

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

**FORM 10-Q**

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

For the quarterly period ended **September 30, 2022**

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 **001-35500**

**Oaktree Capital Group, LLC**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**26-0174894**

(I.R.S. Employer  
Identification Number)

**333 South Grand Avenue, 28th Floor  
Los Angeles, CA 90071  
Telephone: (213) 830-6300**

(Address, zip code, and telephone number, including  
area code, of registrant's principal executive offices)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
6.625% Series A preferred units	OAK-PA	New York Stock Exchange
6.550% Series B preferred units	OAK-PB	New York Stock Exchange

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 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

As of November 9, 2022, there were 103,080,160 Class A units and 56,871,798 Class B units of the registrant outstanding.

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## FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), which reflect our current views with respect to, among other things, our future results of operations and financial performance. In some cases, you can identify forward-looking statements by words such as "anticipate," "approximately," "believe," "continue," "could," "estimate," "expect," "intend," "may," "outlook," "plan," "potential," "predict," "seek," "should," "will" and "would" or the negative version of these words or other comparable or similar words. These statements identify prospective information. Important factors could cause actual results to differ, possibly materially, from those indicated in these statements. Forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Such forward-looking statements are subject to risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity.

In addition to factors previously disclosed in Oaktree Capital Group, LLC's ("OCG") reports filed with securities regulators in the United States and those identified elsewhere in this quarterly report, the following factors, among others, could cause actual results to differ materially from forward-looking statements and information or historical performance: course and severity of the coronavirus (including any subsequent variants, "COVID-19") pandemic and its direct and indirect business impacts; the ability of OCG to retain and hire key personnel; the continued availability of capital and financing; the business, economic and political conditions in the markets in which OCG operates; changes in OCG's anticipated revenue and income, which are inherently volatile; changes in the value of OCG's investments; the termination or amendment (including fee amendments) of certain service or sub-advisory agreements that generate revenues for OCG that are between OCG and its subsidiaries on the one hand and certain affiliates of OCG on the other hand; the pace of OCG's raising of new funds; changes in assets under management; the timing and receipt of, and impact of taxes on, carried interest; distributions from and liquidation of OCG's existing funds; the amount and timing of distributions on OCG's preferred units; changes in OCG's operating or other expenses; the degree to which OCG encounters competition; and general political, economic and market conditions.

Any forward-looking statements and information speak only as of the date of this quarterly report or as of the date they were made, and except as required by law, OCG does not undertake any obligation to update forward-looking statements and information. For a more detailed discussion of these factors, also see the information under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in OCG's most recent report on Form 10-K for the year ended December 31, 2021 (our "annual report"), and in this quarterly report, and in each case any material updates to these factors contained in any of OCG's future filings.

As for the forward-looking statements and information that relate to future financial results and other projections, actual results will be different due to the inherent uncertainties of estimates, forecasts and projections and may be better or worse than projected and such differences could be material. Given these uncertainties, you should not place any reliance on these forward-looking statements and information.

This quarterly report and its contents do not constitute and should not be construed as (a) a recommendation to buy, (b) an offer to buy or solicitation of an offer to buy, (c) an offer to sell or (d) advice in relation to, any securities of OCG or securities of any Oaktree investment fund.

In this quarterly report, unless the context otherwise requires:

"Oaktree" refers to (i) Oaktree Capital Group, LLC and, where applicable, its subsidiaries and affiliates prior to October 1, 2019 and (ii) the Oaktree Operating Group and, where applicable, their respective subsidiaries and affiliates after September 30, 2019.

"OCG," "Company," "we," "us," "our" or "our company" refers to Oaktree Capital Group, LLC and, where applicable, its subsidiaries and affiliates, including, as the context requires, affiliated Oaktree Operating Group members after September 30, 2019.

"OCM" refers to Oaktree Capital Management, L.P. and, where applicable, its subsidiaries and affiliates. OCM is one of the Oaktree Operating Group entities and acts as the U.S. registered investment adviser to most of the Oaktree funds. Subsequent to September 30, 2019, OCM is no longer our indirect subsidiary.

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“Oaktree Operating Group,” or “Operating Group,” refers collectively to the entities that either (i) act as or control the general partners and investment advisers of the Oaktree funds or (ii) hold interests in other entities or investments generating income for Oaktree.

“OCGH” refers to Oaktree Capital Group Holdings, L.P., a Delaware limited partnership, which holds an interest in the Oaktree Operating Group and all of our Class B units.

