of certain funds, as such distributions are not subject to clawback once distributed to the Company.

Incentive income is considered variable consideration, the recognition of which is subject to constraint. Incentive income is no longer constrained when it is probable that a significant reversal will not occur. Determining the amount of incentive income to record is subject to qualitative and quantitative factors including, where a fund is in its life-cycle, whether the Company has received or is entitled to receive incentive income distributions and potential sales of fund investments. The Company continuously evaluates whether there are additional considerations that could potentially impact the recognition of incentive income. To the extent that distributions have been received, but for which the recognition of incentive income is not appropriate, the Company will recognize a liability for unearned incentive income.

See Note 13 for additional information regarding the Company’s revenues.

Other Revenues

Other revenues consist primarily of interest income on investments in CLOs and cash and cash equivalents and subrental income. Interest income is recognized on an effective yield basis. Subrental income is recognized on a straight-line basis over the lease term.

Compensation and Benefits

Compensation and benefits is comprised of salaries, benefits, payroll taxes, and discretionary and guaranteed cash bonus expense. The Company generally recognizes compensation and benefits expenses over the related service period.

Bonus Compensation

On an annual basis, compensation and benefits comprise a significant portion of total expenses, with discretionary cash bonuses generally comprising a significant portion of total compensation and benefits. The Company accrues minimum annual discretionary cash bonus on a straight-line basis during the year. The total amount of discretionary cash bonuses ultimately recognized for the full year, which is determined in the fourth quarter of each year, could differ materially from the minimum amount accrued during the first three quarters of each year, as the total discretionary cash bonus is dependent upon a variety of factors, including fund performance for the year.

Equity-Based Compensation

Compensation expense related to equity-classified share-based payments with a service condition is based on the grant-date fair value and recognized on a straight-line basis over the requisite service period for awards with both cliff vesting and graded vesting. The Company accounts for forfeitures on share-based compensation arrangements as they occur for awards subject to service conditions. For awards that are also subject to market or performance conditions, the Company includes an estimate of forfeitures as of each reporting date. The Company recognizes all income tax effects of awards within consolidated net income (loss) when the awards vest or are settled.

For liability-classified share-based payments, the Company recognizes compensation expense over the requisite service period adjusted to the fair value as of the end of the reporting period.

Compensation expense related to equity-classified share-based payments with market or performance conditions is based on the estimated fair value of the awards at the date of grant, using graded vesting, which separately considers and recognizes compensation expense over the requisite service period for each tranche. For awards with post-vesting performance conditions, at each reporting date, compensation expense is updated to reflect the fair value per share at the grant date, using the most probable outcome related to the underlying performance conditions.

See Note 14 for additional information on the Company’s equity-based compensation plans.

Group D Units

Prior to 2019, the Company issued Group D Units to executive managing directors. Group D Units were not considered equity under GAAP, and therefore no equity-based compensation expense was recognized for these units when they were granted. Distributions to holders of Group D Units were included within compensation and benefits in the consolidated statements of comprehensive income (loss). Upon the conversion of Group D Units into Group E Units in connection with the Recapitalization, the Company recognized a one-time charge for the grant-date fair value of the vested units and began to amortize the grant-date fair value of the unvested units over the service period.

Profit Sharing Arrangements

The Company also has profit-sharing arrangements whereby certain employees and executive managing directors are entitled to a share of incentive income distributed to the Company by certain funds. To the extent that the payments made by the Company to the employees and executive managing directors are probable and reasonably estimable, the Company accrues these payments as compensation expense, which may occur prior to the recognition of the related incentive income.

Deferred Cash Interests (DCIs)

DCIs are granted to certain employees and executive managing directors as a form of compensation. DCIs generally vest over a three year period, subject to an employee's or executive managing director's continued service. Upon vesting, the Company pays the employee or executive managing director an amount in cash equal to the notional investment in specified funds represented by the DCIs, as adjusted for fund performance over the service period. Except as otherwise provided in the relevant deferred cash interest plan or in an award agreement, in the event of a termination of the employee's or executive managing director's service, any portion of the DCIs that are unvested as of the date of termination will be forfeited. The Company recognizes the total notional investment as compensation expense, as adjusted for notional fund performance, over the related service period.

Income Taxes

Deferred income tax assets and liabilities resulting from temporary differences between the GAAP and tax bases of assets and liabilities are measured at the balance sheet date using enacted income tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse. The Company offsets deferred income tax assets and liabilities for presentation in its consolidated balance sheets when such assets and liabilities are within the same legal entity and related to the same taxing jurisdiction.

The realization of deferred income tax assets depends upon the existence of sufficient taxable income within the carryback or carryforward periods under the enacted tax law in the applicable tax jurisdiction. A valuation allowance is established when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Significant judgment is required in determining whether a valuation allowance should be established, as well as the amount of such allowance.

The Company recognizes the income tax accounting effects of changes in tax law or rates (including retroactive changes) in the period of enactment. Future events such as changes in tax legislation could have an impact on the provision for income taxes and the effective income tax rate. Any such changes could significantly affect the amounts reported in the consolidated financial statements in the year these changes occur.

The Company records interest and penalties related to income taxes within income taxes in the consolidated statements of comprehensive income (loss).

Cash and Cash Equivalents and Restricted Cash

The Company considers highly-rated liquid investments that have an original maturity of three months or less from the date of purchase to be cash equivalents. Cash equivalents (excluding investments in United States government obligations, as discussed below) are recorded at amortized cost plus accrued interest. As of December 31, 2019, excluding investments in United States government obligations, substantially all of the Company's cash and cash equivalents were held with one major financial institution, which exposes the Company to a certain degree of credit risk concentration. Restricted cash represents amounts that are restricted as to usage due to regulatory reasons.

Investments

Investments in CLOs

The Company elected to measure its investments in notes issued by CLOs managed by the Company at fair value through consolidated net income (loss) in order to simplify its accounting for these instruments. Changes in fair value of these investments are included within net (losses) gains on investments in the consolidated statements of comprehensive income (loss). The Company accrues interest income on its investments in CLOs using the effective interest method, and includes this income within other revenues in the consolidated statements of comprehensive income (loss).

Investments in Other Funds

The Company's equity investments in funds are accounted for under the equity method of accounting. The Company recognizes its share of earnings within net (losses) gains on investments in the consolidated statements of comprehensive income (loss).

Investments in United States Government Obligations

The Company invests in United States government obligations to manage excess liquidity. These investments are carried at fair value, as the Company has elected the fair value option in order to include any gains or losses within consolidated net income (loss). These investments are recorded in the consolidated balance sheet within cash and cash equivalents for investments with an original maturity from the date of purchase of three months or less, and within investments for those longer than three months. Changes in fair value of these investments were immaterial for the years ended December 31, 2019, 2018 and 2017.

Transfers of Financial Assets

From time to time, the Company purchases loans in the open market and sells the loans at cost to CLOs it manages. The Company accounts for the transfer of these loans as a sale upon meeting the following requirements: (i) the transferred assets are legally isolated from the Company; (ii) holder of the notes issued by the CLO (other than the Company) must have the right to sell or pledge their notes; and (iii) the Company may not maintain effective control over the transferred loans. The Company continues to recognize acquired loans until the requirements are met. Any loans for which the requirements above have not been met are classified as held for sale and measured at the lower of cost or fair value. See Note 5 for additional information.

Leases

The Company adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, as amended, as of January 1, 2019 ("ASC 842"). The Company applied ASC 842 to lease arrangements outstanding as of the date of adoption. The Company did not restate prior periods and there were no adjustments to retained earnings upon adoption of ASC 842. The Company applied the package of practical expedients permitted under the transition guidance within the new standard, including carrying forward the historical lease classification and not reassessing whether certain costs capitalized under the prior guidance are eligible for capitalization under ASC 842. Adoption of ASC 842 resulted in the recognition of $126.0 million and $135.9 million of operating lease assets and liabilities, respectively, with the net of these amounts offsetting the deferred rent credit liability in existence immediately prior to adoption.

The Company determines if an arrangement is a lease at inception. Right-of-use lease assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Right-of-use lease assets represent the Company's right to use a leased asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The Company does not recognize right-of-use lease assets and lease liabilities for leases with an initial term of one year or less.

As the Company's leases do not provide an implicit rate, the Company uses its estimated incremental borrowing rate based on information available at the lease commencement date in determining the present value of lease payments. The Company gave consideration to its recently issued term loan, as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates.

The operating lease assets include any lease payments made and excludes lease incentives. Lease terms include options to extend or terminate when it is reasonably certain that the Company will exercise that option. In addition, the Company separates lease and non-lease components embedded within lease agreements, except for data center leases.

Right-of-use assets and liabilities related to operating leases are included within operating lease assets and operating lease liabilities, respectively, in the Company's consolidated balance sheets. Right-of-use assets and liabilities related to finance leases are included within other assets and other liabilities, respectively, in the Company's consolidated balance sheets.

Lease expense for operating lease payments, which is comprised of amortization of right-of-use assets and interest accretion on lease liabilities, is generally recognized on a straight-line basis over the lease term and included within general, administrative and other expenses in the consolidated statements of comprehensive income. Amortization of right-of-use lease assets related to finance leases is included within general, administrative and other expenses and interest accretion on lease liabilities related to finance leases is included within interest expense.

Subrental income is recognized on a straight-line basis over the lease term and is included within other revenues in the consolidated statements of comprehensive income. Where the Company has entered into a sublease arrangement, the Company will evaluate the lease arrangement for impairment. To the extent an impairment of the right-of-use lease asset is recognized, the Company will amortize the remaining lease asset on a straight-line basis over the remaining lease term.

Fixed Assets

Fixed assets are recorded at cost less accumulated depreciation and amortization within other assets, net in the consolidated balance sheets. The Company evaluates fixed assets for impairment whenever events or changes in circumstances indicate that an asset's carrying value may not be fully recovered. Depreciation and amortization of fixed assets are calculated using the straight-line method over the following depreciable lives: the shorter of the related lease term or expected useful life for leasehold improvements and 3 years to 7 years for all other fixed assets. If a fixed asset is reclassified as held for sale, it is carried at the lower of existing carrying value or its estimated net selling price, and the asset is no longer depreciated.

Goodwill

Goodwill is included within other assets, net in the Company's consolidated balance sheets and relates to the Company's 2007 acquisition of an additional 25% interest in its domestic real estate operations from one of its former joint venture partners. The Company tests goodwill for impairment on an annual basis or more frequently if events or circumstances justify conducting an interim test.

Debt Obligations

Debt obligations are carried at amortized cost and are reported net of any debt issuance costs, discounts and premiums. Debt issuance costs, discounts and premiums are amortized to interest expense over the life of the instrument term using the effective interest method. Unamortized debt issuance costs, discounts and premiums are written off to net losses on early retirement of debt in the consolidated statements of comprehensive income (loss) when the Company prepays borrowings prior to maturity.

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase ("repurchase agreements") are accounted for as collateralized financing transactions. The Company provides securities to counterparties to collateralize amounts borrowed under repurchase agreements on terms that permit the counterparties to repledge or resell the securities to others. Securities transferred to counterparties under repurchase agreements are included within investments in the consolidated balance sheets. Cash received under a repurchase agreement is recognized as a liability within securities sold under agreements to repurchase in the consolidated balance sheets. Interest expense is recognized on an effective yield basis and is included within interest expense in the consolidated statements of comprehensive income (loss). See Note 9 for additional information.

Policies of Consolidated Funds

Until the third quarter of 2019, the Company consolidated certain credit funds. These funds were considered investment companies for GAAP purposes. Pursuant to specialized accounting guidance for investment companies and the retention of that guidance in the Company's consolidated financial statements, the investments held by the consolidated funds' were reflected in the consolidated financial statements at their estimated fair values. The Company continues to consolidate certain financing funds that are currently not material to the Company's consolidated balance sheets. The policies below relate to the credit funds that were deconsolidated during the third quarter of 2019.

Income of Consolidated Funds

Income of consolidated funds consisted of interest income, dividend income and other miscellaneous items. Interest income was recorded on an accrual basis. Dividend income was recorded on the ex-dividend date, net of withholding taxes, if applicable. Premiums and discounts were amortized and accreted, respectively, to income of consolidated funds in the consolidated statements of comprehensive income (loss).

Expenses of Consolidated Funds

Expenses of consolidated funds consisted of interest expense and other miscellaneous expenses. Interest expense was recorded on an accrual basis.

Investments of Consolidated Funds, at Fair Value

Investments of consolidated funds, at fair value included the consolidated funds' investments in securities, investment companies and other investments. Securities transactions were recorded on a trade-date basis. Realized gains and losses on sales of investments of the funds were determined on a specific identification basis and were included within net gains (losses) of consolidated funds in the consolidated statements of comprehensive income (loss).

The fair value of investments held by the consolidated funds was based on observable market prices when available. Such values were generally based on the last reported sales price as of each reporting date. In the absence of readily ascertainable market values, the determination of the fair value of investments held by the consolidated funds required significant judgment or estimation. For information regarding the valuation of these assets, see Note 5.

Recently Adopted Accounting Pronouncements

Other than the adoption of ASC 842 discussed above, none of the other changes to GAAP that went into effect in the year ended December 31, 2019 had a material effect on the Company's consolidated financial statements.

Future Adoption of Accounting Pronouncements

No changes to GAAP that are not yet effective are expected to have a material effect on the Company's consolidated financial statements.

3. RECAPITALIZATION

On February 7, 2019, the Company completed the Recapitalization, which included a series of transactions that involved the reallocation of certain ownership interests in the Sculptor Operating Partnerships to existing members of senior management, a "Distribution Holiday" on interests held by active and former executive managing directors, an amendment to the tax receivable agreement, a "Cash Sweep" to pay down the 2018 Term Loan (as defined in Note 8) and 2019 Preferred Units, and various other related transactions. In addition, (i) $200.0 million of the 2016 Preferred Units was restructured into the Debt Securities (as defined in Note 8) and (ii) $200.0 million of the 2016 Preferred Units was restructured into the 2019 Preferred Units.

Reallocation of Equity

In connection with the Recapitalization, holders of Group A Units collectively reallocated 35% of their Group A Units to existing members of senior management and for potential grants to new hires. The reallocation was effected by (i) recapitalizing such Group A Units into Group A-1 Units and (ii) creating and making grants to existing members of senior management (and reserving for future grants to active managing directors and new hires) of Group E Units. An equivalent number of Group A-1 Units will be canceled at such time and to the extent that Group E Units vest and achieve a book-up. Upon vesting, holders of Group E Units will be entitled to vote a corresponding number of Class B Shares previously allocated to Group A-1 Units. Until such time as the relevant Group E Units become vested, the Class B Shares corresponding to the Group A-1 Units will be voted pro rata in accordance with the vote of the Class A Shares held by non-affiliates. In connection with the Recapitalization, the holders of the 2016 Preferred Units forfeited an additional 749,813 Group A Units (which were recapitalized into Group A-1 Units).