“OCGH unitholders” refers collectively to Oaktree senior executives, current and former employees and their respective transferees who hold interests in the Oaktree Operating Group through OCGH.

“assets under management,” or “AUM,” generally refers to the sum of (i) the assets Oaktree manages and equals the NAV (as defined below) of the assets Oaktree manages, (ii) the leverage on which management fees are charged, (iii) the undrawn capital that Oaktree is entitled to call from investors in the funds pursuant to their capital commitments, (iv) investment proceeds held in trust for use in investment activities, (v) Oaktree’s pro rata portion of AUM managed by DoubleLine Capital LP and its affiliates (“DoubleLine”), in which Oaktree holds a minority ownership interest and (vi) 100% of the AUM managed by 17 Capital LLP and its affiliates in which Oaktree holds a majority ownership interest. For Oaktree’s collateralized loan obligation vehicles (“CLOs”), AUM represents the aggregate par value of collateral assets and principal cash; for Oaktree’s BDCs, gross assets (including assets acquired with leverage), net of cash; for Oaktree’s special purpose acquisition companies (“SPACs”), the proceeds of any initial public offering held in trust for use in a business combination; and for DoubleLine funds, NAV. Oaktree’s AUM amounts include AUM for which Oaktree charges no management fees. Oaktree’s definition of AUM is not based on any definition contained in our operating agreement or the agreements governing the funds that Oaktree manages. Oaktree’s calculation of AUM and the AUM-related metric described below may not be directly comparable to the AUM metrics of other investment managers.

“incentive-creating assets under management,” or “incentive-creating AUM,” refers to the AUM that may eventually produce incentive income, as more fully described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Operating Metrics”.

“Class A units” refer to the common units of OCG designated as Class A units.

“common units” or “common unitholders” refer to the Class A common units of OCG or Class A common unitholders, respectively, unless otherwise specified.

“consolidated funds” refers to the funds and CLOs that we are required to consolidate as of the applicable reporting date.

“funds” refers to investment funds and, where applicable, CLOs and separate accounts that are managed by Oaktree or its subsidiaries.

“Intermediate Holding Companies” collectively refers to the subsidiaries wholly owned by us.

“net asset value,” or “NAV,” refers to the value of all the assets of a fund (including cash and accrued interest and dividends) less all liabilities of the fund (including accrued expenses and any reserves established by us, in our discretion, for contingent liabilities) without reduction for accrued incentives (fund level) because they are reflected in the partners’ capital of the fund.

“preferred units” or “preferred unitholders” refer to the Series A and Series B preferred units of OCG or Series A and Series B preferred unitholders, respectively, unless otherwise specified.

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

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Oaktree Capital Group, LLC**  
**Condensed Consolidated Statements of Financial Condition (Unaudited)**  
(\$ in thousands)

	As of	
	September 30, 2022	December 31, 2021
<b>Assets</b>		
Cash and cash-equivalents	\$ 120,544	\$ 167,319
U.S. Treasury and other securities	6,033	2,086
Corporate investments (includes \$88,260 and \$71,154 measured at fair value as of September 30, 2022 and December 31, 2021, respectively)	1,289,818	1,022,564
Due from affiliates	104,537	372,861
Deferred tax assets	3,489	3,548
Right-of-use assets	27,148	33,359
Other assets	52,816	45,979
<i>Assets of consolidated funds:</i>		
Cash and cash-equivalents	655,187	991,800
Investments, at fair value	11,945,770	11,456,895
Dividends and interest receivable	65,762	48,584
Due from brokers	60,418	15,498
Receivable for securities sold	88,191	206,770
Derivative assets, at fair value	37,839	6,733
Other assets, net	23,703	23,853
Total assets	\$ 14,481,255	\$ 14,397,849
<b>Liabilities and Unitholders' Capital</b>		
Liabilities:		
Accrued compensation expense	\$ 150,891	\$ 245,787
Accounts payable, accrued expenses and other liabilities	35,757	15,365
Due to affiliates	18,535	4,198
Debt obligations (Note 8)	198,245	—
Operating lease liabilities	31,908	39,294
<i>Liabilities of consolidated funds:</i>		
Accounts payable, accrued expenses and other liabilities	144,356	80,897
Payables for securities purchased	586,140	1,066,261
Derivative liabilities, at fair value	36,669	11,847
Distributions payable	1,201	123
Borrowings under credit facilities	975,705	1,131,918
Debt obligations of CLOs	7,987,368	7,806,263
Total liabilities	10,166,775	10,401,953
Commitments and contingencies (Note 15)		
Non-controlling redeemable interests in consolidated funds	2,131,598	1,723,294
Unitholders' capital:		
Series A preferred units, 7,200,000 units issued and outstanding as of September 30, 2022 and December 31, 2021	173,669	173,669
Series B preferred units, 9,400,000 units issued and outstanding as of September 30, 2022 and December 31, 2021	226,915	226,915
Class A units, no par value, unlimited units authorized, 103,080,160 and 99,136,620 units issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	—	—
Class B units, no par value, unlimited units authorized, 56,822,301 and 60,783,255 units issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	—	—
Paid-in capital	1,211,194	1,011,333
Retained earnings	109,157	251,791
Accumulated other comprehensive loss	(3,467)	(3,334)
Unitholders' capital attributable to Oaktree Capital Group, LLC	1,717,468	1,660,374
Non-controlling interests in consolidated subsidiaries	465,414	612,228
Total unitholders' capital	2,182,882	2,272,602
Total liabilities and unitholders' capital	\$ 14,481,255	\$ 14,397,849