Distribution Holiday

The Sculptor Operating Partnerships initiated a distribution holiday (the “Distribution Holiday”) on the Group A Units, Group D Units, Group E Units and Group P Units and on certain RSUs that will terminate on the earlier of (x) 45 days after the last day of the first calendar quarter as of which the achievement of $600.0 million of Distribution Holiday Economic Income (as defined in the Sculptor Operating Partnerships’ limited partnership agreements) is realized and (y) April 1, 2026.

During the Distribution Holiday, (i) the Sculptor Operating Partnerships shall only make distributions with respect to Group B Units, (ii) the performance thresholds of Group P Units and PSUs shall be adjusted to take into account performance and distributions during such period, and (iii) RSUs will continue to receive dividend equivalents in respect of dividends or distributions paid on the Class A Shares. For executive managing directors that have received Group E Units, distributions on Group P Units, RSUs and PSUs is limited to an aggregate amount not to exceed $4.00 per Group P Unit, PSU or RSU, as applicable, cumulatively during the Distribution Holiday. Following the termination of the Distribution Holiday, Group A Units and Group E Units (whether vested or unvested) shall receive distributions even if such units have not been booked-up.

The Distribution Holiday was effective retroactively to October 1, 2018. As a result, the Company recorded an adjustment to additional paid-in capital and noncontrolling interests to reallocate a portion of pre-Recapitalization earnings and related income tax effects from noncontrolling interests to the Company’s additional paid-in capital. Such adjustment is recorded within Recapitalization adjustment in the consolidated statement of shareholders’ equity (deficit).

Liquidity Redemption

In connection with his transition from the Company, the Company’s founder, Mr. Daniel S. Och submitted redemption notices for substantially all liquid balances of Mr. Och and his related parties (other than their liquid balances in the Sculptor Credit Opportunities Master Fund) — half of which was redeemed effective as of December 31, 2018 and the remainder effective March 31, 2019. The receipt by Mr. Och and his related parties of redemption proceeds associated with these redemptions is referred to as the “Liquidity Redemption.” Redemptions are generally paid in the month following the effective date of the redemption. The Liquidity Redemption was completed as of April 29, 2019. Mr. Och and his related parties have also redeemed substantially all of their liquid balances in the Sculptor Credit Opportunities Master Fund effective September 30, 2019.

Cash Sweep

As part of the Recapitalization, the Company instituted a “Cash Sweep” with regards to the paydowns of the 2018 Term Loan and the 2019 Preferred Units. During the Distribution Holiday, on a quarterly basis, for each of the first three quarters of the year 100% of all Economic Income (subject to certain adjustments described in the 2019 Preferred Unit Designations as defined in Note 10) will be applied to repay the 2018 Term Loan and then to redeem the 2019 Preferred Units, in each case, together with accrued interest. The Cash Sweep will not apply to the extent that it would result in the Sculptor Operating Group having a minimum “Free Cash Balance” (as defined in the 2019 Preferred Unit Designations) of less than $200.0 million except in certain specified circumstances. In the fourth quarter of each year, an amount equal to the excess of the Free Cash Balance over the minimum Free Cash Balance of $200.0 million, will be used to repay the 2018 Term Loan and redeem the 2019 Preferred Units. In addition, without duplication of the Cash Sweep, (i) certain of the proceeds resulting from the realization of incentive income from certain longer term assets under management described in the 2019 Preferred Units Designations (“Designated Accrued Unrecognized Incentive”) and (ii) 85% of the net cash proceeds from any Asset Sales (as defined in the 2019 Preferred Units Designations), will be used to repay the 2018 Term Loan and redeem the 2019 Preferred Units.

As long as the Cash Sweep is in effect, the Sculptor Operating Group may only use funds from a cumulative discretionary one-time basket of up to $50.0 million in the aggregate, or reserve up to $17.0 million in the aggregate annually (the “Discretionary Basket”), to engage in certain “Restricted Activities” (as defined below) or any other activities related to the strategic expansion of the Sculptor Operating Group, and may not use any other funds of the Sculptor Operating Group to fund such activities, subject to certain exceptions. The Discretionary Basket will not be subject to the Distribution Holiday or the Cash Sweep and, subject to certain exceptions, may only be used to fund new firm investments or new firm products or to fund share buybacks (including RSU cash settlements in excess of permitted amounts) in an aggregate amount not to exceed $25.0 million (the “Restricted Activities”). The Discretionary Basket may not be used to fund employee compensation payments.

4. NONCONTROLLING INTERESTS

Noncontrolling interests represent ownership interests in the Company’s subsidiaries held by parties other than the Company, and primarily relate to the Group A Units held by executive managing directors.

Prior to the Recapitalization, the attribution of net income (loss) of each Sculptor Operating Partnership was based on the relative ownership percentages of the Group A Units (noncontrolling interests) and the Group B Units (indirectly held by the Registrant). In applying the substantive profit-sharing arrangements in the Sculptor Operating Partnerships limited partnership agreements to the Company’s consolidated financial statements, for periods subsequent to the Recapitalization and for the duration of the Distribution Holiday, the Company will allocate net income of each Sculptor Operating Partnership in any fiscal year solely to the Group B Units and any net loss on a pro rata basis based on the relative ownership percentages of the Group A Units and Group B Units. To the extent a Sculptor Operating Partnership incurs a net loss in an interim period, any net income recognized in a subsequent interim period in the same fiscal year is allocated on a pro rata basis to the extent of previously allocated net loss. Conversely, to the extent a Sculptor Operating Partnership recognizes net income in an interim period, any net loss incurred in a subsequent interim period in the same fiscal year is allocated solely to the Group B Units to the extent of previously allocated net income.

The table below sets forth the calculation of noncontrolling interests related to the Group A Units for each Sculptor Operating Partnership (rounding differences may occur). The blended participation percentages presented below take into account ownership changes throughout the periods presented. In addition, the blended participation percentages in 2019 take into account the difference in methodology described above for the period prior to the Recapitalization Date compared to the period following the Recapitalization Date. For example, Sculptor Capital Advisors LP had net income in the period prior to the Recapitalization Date, and as a result, allocates a portion of its net income for the year ended December 31, 2019 to the Group A Units.

	Year Ended December 31,		
	2019	2018	2017
		(dollars in thousands)	
Sculptor Capital LP			
Net (loss)	$ (101,557)	$ (80,279)	$ (37,353)
Blended participation percentage	43 %	57 %	58 %
Net (Loss) Attributable to Group A Units	**$ (43,612)**	**$ (45,833)**	**$ (21,765)**
Sculptor Capital Advisors LP			
Net income	$ 37,667	$ 17,379	$ 89,395
Blended participation percentage	18 %	56 %	59 %
Net Income Attributable to Group A Units	**$ 6,695**	**$ 9,670**	**$ 52,344**
Sculptor Capital Advisors II LP			
Net income	$ 56,953	$ 18,510	$ 170,668
Blended participation percentage	0 %	56 %	59 %
Net Income Attributable to Group A Units	**$ —**	**$ 10,447**	**$ 100,151**
Total Sculptor Operating Group			
Net (loss) income	$ (6,937)	$ (44,390)	$ 222,710
Blended participation percentage	n/m	58 %	59 %
Net (Loss) Income Attributable to Group A Units	**$ (36,917)**	**$ (25,716)**	**$ 130,730**

n/m not meaningful

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

	Year Ended December 31,		
	2019	2018	2017
		(dollars in thousands)	
Group A Units	$ (36,917)	$ (25,716)	$ 130,730
Other	733	807	900
	$ (36,184)	**$ (24,909)**	**$ 131,630**

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

	December 31, 2019	December 31, 2018
	(dollars in thousands)	
Group A Units	$ 434,943	$ 415,928
Other	5,836	3,503
	$ 440,779	**$ 419,431**

The Preferred Units and fund investors' interests in certain consolidated funds are redeemable outside of the Company's control. These interests are classified within redeemable noncontrolling interests in the consolidated balance sheets. The following tables present the activity in redeemable noncontrolling interests:

	Year Ended December 31,								
	2019			2018			2017		
	Funds	Preferred Units	Total	Funds	Preferred Units	Total	Funds	Preferred Units	Total
	(dollars in thousands)								
Beginning balance	$ 157,660	$ 420,000	$ 577,660	$ 25,617	$ 420,000	$ 445,617	$ 21,621	$ 262,500	$ 284,121
Fair value of Debt Securities exchanged for 2016 Preferred Units	—	(167,799)	(167,799)	—	—	—	—	—	—
Fair value of 2019 Preferred Units exchanged for 2016 Preferred Units	—	(137,759)	(137,759)	—	—	—	—	—	—
Issuance of 2019 Preferred Units, net of issuance costs	—	136,964	136,964	—	—	—	—	—	—
Preferred Units issuance, net of issuance costs	—	—	—	—	—	—	—	150,054	150,054
Change in redemption value of Preferred Units	—	(101,406)	(101,406)	—	—	—	—	7,446	7,446
Capital contributions	3,747	—	3,747	147,217	—	147,217	2,329	—	2,329
Capital distributions	(126,778)	—	(126,778)	(15,465)	—	(15,465)	—	—	—
Funds deconsolidation	(43,374)	—	(43,374)	—	—	—	—	—	—
Comprehensive income	8,745	—	8,745	291	—	291	1,667	—	1,667
Ending Balance	**$ —**	**$ 150,000**	**$ 150,000**	**$ 157,660**	**$ 420,000**	**$ 577,660**	**$ 25,617**	**$ 420,000**	**$ 445,617**

Relinquishment of Group A Units

Sculptor Corp and Och-Ziff Holdings LLC., as the general partners of the Sculptor Operating Partnerships (collectively, the "General Partners"), entered into a Relinquishment Agreement with Daniel S. Och and certain family trusts over which Mr. Och has investment control (the "Och Trusts") effective as of March 1, 2017 (the "Relinquishment Agreement"). Pursuant to the Relinquishment Agreement, Mr. Och and the Och Trusts agreed to cancel, in the aggregate, 3.0 million of their vested Group A Units. The Company accounted for the transaction as a repurchase of Group A Units for no consideration. A corresponding number of Class B Shares were also canceled.

The Relinquishment Agreement provides that if any of the Group D Units granted to James S. Levin on March 1, 2017 are forfeited, such forfeited units (up to an aggregate amount of 3.0 million) shall be reallocated to Mr. Och and the Och Trusts pursuant to the terms of the Sculptor Operating Partnerships' limited partnership agreements; however, in February 2018, Mr. Och announced that he is disclaiming his right to receive any forfeited units and instead the Group D Units forfeited by James S. Levin have been canceled.

In the third quarter of 2018, a former executive managing director of the Company relinquished 350,000 Group A Units and an equal number of Class B Shares.

Dilution of Proceeds from Tax Receivable Agreement Amendment

In September 2016, the Company amended the tax receivable agreement to provide that no amounts will be due or payable under the tax receivable agreement by Sculptor Corp, one of the Company's wholly owned intermediate holding companies, with respect to the 2015 and 2016 taxable years. During the first quarter of 2017, Sculptor Corp contributed to the Sculptor Operating Group the cash previously set aside for such payments, which resulted in a reallocation of such contribution between the Company's paid-in capital and the paid-in capital of the Group A Units (included within noncontrolling interests).

5. INVESTMENTS AND FAIR VALUE DISCLOSURES

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

	December 31, 2019	December 31, 2018
	(dollars in thousands)	
United States government obligations, at fair value	$ 146,565	$ 179,510
CLOs, at fair value	182,870	181,868
Other investments, equity method	81,991	28,519
Total Investments	**$ 411,426**	**$ 389,897**

Fair Value Disclosures

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

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

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

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

- **Level II** – Fair value is determined using quotations received from dealers making a market for these assets or liabilities ("broker quotes"), valuations obtained from independent third-party pricing services, the use of models or other valuation methodologies based on pricing inputs that are either directly or indirectly market observable as of the measurement date. The types of assets and liabilities that would generally be included in this category are certain corporate bonds, certain credit default swap contracts, certain bank debt securities, certain commercial real estate debt, less liquid equity securities, forward contracts and certain over the-counter ("OTC") derivatives.

- **Level III** – Fair value is determined using pricing inputs that are unobservable in the market and includes situations where there is little, if any, market activity for the asset or liability. The fair value of assets and liabilities in this category may require significant judgment or estimation in determining fair value of the assets or liabilities. The fair value of these assets and liabilities may be estimated using a combination of observed transaction prices, independent pricing services, relevant broker quotes, models or other valuation methodologies based on pricing inputs that are neither directly or indirectly market observable. The types of assets and liabilities that would generally be included in this category include CLOs, real estate investments, equity and debt securities issued by private entities, limited partnerships, certain corporate bonds, certain credit default swap contracts, certain bank debt securities, certain commercial real estate debt, certain OTC derivatives, residential and commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and investments in affiliated credit funds.

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

Fair Value Measurements Categorized within the Fair Value Hierarchy

The following table summarizes the Company's investments measured at fair value on a recurring basis within the fair value hierarchy as of December 31, 2019:

	As of December 31, 2019			
	Level I	Level II	Level III	Total
	(dollars in thousands)			
Assets, at Fair Value				
Included within cash and cash equivalents:				
United States government obligations	$ 97,034	$ —	$ —	$ 97,034
Included within investments:				
United States government obligations	$ 146,565	$ —	$ —	$ 146,565
CLOs[1]	$ —	$ —	$ 182,870	$ 182,870

(1) As of December 31, 2019, investments in CLOs had contractual principal amounts of $170.0 million outstanding, which excludes the Company's investments in subordinated tranches of the notes, as these do not have contractual principal payments.

The following table summarizes the Company's investments measured at fair value on a recurring basis within the fair value hierarchy as of December 31, 2018:

	As of December 31, 2018			
	Level I	Level II	Level III	Total
	(dollars in thousands)			
Assets, at Fair Value				
Included within cash and cash equivalents:				
United States government obligations	$ 58,054	$ —	$ —	$ 58,054
Included within investments:				
United States government obligations	$ 179,510	$ —	$ —	$ 179,510
CLOs[(1)]	$ —	$ —	$ 181,868	$ 181,868
Investments of consolidated funds:				
Bank debt	$ —	$ 91,345	$ 75,613	$ 166,958
Corporate bonds	$ —	$ 4,537	$ —	$ 4,537
Total Investments of Consolidated Funds	**$ —**	**$ 95,882**	**$ 75,613**	**$ 171,495**

(1) As of December 31, 2018, investments in CLOs had contractual principal amounts of $171.5 million outstanding, which excludes the Company's investments in subordinated tranches of the notes, as these do not have contractual principal payments.

Reconciliation of Fair Value Measurements Categorized within Level III

Gains and losses, excluding those of the consolidated funds are recorded within net gains (losses) on investments in the consolidated statements of comprehensive income (loss), and gains and losses of the consolidated funds are recorded within net gains (losses) of consolidated funds. Certain funds were deconsolidated in the third quarter 2019; amounts related to these funds are included within investment sales. Amortization of premium, accretion of discount and foreign exchange gains and losses on non-U.S. Dollar investments are also included within gains and losses in the tables below.