*Please see accompanying notes to condensed consolidated financial statements.*

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Revenues:</b>				
Management fees	\$ 59,860	\$ 58,628	\$ 183,370	\$ 172,848
Incentive income	(33)	167,534	56,070	811,481
Total revenues	<u>59,827</u>	<u>226,162</u>	<u>239,440</u>	<u>984,329</u>
<b>Expenses:</b>				
Compensation and benefits	(36,452)	(37,080)	(118,371)	(116,803)
Equity-based compensation	(2,011)	(1,903)	(5,461)	(7,868)
Incentive income compensation	753	(81,952)	(17,141)	(396,435)
Total compensation and benefits expense	<u>(37,710)</u>	<u>(120,935)</u>	<u>(140,973)</u>	<u>(521,106)</u>
General and administrative	(6,251)	(5,303)	(17,548)	(18,879)
Depreciation and amortization	(356)	(580)	(1,349)	(1,745)
Consolidated fund expenses	(21,153)	(25,734)	(61,312)	(50,581)
Total expenses	<u>(65,470)</u>	<u>(152,552)</u>	<u>(221,182)</u>	<u>(592,311)</u>
<b>Other income (loss):</b>				
Interest expense	(73,992)	(32,990)	(171,032)	(113,093)
Interest and dividend income	154,967	90,673	408,396	273,460
Net realized gain (loss) on consolidated funds' investments	4,214	(10,345)	(68,885)	848
Net change in unrealized appreciation (depreciation) on consolidated funds' investments	13,022	60,329	(13,971)	185,418
Investment income (loss)	(1,071)	16,989	(20,004)	190,768
Other income (loss), net	—	—	—	19
Total other income (loss)	<u>97,140</u>	<u>124,656</u>	<u>134,504</u>	<u>537,420</u>
Income (loss) before income taxes	91,497	198,266	152,762	929,438
Income taxes	(4,934)	(3,811)	(12,347)	(9,246)
Net income (loss)	<u>86,563</u>	<u>194,455</u>	<u>140,415</u>	<u>920,192</u>
<b>Less:</b>				
Net (income) loss attributable to non-controlling interests in consolidated funds	(56,274)	(51,214)	(123,124)	(163,105)
Net (income) loss attributable to non-controlling interests in consolidated subsidiaries	(4,747)	(46,204)	11,406	(265,590)
Net income (loss) attributable to Oaktree Capital Group, LLC	<u>25,542</u>	<u>97,037</u>	<u>28,697</u>	<u>491,497</u>
Net income attributable to preferred unitholders	(6,829)	(6,829)	(20,487)	(20,487)
Net income (loss) attributable to Oaktree Capital Group, LLC Class A unitholders	<u>\$ 18,713</u>	<u>\$ 90,208</u>	<u>\$ 8,210</u>	<u>\$ 471,010</u>
Distributions declared per Class A unit	<u>\$ 0.38</u>	<u>\$ 0.51</u>	<u>\$ 1.51</u>	<u>\$ 3.92</u>
Net income (loss) per Class A unit (basic and diluted):				
Net income (loss) per Class A unit	<u>\$ 0.18</u>	<u>\$ 0.91</u>	<u>\$ 0.08</u>	<u>\$ 4.76</u>
Weighted average number of Class A units outstanding	<u>103,080</u>	<u>99,137</u>	<u>101,693</u>	<u>98,995</u>