The following table summarizes the changes in the Company's Level III assets and liabilities for the year ended December 31, 2019:

	December 31, 2018	Transfers In	Transfers Out	Investment Purchases / Issuances	Investment Sales / Settlements	Gains / Losses	December 31, 2019
				(dollars in thousands)			
Assets, at Fair Value							
Included within investments:							
CLOs	$ 181,868	$ —	$ —	$ 31,816	$ (27,778)	$ (3,036)	$ 182,870
Investments of consolidated funds:							
Bank debt	$ 75,613	$ 7,982	$ (40,272)	$ 29,601	$ (73,772)	$ 848	$ —
Corporate bonds	$ —	$ —	$ —	$ 987	$ (981)	$ (6)	$ —

The following table summarizes the changes in the Company's Level III assets and liabilities for the year ended December 31, 2018:

	December 31, 2017	Transfers In	Transfers Out	Investment Purchases	Investment Sales / Settlements	Gains / Losses	December 31, 2018
				(dollars in thousands)			
Assets, at Fair Value							
Included within investments:							
CLOs	$ 211,749	$ —	$ —	$ 157,099	$ (175,272)	$ (11,708)	$ 181,868
Investments of consolidated funds:							
Bank debt	$ 18,807	$ 1,671	$ (1,244)	$ 146,658	$ (88,600)	$ (1,679)	$ 75,613

Transfers out of Level III presented in the tables above resulted from the fair values of certain securities becoming market observable, with fair value determined using independent pricing services. Transfers into Level III presented in the tables above resulted from the valuation of certain investments with decreased market observability, with fair values determined using independent pricing services.

The table below summarizes the net change in unrealized gains and losses on the Company's Level III investments held as of the reporting date:

	Year Ended December 31,	
	2019	2018
	(dollars in thousands)	
Assets, at Fair Value		
Included within investments:		
CLOs	$ (2,877)	$ (9,998)
Investments of consolidated funds:		
Bank debt	$ —	$ (2,160)

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

Investments in CLOs, bank debt and corporate bonds are valued using independent pricing services, and therefore the Company does not have transparency into the significant inputs used by such services.

The Company elected to measure its investments in CLOs at fair value through consolidated net income (loss) in order to simplify its accounting for these instruments. Changes in fair value of these investments are included within net gains on investments in the consolidated statements of comprehensive income (loss). The Company accrues interest income on its investments in CLOs using the effective interest method.

Fair Value of Other Financial Instruments

Management estimates that the carrying value of the Company's other financial instruments, including its debt obligations and repurchase agreements, approximated their fair values as of December 31, 2019. The fair value measurements for the Company's debt obligations and repurchase agreements are categorized as Level III within the fair value hierarchy and were determined using independent pricing services.

Loans Sold to CLOs Managed by the Company

In the year ended December 31, 2018, the Company sold $29.8 million of loans to CLOs managed by the Company. No loans were sold in the year ended December 31, 2019. These loans were previously purchased by the Company in the open market, and were sold for cash at cost to the CLOs. The loans were accounted for as transfers of financial assets and met the criteria for derecognition under GAAP.

The Company invests in senior secured and subordinated notes issued by certain CLOs to which it sold the loans discussed above. These investments represent retained interests to the Company and are in the form of a 5% vertical strip (i.e., 5% of each of the senior and subordinated tranches of notes issued by each CLO). The retained interests are reported within investments on the Company's consolidated balance sheet. In the year ended December 31, 2018, the Company made $24.9 million of investments related to these retained interests. No investments related to these retained interests were made in the year ended December 31, 2019. As of December 31, 2019 and 2018, the Company's investments in these retained interests had a fair value of $88.2 million and $89.4 million, respectively.

The Company is subject to risks associated with the performance of the underlying collateral and the market yield of the assets. The Company's risk of loss from retained interest is limited to its investments in these interests. The Company receives quarterly payments of interest and principal, as applicable, on these retained interests. In the years ended December 31, 2019 and 2018, the Company received $3.8 million and $6.4 million, respectively, of interest and principal payments related to the retained interests.

The Company uses independent pricing services to value its investments in the CLOs, including the retained interests, and therefore the only key assumption is the price provided by such service. A corresponding adverse change of 10% or 20% on price would have a corresponding impact on the fair value of the Company's investments in CLOs.

6. VARIABLE INTEREST ENTITIES

In the ordinary course of business, the Company sponsors the formation of funds that are considered VIEs. See Note 2 for a discussion of entities that are VIEs and the evaluation of those entities for consolidation by the Company. The table below presents the assets and liabilities of VIEs consolidated by the Company.

In the third quarter of 2019, the Company redeemed its investments in certain funds it manages, which resulted in the Company no longer holding a controlling financial interest, and therefore deconsolidated the funds. No gain or loss was recognized as a result of the deconsolidation.

	December 31, 2019	December 31, 2018
	(dollars in thousands)	
Assets		
Assets of consolidated funds:		
Investments of consolidated funds, at fair value	$ —	$ 171,495
Other assets of consolidated funds	649	21,090
Total Assets	**$ 649**	**$ 192,585**
Liabilities		
Liabilities of consolidated funds:		
Other liabilities of consolidated funds	389	14,541
Total Liabilities	**$ 389**	**$ 14,541**

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

The Company's direct involvement with funds that are VIEs and not consolidated by the Company is generally limited to providing asset management services and, in certain cases, insignificant investments in the VIEs. The maximum exposure to loss represents the potential loss of current investments or income and fees receivables from these entities, as well as the obligation to repay unearned revenues, primarily incentive income subject to clawback, in the event of any future fund losses. The Company has commitments to certain funds that are VIEs as discussed in Note 19. The Company does not provide, nor is it required to provide, any type of non-contractual financial or other support to its VIEs that are not consolidated.

The table below presents the net assets of VIEs in which the Company has variable interests along with the maximum risk of loss as a result of the Company's involvement with VIEs:

	December 31, 2019	December 31, 2018
	(dollars in thousands)	
Net assets of unconsolidated VIEs in which the Company has a variable interest	$ 8,805,128	$ 10,236,438
Maximum risk of loss as a result of the Company's involvement with VIEs:		
Unearned revenues	63,337	62,038
Income and fees receivable	21,841	31,658
Investments	200,215	190,674
Maximum Exposure to Loss	**$ 285,393**	**$ 284,370**

7. LEASES

The Company has non-cancelable operating leases for its headquarters in New York and its offices in London, Hong Kong, Shanghai, and various other locations and data centers. The Company does not have renewal options, other than a three-year renewal option for its lease in Hong Kong, which was not included in the determination of the related lease asset and liability. The Company also subleases a portion of its office space in London through the end of the lease term. Finally, the Company has finance leases for computer hardware.

		Year Ended December 31, 2019
		(dollars in thousands)
Lease Cost		
Operating lease cost	$	20,579
Short-term lease cost		58
Finance lease cost - amortization of leased assets		548
Finance lease cost - imputed interest on lease liabilities		94
Less: Sublease income		(1,522)
Net Lease Cost	**$**	**19,757**

		Year Ended December 31, 2019
		(dollars in thousands)
Supplemental Lease Cash Flow Information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	$	18,669
Operating cash flows for finance leases	$	7
Finance cash flows for finance leases	$	611
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	$	126,007
Finance leases	$	1,702

	December 31, 2019
Lease Term and Discount Rate	
Weighted average remaining lease term	
Operating leases	9.3 years
Finance leases	2.1 years
Weighted average discount rate	
Operating leases	7.9 %
Finance leases	7.9 %

	Operating Leases	Finance Leases
	(dollars in thousands)	
Maturity of Lease Liabilities		
2020	$ 22,610	$ 618
2021	21,108	618
2022	19,918	—
2023	19,192	—
2024	15,353	—
Thereafter	82,234	—
Total Lease Payments	**180,415**	**1,236**
Imputed interest	(52,372)	(58)
Total Lease Liabilities	**$ 128,043**	**$ 1,178**

As of December 31, 2019, the Company has pledged collateral related to its lease obligations of $6.2 million, which is included within investments in the consolidated balance sheets.

	Operating Leases
	(dollars in thousands)
Sublease Rent Payments Receivable	
2020	$ 1,972
2021	1,578
2022	1,578
2023	1,235
2024	—
Thereafter	—
Total Sublease Rent Payments Receivable	**$ 6,363**

Prior to Adoption of ASC 842

Prior to adoption of ASC 842 on January 1, 2019, the Company accounted for leases under ASC 840, and had the following future minimum lease payments as of December 31, 2018. Future minimum lease payments for capital leases were not material as of December 31, 2018.

	Operating Leases
	(dollars in thousands)
2019	$ 16,516
2020	23,324
2021	21,826
2022	19,807
2023	19,095
Thereafter	97,587
Total Payments	**$ 198,155**

Prior to the adoption of ASC 842, the Company recorded rent expense on a straight-line basis of $19.5 million, and $17.8 million, for the years ended December 31, 2018 and 2017, respectively, within general, administrative and other expenses in the consolidated statements of comprehensive income (loss).

8. DEBT OBLIGATIONS

	Debt Securities	2018 Term Loan	CLO Investments Loans	Total
	(dollars in thousands)			
Maturity of Debt Obligations				
2020	$ —	$ —	$ —	$ —
2021	—	—	3,464	3,464
2022	40,000	—	—	40,000
2023	40,000	45,000	—	85,000
2024	40,000	—	18,301	58,301
Thereafter	80,000	—	39,201	119,201
Total Payments	**200,000**	**45,000**	**60,966**	**305,966**
Unamortized discounts & deferred financing costs	(18,002)	(895)	(341)	(19,238)
Total Debt Obligations	**$ 181,998**	**$ 44,105**	**$ 60,625**	**$ 286,728**

Debt Securities

In connection with the Recapitalization, the Sculptor Operating Partnerships, each as a borrower, entered into an unsecured senior subordinated term loan credit and guaranty agreement (the “Subordinated Credit Agreement”) under which $200.0 million of Debt Securities were issued in exchange for an equal amount of 2016 Preferred Units. The Debt Securities mature on the earlier of (i) the fifth anniversary of the date on which all obligations under the 2019 Preferred Unit Designations have been paid in full and (ii) April 1, 2026.

Commencing February 1, 2020, the Debt Securities will bear interest at a per annum rate equal to, at the borrower’s option, one, three or six-month (or twelve-month with the consent of each lender) LIBOR plus 4.75%, or a base rate plus 3.75%.

Commencing on the earlier of (i) the first anniversary of the date on which all 2019 Preferred Units are paid in full and (ii) March 31, 2022, the Debt Securities amortize in quarterly installments each in a principal amount equal to 5% of the aggregate principal amount of the Debt Securities of the applicable borrower on the effective date of the Subordinated Credit Agreement or, in the case of incremental Debt Securities of such borrower, the date 2019 Preferred Units are exchanged for incremental Debt Securities; provided that in no event shall amortization payments in any fiscal year be required to exceed $40.0 million.

For a period of nine months after the repayment of the 2019 Preferred Units, the borrowers will have the option to voluntarily repay the initial Debt Securities at a 5% discount.

The Subordinated Credit Agreement contains customary representations and warranties and covenants for a transaction of this type and financial covenants consistent with those described below for the 2018 Term Loan. The Subordinated Credit Agreement also requires prepayment of loans under the 2018 Term Loan and the 2019 Preferred Units in accordance with the Cash Sweep, and restricts the incurrence of indebtedness for borrowed money and certain liens, in each case subject to exceptions set forth in the Implementing Agreements.

The Subordinated Credit Agreement contains customary events of default for a transaction of this type and is based on substantially the same terms as the 2018 Term Loan. If an event of default under the Subordinated Credit Agreement occurs and is continuing, then, at the request (or with the consent) of the lenders holding a majority of the Debt Securities, upon notice by the Subordinated Credit Agreement Administrative Agent to the borrowers, the obligations under the Subordinated Credit Agreement shall become immediately due and payable. In addition, if the Sculptor Operating Partnerships or any of their material subsidiaries become the subject of voluntary or involuntary proceedings under any bankruptcy, insolvency or similar law, then any outstanding obligations under the Subordinated Credit Agreement will automatically become immediately due and payable.

2018 Term Loan

On April 10, 2018 (the “Closing Date”), Sculptor Capital LP, as borrower, (the “Senior Credit Agreement Borrower”), and certain other subsidiaries of the Company, as guarantors, entered into a senior secured credit and guaranty agreement (the “Senior Credit Agreement”) consisting of (i) a $250.0 million term loan facility (the “2018 Term Loan”) and (ii) a $100.0 million revolving credit facility (the “2018 Revolving Credit Facility”). Effective as of February 7, 2019, the Company terminated in full the commitments under the 2018 Revolving Credit Facility. At the time of such termination, no borrowings were outstanding under the 2018 Revolving Credit Facility.

In connection with the Recapitalization, the Company entered into Amendment No. 1 (the “Senior Credit Agreement Amendment”) to the Senior Credit Agreement (the Senior Credit Agreement, as amended by the Senior Credit Agreement Amendment, the “Amended Senior Credit Agreement”). In accordance with the Amended Senior Credit Agreement, indebtedness outstanding under the 2018 Term Loan will be payable in accordance with the provisions of the Cash Sweep described in Note 3. The 2018 Term Loan matures April 10, 2023. The maturity date of the 2018 Term Loan may be extended pursuant to the terms of the Amended Senior Credit Agreement.

In connection with the Recapitalization and the Senior Credit Agreement Amendment, the Company repaid $100.0 million of amounts outstanding under the 2018 Term Loan. In accordance with the Cash Sweep, the Company repaid an additional $55.0 million during 2019 and another $27.0 million on February 13, 2020.

The 2018 Term Loan bears interest at a per annum rate equal to, at the Company’s option, one, three or six months (or twelve months with the consent of each lender) LIBOR plus 4.75%, or a base rate plus 3.75%. Prior to the termination of the 2018 Revolving Credit Facility in February 2019, the Company was required to pay an undrawn commitment fee at a rate per annum equal to 0.20% to 0.75% of the undrawn portion of the commitments under the 2018 Revolving Credit Facility, computed on a daily basis.

The obligations under the Amended Senior Credit Agreement are guaranteed by the Sculptor Operating Partnerships and are secured by a lien on substantially all of the Sculptor Operating Partnerships’ assets, subject to certain exclusions.

The Amended Senior Credit Agreement contains two financial maintenance covenants. The first financial maintenance covenant states that the Company's total fee-paying assets under management as of the last day of any fiscal quarter must be greater than $20.0 billion, and the second states that the total net leverage ratio (as defined in the Amended Senior Credit Agreement, which excludes the Debt Securities) as of the last day of any fiscal quarter must be less than (i) 3.00 to 1.00, or (ii) following the third anniversary of the Closing Date, 2.50 to 1.00. As of December 31, 2019, the Company was in compliance with the financial maintenance covenants.

The Amended Senior Credit Agreement requires compliance with the provisions of the Implementing Agreements that impose restrictions on distributions, including certain tax distributions, during the Distribution Holiday, requiring prepayment of loans under the Amended Senior Credit Agreement with excess cash above a certain threshold, and restricting the incurrence of indebtedness for borrowed money and certain liens, in each case subject to exceptions set forth in the Implementing Agreements.

In the event the Amended Senior Credit Agreement remains outstanding on or after March 31, 2022, the Amended Senior Credit Facility allows for the issuance of an additional $200.0 million of incremental Debt Securities in exchange for the remaining Preferred Units at that time. The Amended Senior Credit Agreement also allows restricted payments for preferred dividends of up to $12.0 million per year.

The Amended Senior Credit Agreement contains customary events of default. If an event of default under the Amended Senior Credit Agreement occurs and is continuing, then, at the request (or with the consent) of the lenders holding a majority of the commitments and loans, upon notice by the administrative agent to the Senior Credit Agreement Borrower, the obligations under the Amended Senior Credit Agreement shall become immediately due and payable. In addition, if the Senior Credit Agreement Borrower or any of its material subsidiaries becomes the subject of voluntary or involuntary proceedings under any bankruptcy, insolvency or similar law, then any outstanding obligations under the Amended Senior Credit Agreement will automatically become immediately due and payable.

CLO Investments Loans

The Company entered into loans to finance portions of investments in certain CLOs (collectively, the "CLO Investments Loans"). In general, the Company will make interest and principal payments on the loans at such time interest payments are received on its investments in the CLOs, and will make principal payments on the loans to the extent principal payments are received on its investments in the CLOs, with any remaining balance due upon maturity.

The loans are subject to customary events of default and covenants and also include terms that require the Company's continued involvement with the CLOs. The CLO Investments Loans do not have any financial maintenance covenants and are secured by the related investments in CLOs, which investments had fair values of $65.9 million and $112.8 million as of December 31, 2019 and 2018, respectively.

Carrying amounts presented in the table below are net of discounts, if any, and unamortized deferred financing costs. The maturity date for each CLO Investments Loan is the earlier of the final maturity date presented in the table below or the date at which the Company no longer holds a risk retention investment in the respective CLO.

Initial Borrowing Date	Contractual Rate	Final Maturity Date	Carrying Value	
			December 31, 2019	December 31, 2018
			(dollars in thousands)	
November 28, 2016	EURIBOR plus 2.23%	December 15, 2023	$ —	$ 17,235
June 7, 2017	LIBOR plus 1.48%	November 16, 2029	17,245	17,224
August 2, 2017	LIBOR plus 1.41%	January 21, 2030	21,679	21,674
September 14, 2017	EURIBOR plus 2.21%	September 14, 2024	18,237	18,614
February 21, 2018	LIBOR plus 1.27%	February 21, 2019	—	21,060
August 1, 2019	EURIBOR plus 1.15%	June 29, 2021	3,464	—
			$ 60,625	**$ 95,807**

9. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

On May 29, 2018, the Company entered into a €100.0 million master credit facility agreement (the “CLO Financing Facility”) to finance a portion of the risk retention investments in certain European CLOs managed by the Company. Subject to the terms and conditions of the CLO Financing Facility, the Company and the counterparty may enter into repurchase agreements on such terms agreed upon by the parties. Each transaction entered into under the CLO Financing Facility will bear interest at a rate based on the weighted average effective interest rate of each class of securities that have been sold plus a spread to be agreed upon by the parties. As of December 31, 2019, €12.3 million of the CLO Financing Facility remained available.

Each transaction entered into under the CLO Financing Facility provides for payment netting and, in the case of a default or similar event with respect to the counterparty to the CLO Financing Facility, provides for netting across transactions. Generally, upon a counterparty default, the Company can terminate all transactions under the CLO Financing Facility and offset amounts it owes in respect of any one transaction against collateral it has received in respect of any other transactions under the CLO Financing Facility; provided, however, that in the case of certain defaults, the Company may only be able to terminate and offset solely with respect to the transaction affected by the default. During the term of a transaction entered into under the CLO Financing Facility, the Company will deliver cash or additional securities acceptable to the counterparty if the securities sold are in default. Upon termination of a transaction, the Company will repurchase the previously sold securities from the counterparty at a previously determined repurchase price. The CLO Financing Facility may be terminated at any time upon certain defaults or circumstances agreed upon by the parties.

The repurchase agreements may result in credit exposure in the event the counterparty to the transaction is unable to fulfill its contractual obligations. The Company minimizes the credit risk associated with these activities by monitoring counterparty credit exposure and collateral values. Other than margin requirements, the Company is not subject to additional terms or contingencies which would expose the Company to additional obligations based upon the performance of the securities pledged as collateral.

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

Securities Sold under Agreements to Repurchase	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities in the Consolidated Balance Sheet	Securities Transferred	Net Amount
			(dollars in thousands)		
As of December 31, 2019	$ 97,508	$ —	$ 97,508	$ 97,508	$ —
As of December 31, 2018	$ 62,801	$ —	$ 62,801	$ 62,186	$ 615

The securities sold under agreements to repurchase have a set scheduled maturity date that corresponds to the maturities of the securities sold under such transaction. The table below presents the remaining final contractual maturity of the securities sold under agreement to repurchase by class of collateral pledged:

	Investments in CLOs				
Securities Sold under Agreements to Repurchase	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater Than 90 Days	Total
			(dollars in thousands)		
As of December 31, 2019	$ —	$ —	$ —	$ 97,508	$ 97,508
As of December 31, 2018	$ —	$ —	$ —	$ 62,801	$ 62,801

10. PREFERRED UNITS

2016 Preferred Units

Pursuant to a securities purchase agreement, dated September 29, 2016 (the “Purchase Agreement”), certain of the Company’s executive managing directors, including Daniel S. Och (the “EMD Purchasers”), agreed to purchase up to a total of $400.0 million of 2016 Preferred Units, all of which remained issued and outstanding as of December 31, 2018. As of February 7, 2019, all of the 2016 Preferred Units were restructured into the 2019 Preferred Units and Debt Securities, as described in Note 3.

2019 Preferred Units

Pursuant to the 2019 Preferred Unit Designations, the Sculptor Operating Partnerships issued 2019 Preferred Units with an aggregate liquidation preference of $200.0 million, in exchange for $200.0 million of the 2016 Preferred Units. Other than following the occurrence of a Discount Termination Event (as defined in the 2019 Preferred Unit Designations), the Sculptor Operating Partnerships have the option to redeem the 2019 Preferred Units at a 25% discount until March 31, 2021, and then at a 10% discount at any time between April 1, 2021 and March 30, 2022. Any mandatory payments as a result of the Cash Sweep will be entitled to the same discount. To the extent that the 2019 Preferred Units are not repaid in full prior to March 31, 2022, at the option of the holder thereof, all or any portion of the 2019 Preferred Units will be converted into Debt Securities in an aggregate principal amount equal to the Liquidation Value (as defined below) of such 2019 Preferred Units, with such Debt Securities having the same terms as the existing $200.0 million of Debt Securities.

Pursuant to the 2019 Preferred Unit Designations, distributions on the 2019 Preferred Units will be payable on the liquidation preference amount on a cumulative basis at an initial distribution rate of 0% per annum until February 19, 2020 (the “Step Up Date”), after which the distribution rate will increase to 6% per annum from the Step Up Date until the sixth anniversary of the Step Up Date, then continuing to increase in stages thereafter to a maximum of 10% per annum on and after the eighth anniversary of the Step Up Date. In addition, following the occurrence of a change of control event, the Sculptor

Operating Partnerships will redeem the 2019 Preferred Units at a redemption price equal to the liquidation preference plus all accumulated but unpaid distributions (collectively, the "Liquidation Value"). If the Sculptor Operating Partnerships fail to redeem all of the outstanding 2019 Preferred Units after such change of control event, the distribution rate will increase by 7% per annum, beginning on the 31st day following such event. Pursuant to the 2019 Preferred Unit Designations, the Sculptor Operating Partnerships will not be required to effect such redemption until the earlier of (i) the date that is 20 days following such change of control event and (ii) the payment in full of all loans and other obligations and the termination of all commitments under the 2018 Term Loan.

From and after March 31, 2022, if the amounts distributed to partners of the Sculptor Operating Partnerships in respect of their equity interests in the Sculptor Operating Partnerships (other than amounts distributed in respect of tax distributions or certain other distributions) or used for repurchase of units by such entities (or which were available but not used for such purposes) for the immediately preceding fiscal year exceed $100.0 million in the aggregate, then an amount equal to 20% of such excess shall be used to redeem the 2019 Preferred Units on a pro rata basis at a redemption price equal to the Liquidation Value. Furthermore, if the average closing price of the Company's Class A Shares exceeds $150.00 per share for the previous 20 trading days from and after the Recapitalization Closing, the Sculptor Operating Partnerships have agreed to use their reasonable best efforts to redeem all of the outstanding 2019 Preferred Units as promptly as practicable. If such event occurs prior to the maturity date of the 2018 Term Loan and all obligations under the 2018 Term Loan have not been prepaid in accordance with the terms thereof, the Company has agreed to use its reasonable best efforts to obtain consents from its lenders in order to redeem the 2019 Preferred Units as promptly as practicable.

11. OTHER ASSETS, NET

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

	December 31, 2019	December 31, 2018
	(dollars in thousands)	
Fixed Assets:		
Leasehold improvements	$ 52,798	$ 54,257
Computer hardware and software	47,361	48,178
Furniture, fixtures and equipment	8,411	8,373
Accumulated depreciation and amortization	(73,730)	(67,558)
Fixed assets, net	34,840	43,250
Goodwill	22,691	22,691
Prepaid expenses	18,507	11,629
Other	6,570	4,833
Total Other Assets, Net	**$ 82,608**	**$ 82,403**

12. OTHER LIABILITIES

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

	December 31, 2019	December 31, 2018
	(dollars in thousands)	
Accrued expenses	$ 19,275	$ 27,683
Legal provision[1]	19,100	—
Uncertain tax positions	8,250	7,000
Unused trade commissions	5,192	8,615
Deferred rent credit	—	6,231
Trades payable	—	4,978
Other	7,400	9,096
Total Other Liabilities	**$ 59,217**	**$ 63,603**

(1) Legal provision represents accrual for certain contingencies discussed in Note 19.

13. REVENUES

The following table presents management fees and incentive income recognized as revenues for the years ended December 31, 2019, 2018, and 2017:

	Year Ended December 31, 2019		Year Ended December 31, 2018		Year Ended December 31, 2017	
	Management Fees	Incentive Income	Management Fees	Incentive Income	Management Fees	Incentive Income
	(dollars in thousands)					
Multi-strategy funds	$ 134,404	$ 240,517	$ 168,902	$ 71,972	$ 214,116	$ 409,823
Credit						
Opportunistic credit funds	43,729	48,526	41,035	89,182	44,753	99,308
Institutional Credit Strategies	57,877	—	50,212	—	35,381	—
Real estate funds	16,111	32,578	19,307	40,811	21,027	7,603
Other	890	—	2,406	931	4,181	11,266
Total	**$ 253,011**	**$ 321,621**	**$ 281,862**	**$ 202,896**	**$ 319,458**	**$ 528,000**

A liability for unearned incentive income is generally recognized when the Company receives incentive income distributions from its funds, primarily its real estate funds, whereby the distributions received have not yet met the recognition threshold of being probable that a significant reversal of cumulative revenue will not occur. The following table presents the activity in the Company's unearned incentive income for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018	2017
		(dollars in thousands)	
Beginning of Period	**$ 61,397**	**$ 143,710**	**$ 96,079**
Effects of adoption of ASU 2014-09	—	(99,422)	—
Amounts collected during the period	24,946	54,538	53,915
Amounts recognized during the period	(25,545)	(37,429)	(6,284)
End of Period	**$ 60,798**	**$ 61,397**	**$ 143,710**

The Company recognizes management fees over the period in which the performance obligation is satisfied. The Company records incentive income when it is probable that a significant reversal of income will not occur. The majority of management fees and incentive income receivable at each balance sheet date is generally collected during the following quarter.

The following table presents the composition of the Company's income and fees receivable as of December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
	(dollars in thousands)	
Management fees	$ 25,726	$ 20,368
Incentive income	189,669	62,475
Income and Fees Receivable	**$ 215,395**	**$ 82,843**

14. EQUITY-BASED COMPENSATION EXPENSES

The Company grants equity-based compensation in the form of RSUs, PSUs, Group A Units, Group E Units and Group P Units to its executive managing directors, employees and the independent members of the Board under the terms of the 2007 Equity Incentive Plan and the 2013 Incentive Plan.

The following table presents information regarding the impact of equity-based compensation grants on the Company's consolidated statements of comprehensive income (loss):

	Year Ended December 31,		
	2019	2018	2017
		(dollars in thousands)	
Expense recorded within compensation and benefits	$ 127,505	$ 87,130	$ 84,169
Corresponding tax benefit	$ 7,738	$ 2,811	$ 4,720

The following tables present activity related to the Company’s unvested equity awards for the year ended December 31, 2019:

	Equity-Classified RSUs		Liability-Classified RSUs		PSUs	
	Unvested RSUs	Weighted-Average Grant-Date Fair Value	Unvested RSUs	Weighted-Average Grant-Date Fair Value	Unvested PSUs	Weighted-Average Grant-Date Fair Value
December 31, 2018	**3,784,536**	**$ 30.00**	**433,133**	**$ 66.75**	**1,000,000**	**$ 11.82**
Granted	1,890,579	15.33	65,277	15.25	—	—
Vested	(1,621,849)	27.86	(113,857)	64.11	—	—
Canceled or forfeited	(283,431)	25.64	—	—	—	—
December 31, 2019	**3,769,835**	**$ 23.94**	**384,553**	**$ 58.44**	**1,000,000**	**$ 11.82**

	Group A Units		Group E Units		Group P Units	
	Unvested Group A Units	Weighted-Average Grant-Date Fair Value	Unvested Group E Units	Weighted-Average Grant-Date Fair Value	Unvested Group P Units	Weighted-Average Grant-Date Fair Value
December 31, 2018	**74,962**	**$ 105.26**	**—**	**$ —**	**3,660,000**	**$ 12.46**
Granted	—	—	13,684,124	8.61	225,000	5.94
Vested	(24,271)	105.26	(3,889,242)	8.63	(225,000)	5.94
Canceled or forfeited	(26,421)	105.26	(233,303)	8.12	(475,000)	12.46
December 31, 2019	**24,270**	**$ 105.26**	**9,561,579**	**$ 8.62**	**3,185,000**	**$ 12.46**

Restricted Share Units (RSUs)

An RSU entitles the holder to receive a Class A Share, or cash equal to the fair value of a Class A Share at the election of the Board, upon completion of the requisite service period. All of the RSUs granted to date accrue dividend equivalents equal to the dividend amounts paid on the Company’s Class A Shares. To date, these dividend equivalents have been awarded in the form of additional RSUs that also accrue additional dividend equivalents. As a result, dividend equivalents declared on equity-classified RSUs are recorded similar to a stock dividend, resulting in (i) increases in the Company’s accumulated deficit and the accumulated deficit component of noncontrolling interests on the same pro rata basis as earnings of the Sculptor Operating Group are allocated and (ii) increases in the Company’s additional paid-in capital and the paid-in capital component of noncontrolling interests on the same pro rata basis. No compensation expense is recognized related to these dividend equivalents. Delivery of dividend equivalents on outstanding RSUs is contingent upon the vesting of the underlying RSUs.