*Please see accompanying notes to condensed consolidated financial statements.*

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 86,563	\$ 194,455	\$ 140,415	\$ 920,192
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(8,677)	8,606	120	(7,733)
Other comprehensive income (loss), net of tax	(8,677)	8,606	120	(7,733)
Total comprehensive income (loss)	77,886	203,061	140,535	912,459
Less:				
Comprehensive (income) loss attributable to non-controlling interests in consolidated funds	(56,274)	(51,214)	(123,124)	(163,105)
Comprehensive (income) loss attributable to non-controlling interests in consolidated subsidiaries	(1,664)	(49,477)	11,153	(263,310)
Comprehensive income (loss) attributable to OCG	19,948	102,370	28,564	486,044
Comprehensive income attributable to preferred unitholders	(6,829)	(6,829)	(20,487)	(20,487)
Comprehensive income (loss) attributable to OCG Class A unitholders	\$ 13,119	\$ 95,541	\$ 8,077	\$ 465,557

*Please see accompanying notes to condensed consolidated financial statements.*



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

	Nine months ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 140,415	\$ 920,192
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Investment (income) loss	20,004	(190,768)
Depreciation and amortization	1,349	1,745
Equity-based compensation	5,461	7,868
Net realized and unrealized (gain) loss from consolidated funds' investments	82,856	(186,266)
Accretion of original issue and market discount of consolidated funds' investments, net	(18,156)	(7,137)
Distributions of investment income and settlements of derivative instruments	70,786	171,106
SPAC deconsolidation gain and other non-cash items	(52,527)	(72,347)
Cash flows due to changes in operating assets and liabilities:		
Decrease in deferred tax assets	505	105
Increase in other assets	2,794	3,443
(Increase) decrease in net due from affiliates	275,329	(160,078)
Increase (decrease) in accrued compensation expense	(94,896)	30,345
Decrease in accounts payable, accrued expenses and other liabilities	(5,970)	(4,676)
<i>Cash flows due to changes in operating assets and liabilities of consolidated funds:</i>		
Increase in dividends and interest receivable	(22,043)	(16,068)
Increase in due from brokers	(45,129)	(17,603)
(Increase) decrease in receivables for securities sold	111,448	(77,192)
Decrease in other assets	(4,365)	38,620
Increase (decrease) in accounts payable, accrued expenses and other liabilities	13,782	16,386
Increase in payables for securities purchased	(314,567)	478,914
Purchases of securities	(5,858,192)	(6,718,145)
Proceeds from maturities and sales of securities	4,097,685	4,162,323
Net cash used in operating activities	<u>(1,593,431)</u>	<u>(1,619,233)</u>
Cash flows from investing activities:		
Purchases of U.S. Treasury and other securities	(13,169)	(16,322)
Proceeds from maturities and sales of U.S. Treasury and other securities	8,701	19,499
Corporate investments in funds and companies	(240,035)	(166,865)
Distributions and proceeds from corporate investments in funds and companies	61,198	325,897
Purchases of fixed assets	(425)	(263)
Net cash provided by (used in) investing activities	<u>(183,730)</u>	<u>161,946</u>

(continued)

*Please see accompanying notes to condensed consolidated financial statements.*

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

	Nine months ended September 30,	
	2022	2021
Cash flows from financing activities:		
Capital contributions, net	\$ 147,604	\$ 109,393
Proceeds from issuance of debt obligations	214,094	—
Distributions to Class A unitholders	(159,667)	(381,382)
Distributions to Non-controlling Interests	(94,256)	(234,966)
Distributions to preferred unitholders	(20,487)	(20,487)
Payment of debt issuance costs	(1,150)	—
<i>Cash flows from financing activities of consolidated funds:</i>		
Contributions from non-controlling interests	702,888	766,103
Distributions to non-controlling interests	(164,488)	(126,832)
Proceeds from debt obligations issued by CLOs	2,105,289	3,046,821
Payment of debt issuance costs	(7,626)	(1,827)
Repayment on debt obligations issued by CLOs	(892,528)	(2,162,786)
Borrowings on credit facilities	567,125	658,789
Repayments on credit facilities	(673,341)	—
Net cash provided by financing activities	<u>1,723,457</u>	<u>1,652,826</u>
Effect of exchange rate changes on cash	(33,063)	(9,563)
Net increase in cash and cash-equivalents	(86,767)	185,976
Initial consolidation (deconsolidation) of funds	(296,621)	(216,459)
Cash and cash-equivalents, beginning balance	1,159,119	1,200,341
Cash and cash-equivalents, ending balance	<u>\$ 775,731</u>	<u>\$ 1,169,858</u>
<u>Reconciliation of cash and cash-equivalents</u>		
Cash and cash-equivalents – Oaktree	\$ 120,544	\$ 217,889
Cash and cash-equivalents – consolidated funds	655,187	951,969
Total cash and cash-equivalents	<u>\$ 775,731</u>	<u>\$ 1,169,858</u>