In 2018, a certain executive managing director forfeited 600,000 Group A Units and 2,900,000 Group P Units for RSUs and certain other profit-sharing interests. The forfeiture of these units was accounted for as a modification to 640,797 equity-classified RSUs and 734,599 liability-classified RSUs, and other awards. The fair value of the modified awards was $63.62 per RSU and was based on the fair value of the original awards immediately before they were modified. The Company will continue to recognize at least the minimum compensation expense that would have been previously recognized prior to the modification.

As a result of the Recapitalization, the Company modified certain RSUs provided to certain executive managing directors to cap the cumulative distributions that the RSUs would be entitled to receive during the Distribution Holiday. As the resulting fair value of the RSUs was lower than the original grant fair value, the Company continues to recognize the compensation expense that would have been previously recognized prior to the modification.

The weighted-average grant-date fair value of equity-classified RSUs granted was $15.33, $23.34 and $31.60 for the years ended December 31, 2019, 2018 and 2017, respectively. As of December 31, 2019, total unrecognized compensation expense related to equity-classified RSUs totaled $61.5 million, with a weighted-average amortization period of 2.3 years.

The weighted-average grant-date fair value of liability-classified RSUs granted was $15.25 and $15.00 for the years ended December 31, 2019 and 2018, respectively. No liability-classified RSUs were granted in 2017. As of December 31, 2019, total unrecognized compensation expense related to liability-classified RSUs totaled $22.5 million, with a weighted-average amortization period of 3.0 years.

The following table presents information related to the settlement of RSUs:

	Year Ended December 31,		
	2019	2018	2017
		(dollars in thousands)	
Fair value of RSUs settled in Class A Shares	$ 24,131	$ 12,044	$ 13,016
Fair value of RSUs settled in cash	$ 2,570	$ 3,879	$ 130
Fair value of RSUs withheld to satisfy tax withholding obligations	$ 3,727	$ 4,436	$ 7,577
Number of RSUs withheld to satisfy tax withholding obligations	300,714	329,591	280,269

PSUs

In 2018, the Company began granting PSUs. A PSU entitles the holder to receive a Class A Share, or cash equal to the fair value of a Class A Share at the election of the Board of Directors, upon completion of the requisite service period, as well as satisfying certain performance conditions based on achievement of targeted total shareholder return on Class A Shares. PSUs do not begin to accrue dividend equivalents until the requisite service period has been completed and performance conditions have been achieved.

In the year ended December 31, 2018, the Company granted 1,000,000 PSUs, with a weighted-average grant-date fair value of $11.82 per unit. The fair value was determined using the Monte-Carlo simulation valuation model, with the following assumptions: volatility of 35%, dividend rate of 10%, and risk-free discount rate of 2.6%. The requisite service period for these awards was estimated to be 3.1 years at the time of the grant. The Company used historical volatility in its estimate of the expected volatility. As of December 31, 2019, total unrecognized compensation expense related to these units totaled $4.5 million, with weighted-average amortization period of 1.2 years.

The PSUs granted to-date vest subject to continued and uninterrupted service (“PSU Service Condition”) until the third anniversary of the grant date and the meeting of a market performance threshold of the total shareholder return on Class A Shares of the Company (“PSU Performance Condition”). The PSU Performance Condition is defined as follows: 20% of PSUs vest if a total shareholder return of 25% is achieved; an additional 40% of PSUs vest if a total shareholder return of 50% is achieved; an additional 20% of PSUs vest if a total shareholder return of 75% is achieved; and the final 20% of PSUs vest if a total shareholder return of 125% is achieved. In each case, the PSU Performance Condition must be met for each threshold by the sixth anniversary of the grant date. If the PSU grant has not satisfied both the PSU Service Condition and the PSU Performance Condition by the sixth anniversary of the grant date, it will be forfeited and canceled immediately.

Group A Units

The Company recognizes compensation expense for Group A Units equal to the market value of the Company's Class A Shares at the date of grant, less a 5% discount for transfer restrictions that remain in place after vesting. The weighted-average grant-date fair value of Group A Units was $21.85 for the year ended December 31, 2017. There were no grants for the years ended December 31, 2019 and 2018. As of December 31, 2019, total unrecognized compensation expense related to the Group A Units totaled $740 thousand with a weighted-average amortization period of 0.3 years.

Group E Units

As a part of the Recapitalization described in Note 3, the Company granted Group E Units. The Group E Units are not entitled to participate in distributions during the Distribution Holiday. The right of the Group E Units to participate in distributions is considered a performance condition that does not affect vesting. The Company is required to recognize compensation cost based on the grant-date fair value of Group E Units where the performance condition is probable of being met. The fair value of the Group E Units was calculated using the price of the Company's Class A Shares at the date of grant, adjusted to reflect that Group E Units are not entitled to participate in distributions during the Distribution Holiday and for post-vesting transfer restrictions. As of December 31, 2019, total unrecognized compensation expense related to these units totaled $53.8 million with a weighted-average amortization period of 2.1 years. Expense for the Group E Units is recognized on an accelerated basis (i.e., each tranche will be recognized over its respective service period), as the value of the award is dependent at least in part on a performance condition.

Group P Units

In March 2017, the Company granted 7,185,000 Group P Units ("Incentive Award"), with the weighted-average grant-date fair value of $12.50 per unit. The fair value was determined using the Monte-Carlo simulation valuation model, with the following assumptions: volatility of 36%, dividend rate of 10%, and risk-free discount rate of 2.2%. The Company used historical volatility in its estimate of the expected volatility. The requisite service period for these awards was estimated to be 3.7 years at the time of the grant. As of December 31, 2019, total unrecognized compensation expense related to the Group P Units totaled $8.4 million, with a weighted-average amortization period of 1.0 year. There have been no other grants of Group P Units.

A grant of Group P Units will conditionally vest upon the applicable executive managing directors satisfying a service condition (the "Service Condition") and certain market performance-based targets, expressed as percentages (the "Performance Condition"). The Performance Condition is considered a market condition for accounting purposes as its achievement is dependent on the return provided to shareholders during a specified period, which is defined as follows: 20% of P Units vest if a total shareholder return of 25% is achieved; an additional 40% of P Units vest if a total shareholder return of 50% is achieved; an additional 20% of P Units vest if a total shareholder return of 75% is achieved; and the final 20% of P Units vest if a total shareholder return of 125% is achieved. Achievement of the applicable Performance Conditions earlier than estimated can materially affect the amount of equity-based compensation expense recognized by the Company in any given period.

Executive managing directors will be entitled to receive distributions on their Group P Units only after satisfaction of the Service Condition and the Performance Condition, from which time the executive managing director will be entitled to receive the same distributions per unit on each Group P Unit as holder.

If a holder of an Incentive Award has not satisfied both the Service Condition and the applicable Performance Condition has not been met with respect to the units comprising such Incentive Award by the sixth anniversary of the respective grant date, such units will be forfeited and canceled immediately.

Upon satisfaction of the Service Condition and the Performance Condition, Group P Units may be exchanged at the executive managing director's discretion for Class A Shares (or the cash value thereof, as determined by the Board) provided that sufficient Appreciation (as defined in the Sculptor Operating Partnerships' limited partnership agreements) has occurred for each Group P Unit to have become economically equivalent to a Group A Unit. Upon the exchange of a Group P Unit for a Class A

Share (or the cash equivalent), the exchanging executive managing director will have a right to potential future payments owed to him or her under the tax receivable agreement.

15. INCOME TAXES

The Sculptor Operating Partnerships are partnerships for U.S. federal income tax purposes. The Registrant was a partnership for U.S. federal income tax purposes until the Corporate Classification Change on April 1, 2019. Prior to the Corporate Classification Change, only a portion of the income the Company earned has been subject to corporate-level income taxes in the United States and foreign jurisdictions.

As a result of the Corporate Classification Change, the Company recognized an initial $5.6 million of additional tax expense during the second quarter of 2019. Had the Company been treated as a corporation in prior periods presented herein, there would not have been a material change in income tax expense. Following the Corporate Classification Change, generally all of the income the Registrant earns will be subject to corporate-level income taxes in the United States allowing us to realize a portion of our deferred tax assets on an accelerated basis as compared to under our prior structure.

The amount of incentive income the Company earns in a given year, the resultant flow of revenues and expenses through the Company’s legal entity structure, the effect that changes in the Class A Share price may have on the ultimate deduction the Company is able to take related to the settlement of RSUs, and any change in future enacted income tax rates may have a significant impact on the Company’s income tax provision and effective income tax rate.

The Company’s income tax provision and related income tax assets and liabilities are based on, among other things, an estimate of the impact of the Corporate Classification Change, inclusive of an analysis of tax basis and state tax implications of certain partnerships and their underlying assets and liabilities as of April 1, 2019. The Company’s estimate is based on the most recent information available; however, the impact of the conversion cannot be finally determined until the Company’s 2019 tax returns have been finalized. The Company does not currently expect such information to become available until 2020. The tax basis and state impact of the partnerships and their underlying assets and liabilities are based on estimates subject to finalization of the Company’s tax returns, and the impact of the Corporate Classification Change may differ, possibly materially, from the current estimates described herein.

On December 22, 2017, the Tax Cuts and Jobs Act (“the TCJA”) was signed into law. The TCJA includes a broad range of tax reforms including a reduction in the corporate income tax rate to 21% from 35% effective January 1, 2018. The Company recognized the tax effects of the TCJA during the three months ended December 31, 2017, and recorded $280.8 million in deferred tax expense related solely to the impact of the TCJA. The $280.8 million in deferred tax expense recorded in 2017 related to the TCJA was comprised of $190.4 million of deferred tax expense due to the remeasurement of deferred tax assets at the 21% tax rate, and $90.4 million of additional tax expense related to the change in the tax receivable agreement liability as a result of the reduction in the corporate tax rate. Accounting for the TCJA was completed as of December 31, 2018, there were no material adjustments recorded in 2018 related to the original impact recorded for the TCJA in 2017.

The following table presents the components of the Company's provision for income taxes:

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
	(dollars in thousands)		
Current:			
Federal income taxes	$ (370)	$ 1	$ 103
State and local income taxes	1,702	1,165	2,172
Foreign income taxes	5,845	2,735	2,520
	7,177	3,901	4,795
Deferred:			
Federal income taxes	16,621	3,304	322,162
State and local income taxes	10,272	5,736	(9,828)
Foreign income taxes	42	(441)	430
	26,935	8,599	312,764
Total Provision for Income Taxes	**$ 34,112**	**$ 12,500**	**$ 317,559**

The foreign income tax provision was calculated on $17.7 million, $8.2 million and $21.3 million of pre-tax income generated in foreign jurisdictions for the years ended December 31, 2019, 2018 and 2017, respectively.

Deferred income tax assets and liabilities represent the tax effects of the temporary differences between the GAAP bases and tax bases of the Company's assets and liabilities.

The following table presents the Company's deferred income tax assets and liabilities before the impact of offsetting deferred income tax assets and liabilities within the same legal entity and tax jurisdiction:

	December 31, 2019	December 31, 2018
	(dollars in thousands)	
Deferred Income Tax Assets:		
Tax goodwill	$ 176,244	$ 234,437
Net operating loss	86,644	96,524
Investments in partnerships	41,865	19,607
Tax credit carryforwards	15,160	15,550
Employee compensation	1,183	1,027
Other	1,624	869
	322,720	368,014
Valuation allowance	(11,083)	(11,959)
Total Deferred Income Tax Assets	**$ 311,637**	**$ 356,055**
Total Deferred Income Tax Liabilities	**$ 1,080**	**$ 1,030**

The majority of the Company's deferred income tax assets relate to tax goodwill in the United States that arose in connection with the Company's initial public offering and concurrent private Class A Share offering in 2007 (collectively, the "2007 Offerings"), as well as subsequent exchanges of Group A Units for Class A Shares. These deferred income tax assets are derived from goodwill recognized for tax purposes that are subsequently amortized and result in future taxable deductions and cash savings to the Company. The Company entered into a tax receivable agreement to pay a portion of these tax savings to the

Company's executive managing directors and the Ziffs (as defined in Note 18). The tax goodwill amounts presented above include the increases that these tax receivable agreement payments will have on future tax goodwill. See Note 19 for additional information regarding the tax receivable agreement.

The following table presents changes in the Company's deferred tax asset valuation allowance for the periods indicated:

	Year Ended December 31,		
	2019	2018	2017
		(dollars in thousands)	
Beginning balance	$ 11,959	$ 12,028	$ 7,798
Additions charged to income taxes expense	—	497	6,592
Deductions	(876)	(566)	(2,362)
Ending Balance	**$ 11,083**	**$ 11,959**	**$ 12,028**

The Company has determined that it may not realize certain foreign income tax credits within the limited carryforward period available. Accordingly, a valuation allowance has been established for these items. For the periods presented above, additions relate to changes to the Company's forecasted realizability of existing foreign tax credits and deductions are a result of a reduction in available foreign income tax credits.

As of December 31, 2019, the Company had federal income tax credit carryforwards of approximately $14.7 million that, if not used, will expire between 2020 and 2026. As of December 31, 2019, the Company had $243.1 million of net operating losses available to offset future taxable income for federal income tax purposes that will expire between 2030 and 2037, and $71.4 million of net operating losses available to be carried forward without expiration. Additionally, $153.5 million of net operating losses are available to offset future taxable income for state income tax purposes and $149.7 million for local income tax purposes that will expire between 2035 and 2039.

The following is a reconciliation of the statutory U.S. federal income tax rate to the Company's effective income tax rate:

	Year Ended December 31,		
	2019	2018	2017
Statutory U.S. federal income tax rate	21.00 %	21.00 %	35.00 %
Income passed through to noncontrolling interests	-14.68 %	-15.92 %	-11.13 %
Nondeductible amortization of Partner Equity Units	108.30 %	-1.09 %	0.73 %
State and local income taxes	69.91 %	-16.53 %	4.42 %
RSU excess deferred income tax write-off	28.58 %	-11.33 %	0.50 %
Foreign income taxes	42.89 %	-6.32 %	0.63 %
Income not subject to entity level tax	-19.04 %	4.21 %	-4.54 %
Return-to-provision adjustment	-2.41 %	-3.57 %	-0.30 %
Tax effects of income recorded to equity in connection with the Recapitalization	-11.80 %	— %	— %
Nondeductible transaction costs	15.91 %	-3.52 %	— %
Nondeductible interest expense	21.54 %	— %	— %
Foreign tax credits and deductions	-11.85 %	-0.77 %	1.88 %
Impact of federal tax reform	— %	— %	40.34 %
Other, net	0.15 %	-0.50 %	-0.24 %
Effective Income Tax Rate	**248.50 %**	**-34.34 %**	**67.29 %**

The Company files income tax returns with the U.S. federal government and various state and local jurisdictions, as well as foreign jurisdictions. The income tax years under examination vary by jurisdiction. In general, the Company has not been subject to U.S. federal, state and local, or foreign income tax examinations by tax authorities for years prior to 2014; however, certain subsidiaries have not been subject to income tax examinations for years prior to 2012 for state and local and 2007 for foreign jurisdictions.

The Company recognizes tax benefits for amounts that are “more likely than not” to be sustained upon examination by tax authorities. For uncertain tax positions in which the benefit to be realized does not meet the “more likely than not” threshold, the Company establishes a liability, which is included within other liabilities in the consolidated balance sheets.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits for the year ended December 31, 2019 is as follows:

	December 31, 2019
	(dollars in thousands)
Beginning balance	$ 7,000
Additions for tax benefits related to prior years	1,250
Ending balance	**$ 8,250**

The Company did not accrue interest or penalties related to uncertain tax positions. As of December 31, 2019, the Company does not believe that there will be a significant change to the uncertain tax positions during the next 12 months. The amount of the Company’s total unrecognized tax benefits that, if recognized, would affect its effective tax rate was $4.8 million as of December 31, 2019.

16. GENERAL, ADMINISTRATIVE AND OTHER

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

	Year Ended December 31,		
	2019	2018	2017
	(dollars in thousands)		
Professional services	$ 42,370	$ 52,163	$ 43,343
Occupancy and equipment	30,281	28,769	33,358
Information processing and communications	21,443	25,917	28,274
Recurring placement and related service fees	14,034	16,247	20,153
Insurance	8,658	7,391	7,609
Business development	4,048	4,075	6,685
Foreign exchange (gains) and losses	(451)	2,766	(726)
Other expenses	10,478	12,899	13,375
	130,861	150,227	152,071
Legal settlements and provisions	19,100	31,750	—
Total General, Administrative and Other	**$ 149,961**	**$ 181,977**	**$ 152,071**

17. EARNINGS (LOSS) PER CLASS A SHARE

Basic earnings (loss) per Class A Share is computed by dividing the net income (loss) attributable to Class A Shareholders by the weighted-average number of Class A Shares outstanding for the period.

For the years ended December 31, 2019, 2018 and 2017, the Company included 180,444, 142,512 and 110,373 RSUs respectively, that have vested but have not been settled in Class A Shares in the weighted-average Class A Shares outstanding used to calculate basic and diluted earnings (loss) per Class A Share.

When calculating dilutive earnings (loss) per Class A Share, the Company applies the treasury stock method to unvested RSUs and the if-converted method to vested Group A Units and Group E Units. The Company applies the treasury stock method to unvested Group A Units and Group E Units and the if-converted method on the resulting number of units that would be issued. The Company did not include the Group P Units or PSUs in the calculations of dilutive earnings (loss) per Class A Share, as the applicable market performance conditions have not yet been met as of December 31, 2019.

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

Year Ended December 31, 2019	Net Income Attributable to Class A Shareholders	Weighted- Average Class A Shares Outstanding	Earnings Per Class A Share	Number of Antidilutive Units Excluded from Diluted Calculation
	(dollars in thousands, except per share amounts)			
Basic	$ 51,418	20,773,493	$ 2.48	
Effect of dilutive securities:				
Group A Units	21,469	16,976,983		—
Group E Units	—	7,817,696		—
RSUs	—	732,518		—
Diluted	$ 72,887	46,300,690	$ 1.57	

Year Ended December 31, 2018	Net Loss Attributable to Class A Shareholders	Weighted- Average Class A Shares Outstanding	Loss Per Class A Share	Number of Antidilutive Units Excluded from Diluted Calculation
	(dollars in thousands, except per share amounts)			
Basic	$ (24,284)	19,270,929	$ (1.26)	
Effect of dilutive securities:				
Group A Units	—	—		26,073,057
RSUs	—	—		4,826,130
Diluted	$ (24,284)	19,270,929	$ (1.26)	

Year Ended December 31, 2017	Net Income Attributable to Class A Shareholders	Weighted- Average Class A Shares Outstanding	Earnings Per Class A Share	Number of Antidilutive Units Excluded from Diluted Calculation
		(dollars in thousands, except per share amounts)		
Basic	$ 18,222	18,642,379	$ 0.98	
Effect of dilutive securities:				
Group A Units	—	—		27,230,147
RSUs	—	75,797		—
Diluted	$ 18,222	18,718,176	$ 0.97	

18. RELATED PARTY TRANSACTIONS

Due from Related Parties

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

Due to Related Parties

Amounts due to related parties relate primarily to future payments owed to current and former executive managing directors and Ziff Investors Partnership, L.P. II and certain of its affiliates and control persons (the "Ziffs") under the tax receivable agreement, as discussed further in Note 19. The Company made no payments under the tax receivable agreement in the years ended December 31, 2019, 2018 and 2017.

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

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

As of December 31, 2019 and 2018, respectively, approximately $930.1 million and $1.9 billion of the Company's assets under management represented investments by the Company, its executive managing directors, employees and certain other related parties in the Company's funds. As of December 31, 2019 and 2018, approximately 41% and 29%, of these assets under management were not charged management fees or incentive income. The following table presents management fees and incentive income charged on investments held by the Company's executive managing directors, employees and certain other related parties:

	Year Ended December 31,		
	2019	2018	2017
	(dollars in thousands)		
Fees charged on investments held by related parties:			
Management fees	$ 7,324	$ 14,017	$ 10,574
Incentive income	$ 8,749	$ 7,530	$ 14,052

Other

In connection with the Recapitalization, the Company paid for Mr. Och's expenses incurred in connection with these transactions in the amount of $5.0 million, of which $4.5 million was incurred in the fourth quarter of 2018 and the remainder in the first quarter of 2019. In addition, the Company will pay for reasonable expenses, if any, incurred by holders of the 2019 Preferred Units in connection with protecting the interests or enforcing the rights of such securities.

19. COMMITMENTS AND CONTINGENCIES

Tax Receivable Agreement

The purchase of Group A Units from current and former executive managing directors and the Ziffs with the proceeds from the 2007 Offerings, and subsequent taxable exchanges by them of Partner Equity Units for Class A Shares on a one-for-one basis (or, at the Company's option, a cash equivalent), resulted, and, in the case of future exchanges, are anticipated to result, in an increase in the tax basis of the assets of the Sculptor Operating Group that would not otherwise have been available. The Company anticipates that any such tax basis adjustment resulting from an exchange will be allocated principally to certain intangible assets of the Sculptor Operating Group, and the Company will derive its tax benefits principally through amortization of these intangibles over a 15-year period. Consequently, these tax basis adjustments will increase, for tax purposes, the Company's depreciation and amortization expenses and will therefore reduce the amount of tax that Sculptor Corp and any other future corporate taxpaying entities that acquire Group B Units in connection with an exchange, if any, would otherwise be required to pay in the future. Accordingly, pursuant to the tax receivable agreement, such corporate taxpaying entities (including Sculptor Capital Management, Inc. once it became treated as a corporate taxpayer following the Corporate Classification Change) have agreed to pay the executive managing directors and the Ziffs a percentage of the amount of cash savings, if any, in federal, state and local income taxes in the United States that these entities actually realize related to their units as a result of such increases in tax basis. For tax years prior to 2019, such percentage was 85% of such annual cash savings under the tax receivable agreement.

In connection with the Recapitalization, the Company amended the tax receivable agreement to provide that, conditioned on Sculptor Capital Management, Inc. electing to be classified as, or converting into, a corporation for U.S. tax purposes, (i) no amounts are due or payable with respect to the 2017 tax year, (ii) only partial payments equal to 85% of the excess of such cash savings that would otherwise be due over 85% of such cash savings determined assuming that taxable income equals Economic Income are due and payable in respect of the 2018 tax year and (iii) the percentage of cash savings required to be paid with respect to the 2019 tax year and thereafter, as well as with respect to cash savings from subsequent exchanges, is reduced to 75%. The amendment to the tax receivable agreement was effective on April 1, 2019, the date on which the Registrant changed its tax classification from a partnership to a corporation. As a result of the amendment to the tax receivable agreement, the Company released $67.2 million of previously accrued tax receivable agreement liability, which reduced its deferred income tax assets by $16.3 million. The net impact of $51.0 million was recognized as an increase to additional paid-in capital.

In connection with the departure of certain former executive managing directors since the 2007 Offerings, the right to receive payments under the tax receivable agreement by those former executive managing directors was contributed to the Sculptor Operating Group. As a result, the Company expects to pay to the other executive managing directors and the Ziffs approximately 69% of the amount of cash savings, if any, in federal, state and local income taxes in the United States that the Company realizes as a result of such increases in tax basis with respect to future tax years. To the extent that the Company does not realize any cash savings, it would not be required to make corresponding payments under the tax receivable agreement.

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

The estimate of the timing and the amount of future payments under the tax receivable agreement involves several assumptions that do not account for the significant uncertainties associated with these potential payments, including an assumption that Sculptor Corp will have sufficient taxable income in the relevant tax years to utilize the tax benefits that would give rise to an obligation to make payments. The actual timing and amount of any actual payments under the tax receivable agreement will vary based upon these and a number of other factors. As of December 31, 2019, the estimated future payment under the tax receivable agreement was $205.8 million, which is recorded in due to related parties on the consolidated balance sheets.

In 2017, the Company reduced its tax receivable agreement liability due to the decrease in future U.S. federal corporate income tax rates pursuant to the TCJA. See Note 15.

In 2016, the Company amended the tax receivable agreement to provide that no amounts will be due or payable under the agreement with respect to the 2015 and 2016 taxable years. As a result, the Company released $72.6 million of previously accrued tax receivable agreement liability, which reduced its deferred income tax assets by $33.4 million. The net impact of $39.2 million was recognized as an increase to shareholders' equity in 2016. As a result of finalizing the 2016 tax returns in 2017, the Company released an additional $18.0 million of previously accrued tax receivable agreement liability, which reduced its deferred income tax assets by $7.5 million. The net impact of $10.5 million was recognized as an increase to shareholders' equity in 2017.

The table below presents management's estimate as of December 31, 2019, of the maximum amounts that would be payable under the tax receivable agreement assuming that the Company will have sufficient taxable income each year to fully realize the expected tax savings. In light of the numerous factors affecting the Company's obligation to make such payments, the timing and amounts of any such actual payments may differ materially from those presented in the table. The impact of any net operating losses is included in the "Thereafter" amount in the table below.

	Potential Payments Under Tax Receivable Agreement
	(dollars in thousands)
2020	$ 30,305
2021	26,370
2022	25,447
2023	32,628
2024	25,803
Thereafter	65,199
Total Payments	**$ 205,752**

Litigation

From time to time, the Company is involved in litigation and claims incidental to the conduct of the Company's business. The Company is also subject to extensive scrutiny by regulatory agencies globally that have, or may in the future have, regulatory authority over the Company and its business activities. This has resulted, or may in the future result, in regulatory agency investigations, litigation and subpoenas and costs related to each.

In U.S. v. Oz Africa Management GP, LLC, Cr. No. 16-515 (NGG) (EDNY), certain former shareholders of a Canadian mining company filed a letter with the U.S. District Court for the Eastern District of New York stating they plan to seek restitution at the sentencing hearing for Oz Africa Management GP, LLC. On August 29, 2019, the court filed a Memorandum & Order in which it found that the claimants qualify as "victims" under the Mandatory Victims Restitution Act and directed the parties to submit briefs regarding the calculation of restitution, how to apportion the amount among OZ Africa Management GP, LLC and others, and whether the effort to arrive at a restitution amount is overly complex such that restitution should not be awarded.

OZ Africa Management GP, LLC has recorded a $19.1 million accrual, which is included in the consolidated financial statements of the Company. This accrual has been based on a detailed analysis performed by the Company, with assistance from external advisors. Claimants have taken the position that they are owed a minimum of $290.4 million in restitution. In addition, the U.S. Department of Justice (the "DOJ") has not expressed a view as to the appropriate amount of restitution, but has indicated that the full value of the mining rights, and not the specific portion held by the Canadian mining company in which the Claimants were shareholders, could be as high as $188.7 million. The Company does not agree with the analysis underlying these positions and will continue to vigorously defend the matter. It is possible that its losses in this matter may exceed the accrued amount and a reasonable estimate of possible additional loss cannot be made at this time.

Investment Commitments

From time to time, certain funds consolidated by the Company may have commitments to fund investments. These commitments are funded through contributions from investors in those funds, including the Company if it is an investor in the relevant fund.

The Company has unfunded capital commitments of $55.8 million to certain funds it manages. It expects to fund these commitments over the next eight years. In addition, certain current and former executive managing directors of the Company, collectively, have unfunded capital commitments to funds managed by the Company of up to $49.6 million. The Company has guaranteed these commitments in the event any executive managing director fails to fund any portion when called by the fund. The Company has historically not funded any of these commitments and does not expect to in the future, as these commitments are expected to be funded by the Company's executive managing directors individually.

Other Contingencies

During the second quarter of 2018, the Company recorded a $3.0 million legal provision to resolve a commercial dispute. The Company resolved this matter in the third quarter of 2018 and will not incur any additional loss related to this matter.

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

20. SUBSEQUENT EVENTS

Dividend

On February 13, 2020, the Company announced a cash dividend of $0.53 per Class A Share. The dividend is payable on March 3, 2020, to holders of record as of the close of business on February 25, 2020.

SCULPTOR CAPITAL MANAGEMENT, INC.
SUPPLEMENTAL FINANCIAL INFORMATION
QUARTERLY RESULTS — UNAUDITED

The quarterly results presented below were prepared in accordance with GAAP and reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results.

The Company generally only recognizes incentive income during the first three quarters of the year as a result of fund investor redemptions during the period or amounts earned on longer-term assets under management. Incentive income for the majority of the Company's multi-strategy assets under management is recognized during the fourth quarter each year.

Compensation and benefits generally comprise a significant portion of total expenses, with discretionary cash bonuses comprising a large portion of total compensation and benefits expense. These cash bonuses are based on total annual revenues, which are significantly influenced by relative fund performance. The Company accrues the minimum annual discretionary cash bonus on a straight-line basis during the year. The total amount of discretionary cash bonuses ultimately recognized for the full year, which is determined in the fourth quarter of each year, could differ materially from the minimum amount accrued in the first three quarters, as the total discretionary cash bonus is dependent upon a variety of factors, including fund performance for the year.

The following table presents the Company's unaudited, summarized quarterly results for the year ended December 31, 2019:

	Year Ended December 31, 2019			
	First	**Second**	**Third**	**Fourth**
	(dollars in thousands, except per share amounts)			
Selected Operating Statement Data				
Total revenues	$ 123,194	$ 103,508	$ 98,845	$ 271,799
Total expenses	129,766	115,743	133,445	214,902
Total other income (loss)	977	8,397	(2,847)	3,710
Income taxes	3,386	10,134	(1,446)	22,038
Consolidated Net (Loss) Income	**(8,981)**	**(13,972)**	**(36,001)**	**38,569**
Less: Loss allocated to noncontrolling interests	7,234	7,984	11,435	9,531
Less: Income allocated to redeemable noncontrolling interests	(5,534)	(2,637)	(574)	—
Net (Loss) Income Allocated to Sculptor Capital Management, Inc.	**(7,281)**	**(8,625)**	**(25,140)**	**48,100**
Change in redemption value of Preferred Units	44,364	—	—	—
Net Income (Loss) Attributable to Class A Shareholders	**$ 37,083**	**$ (8,625)**	**$ (25,140)**	**$ 48,100**
Earnings (Loss) Per Class A Share				
Income (Loss) per Class A Share - basic	$ 1.81	$ (0.42)	$ (1.20)	$ 2.29
Income (Loss) per Class A Share - diluted	$ 1.73	$ (0.46)	$ (1.20)	$ 0.80
Weighted-average Class A Shares outstanding - basic	20,475,359	20,722,510	20,907,021	20,982,049
Weighted-average Class A Shares outstanding - diluted	21,491,970	36,714,012	20,907,021	48,788,289

SCULPTOR CAPITAL MANAGEMENT, INC.

SUPPLEMENTAL FINANCIAL INFORMATION

QUARTERLY RESULTS — UNAUDITED

The following table presents the Company's unaudited, summarized quarterly results and balance sheet information for the year ended December 31, 2018:

	Year Ended December 31, 2018			
	First	Second	Third	Fourth
	(dollars in thousands, except per share amounts)			
Selected Operating Statement Data				
Total revenues	$ 128,410	$ 109,766	$ 93,827	$ 175,220
Total expenses	113,456	130,540	129,739	145,550
Total other income (loss)	804	(15,114)	(251)	(9,779)
Income taxes	3,012	(2,524)	(860)	12,872
Consolidated Net Income (Loss)	**12,746**	**(33,364)**	**(35,303)**	**7,019**
Less: (Income) Loss allocated to noncontrolling interests	(8,635)	21,440	21,140	(9,036)
Less: (Income) Loss allocated to redeemable noncontrolling interests	(621)	(332)	(374)	1,036
Net Income (Loss) Attributable to Sculptor Capital Management, Inc.	**3,490**	**(12,256)**	**(14,537)**	**(981)**
Change in redemption value of Preferred Units	—	—	—	—
Net Income (Loss) Attributable to Class A Shareholders	**$ 3,490**	**$ (12,256)**	**$ (14,537)**	**$ (981)**
Earnings (Loss) Per Class A Share				
Income (Loss) per Class A Share - basic	$ 0.18	$ (0.64)	$ (0.75)	$ (0.05)
Income (Loss) per Class A Share - diluted	$ 0.18	$ (0.64)	$ (0.75)	$ (0.05)
Weighted-average Class A Shares outstanding - basic	19,223,092	19,256,246	19,265,777	19,337,402
Weighted-average Class A Shares outstanding - diluted	45,678,706	19,256,246	19,265,777	19,337,402

DESCRIPTION OF CAPITAL STOCK REGISTERED UNDER SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following descriptions of our capital stock and provisions of Sculptor Capital Management, Inc.'s ("us," "our," "we" or the "company") Certificate of Incorporation and By-Laws are summaries and are qualified by reference to our Certificate of Incorporation and By-Laws, copies of which have been previously filed by us with the Securities and Exchange Commission. For a complete description of our capital stock, you should refer to our Certificate of Incorporation, our By-Laws and applicable provisions of Delaware law.

Our authorized capital stock consists of 425,000,000 shares, all with a par value of $0.01 per share, of which:

- 100,000,000 are designated as Class A common stock ("Class A Common Stock");
- 75,000,000 are designated as Class B common stock ("Class B Common Stock"); and
- 250,000,000 are designated as preferred stock.

Class A Common Stock

No holder of Class A Common Stock is entitled to preemptive, redemption or conversion rights.

Voting Rights. The holders of Class A Common Stock are entitled to one vote per share held of record on all matters submitted to a vote of our shareholders. Generally, all matters to be voted on by our shareholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all Class A Common Stock and Class B Common Stock present in person or represented by proxy, voting together as a single class. The holders of Class B Common Stock corresponding to Class A-1 operating group units in each of the members of the Sculptor Operating Group (as defined below) (the "Group A-1 Units") appointed the Chief Executive Officer and Chief Financial Officer of the company as their proxies and such proxies are required to vote such shares of Class B Common Stock in the same proportion that the shares of Class A Common Stock are voted on any matters during the Voting Holiday (as defined in the Governance Agreement (as defined below)) pursuant to (i) the Class B Shareholders Agreement, dated as of November 13, 2007 (the "Class B Shareholders Agreement"), by and among the company and certain holders of Class B Common Stock, as amended from time to time in accordance with the terms thereof, and (ii) the Amended and Restated Agreements of Limited Partnership, dated as of February 7, 2019 (the "LPAs"), of the entities directly controlled by Sculptor Capital Holding Corporation (the "Sculptor Operating Group"), as amended from time to time in accordance with the terms thereof, in each case, subject to the terms of the Governance Agreement, dated as of February 7, 2019 (the "Governance Agreement"), among the company, Sculptor Capital Holding Corporation, Och-Ziff Holding LLC, Sculptor Capital LP, Sculptor Capital Advisors LP, Sculptor Capital Advisors II LP and Daniel S. Och. See the Form 8-K filed by the company on February 11, 2019 for additional information about the Class B Shareholders Agreement, the Governance Agreement and the LPAs.

Distribution Rights. Holders of Class A Common Stock share ratably (based on the number of shares of Class A Common Stock held) in any distribution declared by our Board of Directors out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of distributions and to any restrictions on the payment of distributions imposed by the terms of any outstanding preferred shares. Distributions consisting of Class A Common Stock may be paid only as follows: (i) Class A Common Stock may be paid only to holders of Class A Common Stock; and (ii) shares shall be paid proportionally with respect to each outstanding shares of Class A Common Stock.

Liquidation Rights. Upon our dissolution, liquidation or winding up, after payment in full of all amounts required to be paid to creditors and to the holders of preferred shares having liquidation preferences, if any, the holders of our Class A Common Stock will be entitled to receive our remaining assets available for distribution in accordance with the General Corporation Law of the State of Delaware (the “DGCL”).

Other Matters. In the event of our merger or consolidation with or into another entity in connection with which our shares of Class A Common Stock are converted into or exchangeable for shares of stock, other securities or property (including cash), all holders of Class A Common Stock will thereafter be entitled to receive the same kind and amount of shares of stock and other securities and property (including cash).

Class B Common Stock

No holder of Class B Common Stock is entitled to preemptive, redemption or conversion rights.

Voting Rights. The holders of our Class B Common Stock are entitled to one vote per share held of record on all matters submitted to a vote of our shareholders. Generally, all matters to be voted on by our shareholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all shares of Class A Common Stock and Class B Common Stock present in person or represented by proxy, voting together as a single class. The holders of Class B Common Stock corresponding to Group A-1 Units appointed the Chief Executive Officer and Chief Financial Officer of the company as their proxies and such proxies are required to vote such shares of Class B Common Stock in the same proportion that the shares of Class A Common Stock are voted on any matters during the Voting Holiday pursuant to the Class B Shareholders Agreement and the LPAs, in each case, subject to the terms of the Governance Agreement. See the Form 8-K filed by the company on February 11, 2019 for additional information about the Class B Shareholders Agreement, the Governance Agreement and the LPAs.

Distribution Rights. Holders of our Class B Common Stock do not have any right to receive distributions with respect to such Class B Common Stock other than distributions consisting of Class B Common Stock paid proportionally with respect to each outstanding share of Class B Common Stock.

Liquidation Rights. Upon our liquidation, dissolution or winding up, no holder of Class B Common Stock is entitled to receive distributions with respect to such Class B Common Stock.

Preferred Shares

Our Certificate of Incorporation authorizes our Board of Directors to establish one or more series of preferred shares. Unless required by law or by any stock exchange, the authorized preferred shares will be available for issuance without further action by shareholders of Class A Common Stock. Our Board of Directors is able to determine, with respect to any series of preferred shares, the holders of terms and rights of that series, including:

- the designation of the series;
- the amount of preferred shares of the series, which our Board of Directors may, except where otherwise provided in the preferred shares designation, increase or decrease, but not below the number of preferred shares of the series then outstanding;
- whether distributions, if any, will be cumulative or non-cumulative and the dividend rate of the series;
- the dates at which distributions, if any, will be payable;
- the redemption rights and price or prices, if any, for preferred shares of the series;
- the terms and amounts of any sinking fund provided for the purchase or redemption of the preferred shares of the series;
- the amounts payable on preferred shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the affairs of our company;
- whether the preferred shares of the series will be convertible into or exchangeable for interests of any other class (other than Class B Common Stock) or series, or any other security, of our company or any other entity, and, if so, the specification of the other class or series or other security, the conversion or exchange price or prices or rate or rates, any rate adjustments, the date or dates on which, the period or periods during which, the shares will be convertible or exchangeable and all other terms and conditions upon which the conversion or exchange may be made;
- restrictions on the issuance of preferred shares of the series or of any shares of any other class or series; and
- the voting rights, if any, of the holders of the preferred shares of the series.

We could issue a series of preferred shares that could, depending on the terms of the series, impede or discourage an acquisition attempt or other transaction that some, or a majority, of holders of Class A Common Stock might believe to be in their best interests or in which holders of Class A Common Stock might receive a premium for their Class A Common Stock over the market price of the Class A Common Stock.

Listing

Our shares of Class A Common Stock are listed on the New York Stock Exchange under the symbol “SCU”.

Transfer Agent and Registrar

The transfer agent and registrar for our Class A Common Stock and our Class B Common Stock is American Stock Transfer & Trust Company LLC.

Sculptor Capital Management, Inc. Certificate of Incorporation and By-Laws

Organization and Duration

Effective September 12, 2019, we changed our name to Sculptor Capital Management, Inc. The company will remain in existence until dissolved in accordance with the DGCL.

Purpose

Under our organizational documents, we are permitted to engage in any business activity that lawfully may be conducted by a corporation organized under Delaware law and, in connection therewith, to exercise all of the rights and powers conferred upon us pursuant to the agreements relating to such business activity.

Relationship with Sculptor Operating Group Entities

Under our organizational documents, at all times prior to the date on which no shares of Class B Common Stock remain outstanding (the "Consent Termination Date"), we must receive the consent of the Board of Directors (the "Class B Consent"), before we or our subsidiaries, as applicable, engage in the following actions:

(i.) we or any of our subsidiaries (other than the Sculptor Operating Group and its subsidiaries) directly or indirectly entering into or conducting any business or holding any assets other than (a) business conducted and assets held by the Sculptor Operating Group and its subsidiaries, (b) ownership, acquisition and disposition of equity interests in our subsidiaries, (c) the management of the business of the Sculptor Operating Group, (d) making loans and incurring indebtedness that is otherwise not prohibited under our organizational documents, (e) the offering, sale, syndication, private placement or public offering of securities or other interests in compliance with our organizational documents, (f) any financing or refinancing related to the Sculptor Operating Group and its subsidiaries, (g) any activity or transaction contemplated by the shareholders' agreement or the Exchange Agreement, and (h) any activities incidental to the foregoing;

(ii.) we or any of our subsidiaries (other than the Sculptor Operating Group and its subsidiaries) incurring or guaranteeing any indebtedness other than that incurred in connection with an exchange under the Exchange Agreement and indebtedness to the company or any of its subsidiaries;

(iii.) we or any of our subsidiaries (other than the Sculptor Operating Group and its subsidiaries) owning any assets other than permitted equity interests, permitted indebtedness, and such cash and cash equivalents as the Board of Directors deems reasonably necessary for us and our subsidiaries to carry out our respective responsibilities contemplated under our organizational documents;

(iv.) we or any of our subsidiaries disposing of any interest in Sculptor Capital Holding Corporation or the Sculptor Operating Group, or owning any interest in any person other than the Sculptor Operating Group entities or a wholly owned subsidiary that directly or indirectly owns an interest in the Sculptor Operating Group entities;

(v.) our issuing equity securities unless the proceeds of the issuance are contributed to the Sculptor Operating Group entities in exchange for equity securities of the Sculptor Operating Group entities with preferences, rights, terms and provisions that are substantially the same as those of such company equity securities and equal in number to the number of company equity securities issued;

(vi.) we or any of our subsidiaries (other than the Sculptor Operating Group and its subsidiaries) contributing cash or other assets to the Sculptor Operating Group entities other than proceeds from the issuance of equity securities;

(vii.) our effecting or permitting any share split, subdivision, reverse share split, combination, pro rata distribution or any other recapitalization or reclassification of the Class A Common Stock or Class B Common Stock or any Sculptor Operating Group entity units, unless similar transactions are effected concurrently such that (a) the ratio of outstanding Class A Common Stock to outstanding Sculptor Operating Group B Units owned by the intermediate holding company is maintained and (b) all Sculptor Operating Group entities have the same number of units outstanding;

(viii.) we or any of our subsidiaries (other than the Sculptor Operating Group and its subsidiaries) making any capital contribution to any Sculptor Operating Group entity unless a capital contribution is concurrently made to all of the Sculptor Operating Group entities and the values of the capital contributions to all Sculptor Operating Group entities are proportional to their relative equity values at the time;

(ix.) our permitting any Sculptor Operating Group entity to issue any equity securities to the company or any of its subsidiaries unless each other Sculptor Operating Group entity concurrently issues equity securities that are equal in number to and have substantially the same provisions as the equity securities issued by such Sculptor Operating Group entity;

(x.) our causing the Sculptor Operating Group entity to establish record dates for distribution payments unless they coincide with the record dates for distribution payments paid by the company;

(xi.) we or any of our subsidiaries preventing any Sculptor Operating Group A Units from being converted into an equal number of Sculptor Operating Group B Units by the Sculptor Operating Group entities if, as a result of an exchange pursuant to the exchange agreement, we or our subsidiaries acquire any Sculptor Operating Group A Units issued by the Sculptor Operating Group, unless otherwise determined or cancelled; and

(xii.) our permitting the repurchase or redemption of any equity securities from us or any of our subsidiaries (excluding the Sculptor Operating Group and its subsidiaries) except pursuant to our organizational documents.

See the Form 8-K filed by the company on February 11, 2019 for additional information about the Governance Agreement and the Class B Shareholders Agreement.

Duties of Officers and Directors; Limitations on Liability and Indemnification

Section 145 of the DGCL provides that a corporation may indemnify its directors and officers as well as other employees and agents against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, in which such person is made or threatened to be made a party by reason of the fact that the person is or was a director, officer, employee or agent of the company (other than an action by or in the right of the company—a "derivative action"), if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the company and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of such action, and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the company. The statute provides that it is not exclusive of other indemnification that may be granted by a corporation's certificate of incorporation, bylaws, disinterested director vote, stockholder vote, agreement or otherwise.

Under our Certificate of Incorporation and By-Laws, in most circumstances the company will indemnify the following persons (the "Indemnified Persons"), to the fullest extent authorized or permitted by applicable law, if such indemnified persons acted in a manner not constituting fraud, gross negligence or willful misconduct: (a) any person who is or was a director, officer or tax matters partner of the company or its predecessor, (b) any person who is or was serving at the request of the company or its predecessor as an officer, director, member, manager, partner, tax matters partner, fiduciary or trustee of another person (including any subsidiary); provided, that a person shall not be an Indemnified Person by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services, and (c) any person the Board of Directors designates as an "Indemnified Person" for purposes of the Certificate of Incorporation or the By-Laws. In addition to rights to indemnification, the company's Certificate of Incorporation also contains a provision eliminating personal liability of directors of the company for monetary damages for breach of fiduciary duties, except for personal liability for fraud, gross negligence or willful misconduct and except that personal liability may not be eliminated for:

- any breach of the director's duty of loyalty to the company or its stockholders;
- any act or omission not in good faith or which involved intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL; and
- any transaction from which the director derived an improper personal benefit.

The company has agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons are not entitled to indemnification. The company has also agreed to provide this indemnification for criminal proceedings. The company may purchase insurance against liabilities asserted against and expenses incurred by persons in connection with its activities, regardless of whether the company would have the power to indemnify the person against liabilities under the company's Certificate of Incorporation and By-Laws.

Business Opportunity Waiver

The company renounces, to the fullest extent permitted by Section 122 (17) of the DGCL, any interest or expectancy of the company in, or in being offered, an opportunity to participate in, any Business Opportunity. A "Business Opportunity" is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, any of our directors who is not an employee of the company or any of its subsidiaries (collectively, "Covered Persons"), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person solely in such Covered Person's capacity as a director of the company. To the fullest extent permitted by law, the company waives any claim against a Covered Person, and agrees to indemnify all Covered Persons against any claim, that is based on fiduciary duties, the corporate opportunity doctrine or any other legal theory which could limit any Covered Person from pursuing or engaging in any Business Opportunity. Directors have no obligation under our organizational documents or as a result of any duty expressed or implied by law to present Business Opportunities to the company that may become available to affiliates of such director. None of the company, any of the company's subsidiaries, any stockholder or any other person has any rights by virtue of a director's duties as a director or the organizational documents of the company or any of the company's subsidiaries in any business ventures of any director.

Election and Removal of Members of Our Board of Directors

Our organizational documents provide that our Board of Directors consists of not fewer than one nor more than fifteen members. Our board is divided into three classes that are, as nearly as possible, of equal size. Each class of directors is elected for a three-year term of office, but the terms are staggered so that the term of only one class of directors expires at each annual general meeting. The current terms of the Class I, Class II, and Class III directors will expire in 2020, 2021 and 2022, respectively. Any director or the entire Board of Directors may be removed, with or without cause, at any time, by holders of a majority of the total combined voting power of all of our outstanding shares of Class A Common Stock and Class B Common Stock then entitled to vote at an election of directors. Any vacancy on the Board of Directors, including any vacancy caused by any such removal, will be filled by a vote of the majority of directors then in office, subject to the Governance Agreement pursuant to which Daniel S. Och has certain rights to designate a nominee for election to our Board of Directors and fill vacancies of such designee. See the Form 8-K filed by the company on February 11, 2019 for additional information about the Governance Agreement.

Investments by Our Intermediate Holding Company

Our organizational documents provide that we may not allow Sculptor Capital Holding Corporation or any future intermediate holding company to make any investment, directly or indirectly, without Class B Consent when holders of Class B Common Stock would be required to contribute funds in order for such shareholders to maintain their respective ownership percentages in such entity.

Amendment of Our Organizational Documents

Amendments to our organizational documents may be proposed only by or with the consent of our Board of Directors. To adopt a proposed amendment, our Board of Directors is generally required to seek written approval of the holders of the number of shares required to approve the amendment or call a meeting of our shareholders to consider and vote upon the proposed amendment. Except as set forth below, an amendment must be approved by holders of a majority of the total combined voting power of our outstanding shares of Class A Common Stock and Class B Common Stock and, to the extent that such amendment would have a material adverse effect on the holders of any class or series of shares, by the holders of a majority of the holders of such class or series.

Prohibited Amendments. No amendment may be made that would:

- adversely affect the rights or preferences of any shares in a manner that is disproportionate to all other outstanding shares of the same class or series, without the consent of each shareholder holding any such disproportionately affected shares; or
- change the term of existence of our company.

The provision of our organizational documents preventing the amendments having the effects described in any of the clauses above can be amended upon the approval of holders of at least two-thirds of the total combined voting power of our outstanding Class A Common Stock and Class B Common Stock, voting together as a single class.

No Shareholder Approval. Our Board of Directors may generally make amendments to our By-Laws, but not our Certificate of Incorporation (except as permitted by applicable law), without the approval of any shareholder or assignee to reflect:

- a change in our name, the location of our principal place of our business, our registered agent or our registered office;
- a merger, conversion or conveyance approved in accordance with the DGCL and our organizational documents;
- a change that our Board of Directors determines in its sole discretion to be necessary or appropriate to address changes, proposed changes or differing interpretations with respect to any of the Internal Revenue Code of 1986, as amended and in effect from time to time,

Treasury Regulations promulgated thereunder, administrative rulings or pronouncements of the Internal Revenue Service and judicial decisions;

- an amendment that our Board of Directors determines, based upon the advice of counsel, to be necessary or appropriate to prevent us, members of our Board of Directors, or our officers, agents or trustees from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, whether or not substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;
- an amendment or issuance that our Board of Directors determines to be necessary or appropriate for the authorization or issuance of additional securities;
- any amendment expressly permitted in our organizational documents to be made by our Board of Directors acting alone;
- an amendment effected, necessitated or contemplated by a merger agreement that has been approved under the terms of our organizational documents;
- any amendment that our Board of Directors determines to be necessary or appropriate for the formation by us of, or our investment in, any corporation, partnership or other entity, as otherwise permitted by our organizational documents;
- a change in our fiscal year or taxable year and related changes; and
- any other amendments substantially similar to any of the matters described in the clauses above.

In addition, our Board of Directors may make amendments to our By-Laws, but not our Certificate of Incorporation, without the approval of any shareholder or assignee if our Board of Directors determines that those amendments:

- do not adversely affect the shareholders (including any particular class or series of shares as compared to other classes or series of shares) in any material respect;
- are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute;
- are necessary or appropriate to facilitate the trading of shares or to comply with any rule, regulation, guideline or requirement of any securities exchange on which the shares are or will be listed for trading, compliance with any of which our Board of Directors deems to be in the best interests of us and our shareholders;
- are required to effect the intent of the provisions of our organizational documents or are otherwise contemplated by our organizational documents; or

- are required to comply with the Class B Shareholders Agreement, the Amended and Restated Tax Receivable Agreement, dated as of January 12, 2009, by and among the company, Sculptor Capital Holding Corporation, Och-Ziff Holding LLC, Sculptor Capital LP, Sculptor Capital Advisors LP and Sculptor Capital Advisors II LP, as amended, any exchange agreement that the company is party to or any registration rights agreement that the company is party to, in each case, as such agreements may be amended from time to time.

Merger, Sale or Other Disposition of Assets

Pursuant to the provisions of the DGCL, our Board of Directors is generally prohibited, without the prior approval of holders of a majority of the total combined voting power of all of our outstanding shares of Class A Common Stock and Class B Common Stock, from causing us to, among other things, sell, exchange or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions, or approving on our behalf the sale, exchange or other disposition of all or substantially all of our assets, provided that our Board of Directors may mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets without the approval of any shareholder. Our Board of Directors may also sell all or substantially all of our assets under a foreclosure or other realization upon the encumbrances above without that approval.

Books and Reports

We are required to keep appropriate books of our business at our principal offices. Our fiscal year end is December 31, unless otherwise determined by the Board of Directors.

Anti-Takeover Effects, Our Organizational Documents

The following is a summary of certain provisions of our organizational documents that may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a shareholder might consider to be in its best interest, including those attempts that might result in a premium over the market price for the interests held by shareholders.

Authorized but Unissued Shares

Our organizational documents authorize us to issue 100 million shares of Class A Common Stock, 75 million shares of Class B Common Stock and 250 million preferred shares for the consideration and on the terms and conditions established by our Board of Directors without the approval of any holders of our shares. However, the listing requirements of the NYSE, which would apply so long as the shares of Class A Common Stock remain listed on the NYSE, require approval by shareholders of certain issuances equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of Class A Common Stock. These additional shares of Class A Common Stock or equity securities may be utilized for a variety of purposes, including future public offerings to raise additional capital, acquisitions and employee benefit plans. Our ability to issue additional shares of Class A Common Stock and other equity securities could render more difficult or discourage an attempt to obtain control over us by means of a proxy contest, tender offer, merger or otherwise.

Delaware Business Combination Statute—Section 203

We are a corporation incorporated under Delaware law. Some provisions of Delaware law may delay or prevent a transaction that would cause a change in our control.

Section 203 of the DGCL restricts certain business combinations with interested stockholders in certain situations. In general, this statute prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction by which that person became an interested stockholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a business combination includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an interested stockholder is a person who, together with affiliates and associates, owns, or within three years prior, did own, 15% or more of voting stock.

Other Provisions of Our Organizational Documents

Certain provisions of our organizational documents may make a change in control of our company more difficult to effect. Our organizational documents provide for a staggered Board of Directors consisting of three classes of directors. Directors of each class are chosen for three-year terms upon the expiration of their current terms and each year one class of our directors will be elected by our shareholders. The terms of the first, second and third classes will expire in 2020, 2021 and 2022, respectively. We believe that classification of our Board of Directors will help to assure the continuity and stability of our business strategies and policies as determined by our Board of Directors. Additionally, there is no cumulative voting in the election of directors, which means that the holders of a majority of our outstanding shares of Class A Common Stock and Class B Common Stock can elect all of the directors then standing for election currently, and the holders of the Class A Common Stock will not be able to elect any directors. The classified board provision could have the effect of making the replacement of incumbent directors more time consuming and difficult. At least two annual meetings of shareholders, instead of one, generally will be required to effect a change in a majority of our Board of Directors. Thus, the classified board provision could increase the likelihood that incumbent directors will retain their positions. The staggered terms of directors may delay, defer or prevent a tender offer or an attempt to change control of us, even though a tender offer or change in control might be in the best interest of our shareholders. In addition, our organizational documents provide that directors may be removed with or without cause by holders of a majority of the total voting power of our outstanding Class A Common Stock and Class B Common Stock then entitled to vote at an election of directors.

Our organizational documents also provide that our shareholders (with the exception of our partners if they collectively own shares representing at least 50% of the total combined voting power of all of our Class A Common Stock and Class B Common Stock) are specifically denied the ability to call a special meeting of the shareholders. Advance notice must be provided by our shareholders to nominate persons for election to our Board of Directors as well as to propose actions to be taken at an annual meeting.

Exhibit 21.1

Subsidiaries of the Registrant*

The following were significant subsidiaries of the Registrant as of December 31, 2019:

Name	Jurisdiction of Incorporation or Organization
Sculptor Capital LP	Delaware
Sculptor Capital Holding Corporation	Delaware
Sculptor Capital II LP	Delaware
Sculptor Capital Advisors II LP	Delaware
Sculptor Loan Management LP	Delaware
Sculptor Capital Advisors LP	Delaware
Sculptor SC GP, LP	Delaware
Sculptor Europe Loan Management Limited	United Kingdom
Sculptor Real Estate Capital II LP	Delaware
Sculptor Capital Management Europe Limited	United Kingdom
Sculptor CLO Management LLC	Delaware
Sculptor Real Estate LP	Delaware
Sculptor Capital Management Hong Kong Limited	Hong Kong

* The Names of additional subsidiaries have been omitted because the unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-8 No. 333-147356) pertaining to the Och-Ziff Capital Management Group LLC 2007 Equity Incentive Plan,
2. Registration Statement (Form S-8 No. 333-217819) pertaining to the Och-Ziff Capital Management Group LLC 2013 Incentive Plan,
3. Registration Statement (Form S-8 No. 333-188461) pertaining to the Och-Ziff Capital Management Group LLC 2013 Incentive Plan,
4. Registration Statement (Form S-8 No. 333-188459) pertaining to the Och-Ziff Capital Management Group LLC Amended and Restated 2007 Equity Incentive Plan,
5. Registration Statement (Form S-8 No. 333-155315) pertaining to the Och-Ziff Capital Management Group LLC Amended and Restated 2007 Equity Incentive Plan, and
6. Registration Statement (Form S-8 No. 333-231458) pertaining to the Och-Ziff Capital Management Group Inc. 2013 Incentive Plan, as amended;

of our reports dated February 24, 2020, with respect to the consolidated financial statements of Sculptor Capital Management, Inc. and the effectiveness of internal control over financial reporting of Sculptor Capital Management, Inc. included in this Annual Report (Form 10-K) of Sculptor Capital Management, Inc. for the year ended December 31, 2019.

/s/ Ernst & Young LLP

New York, New York
February 24, 2020

Exhibit 31.1

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

I, Robert Shafir, certify that:

1. I have reviewed this Annual Report on Form 10-K of Sculptor Capital Management, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2020

/s/ Robert Shafir

Name: Robert Shafir

Title: Chief Executive Officer and Executive Managing Director

Exhibit 31.2

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

I, Thomas Sipp, certify that:

1. I have reviewed this Annual Report on Form 10-K of Sculptor Capital Management, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2020

/s/ Thomas M. Sipp

Name: Thomas M. Sipp

Title: Chief Financial Officer and Executive Managing Director

Exhibit 32.1

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

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and accompanies the Annual Report on Form 10-K (the “Form 10-K”) for the year ended December 31, 2019, of Sculptor Capital Management, Inc. (the “Company”).

We, Robert Shafir and Thomas Sipp, the Chief Executive Officer and Chief Financial Officer, respectively, of the Company certify that, to the best of our knowledge:

i. The Form 10-K fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

ii. The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2020

/s/ Robert Shafir
Name: Robert Shafir
Title: Chief Executive Officer and Executive Managing Director

Date: February 24, 2020

/s/ Thomas M. Sipp
Name: Thomas M. Sipp
Title: Chief Financial Officer and Executive Managing Director

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