*Please see accompanying notes to condensed consolidated financial statements.*

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

Oaktree Capital Group, LLC									
	Class A Units	Class B Units	Series A Preferred Units	Series B Preferred Units	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests in Consolidated Subsidiaries	Total Unitholders' Capital
Unitholders' capital as of June 30, 2022	103,080	56,822	\$ 173,669	\$ 226,915	\$ 1,173,557	\$ 128,154	\$ 2,127	\$ 485,353	\$ 2,189,775
Activity for the three months ended:									
Capital contributions	—	—	—	—	37,500	—	—	—	\$ 37,500
Equity reallocation between controlling and non-controlling interests	—	—	—	—	(1,111)	—	—	686	\$ (425)
Capital increase related to equity-based compensation	—	—	—	—	1,248	—	—	763	\$ 2,011
Distributions declared	—	—	(2,981)	(3,848)	—	(37,710)	—	(23,052)	\$ (67,591)
Net income	—	—	2,981	3,848	—	18,713	—	4,747	\$ 30,289
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(5,594)	(3,083)	\$ (8,677)
Unitholders' capital as of September 30, 2022	103,080	56,822	\$ 173,669	\$ 226,915	\$ 1,211,194	\$ 109,157	\$ (3,467)	\$ 465,414	\$ 2,182,882

Oaktree Capital Group, LLC									
	Class A Units	Class B Units	Series A Preferred Units	Series B Preferred Units	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests in Consolidated Subsidiaries	Total Unitholders' Capital
Unitholders' capital as of December 31, 2021	99,137	60,783	\$ 173,669	\$ 226,915	\$ 1,011,333	\$ 251,791	\$ (3,334)	\$ 612,228	\$ 2,272,602
Activity for the nine months ended:									
Net issuance of units	—	3	—	—	—	—	—	—	\$ —
Unit exchange	3,943	(3,943)	—	—	—	—	—	—	\$ —
Cancellation of units associated with forfeitures	—	(21)	—	—	—	—	—	—	\$ —
Capital contributions	—	—	—	—	150,000	—	—	—	\$ 150,000
Equity reallocation between controlling and non-controlling interests	—	—	—	—	46,473	—	—	(48,869)	\$ (2,396)
Capital increase related to equity-based compensation	—	—	—	—	3,388	—	—	2,073	\$ 5,461
Distributions declared	—	—	(8,943)	(11,544)	—	(150,844)	—	(88,865)	\$ (260,196)
Net income	—	—	8,943	11,544	—	8,210	—	(11,406)	\$ 17,291
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(133)	253	\$ 120
Unitholders' capital as of September 30, 2022	103,080	56,822	\$ 173,669	\$ 226,915	\$ 1,211,194	\$ 109,157	\$ (3,467)	\$ 465,414	\$ 2,182,882

*Please see accompanying notes to condensed consolidated financial statements.*

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

Oaktree Capital Group, LLC									
	Class A Units	Class B Units	Series A Preferred Units	Series B Preferred Units	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests in Consolidated Subsidiaries	Total Unitholders' Capital
Unitholders' capital as of June 30, 2021	99,137	60,835	\$ 173,669	\$ 226,915	\$ 871,126	\$ 163,579	\$ (16,200)	\$ 554,363	\$ 1,973,452
Activity for the three months ended:									
Cancellation of units associated with forfeitures	—	(1)	—	—	—	—	—	—	—
Capital contributions	—	—	—	—	75,000	—	—	—	75,000
Equity reallocation between controlling and non-controlling interests	—	—	—	—	2,205	—	—	(2,685)	(480)
Capital increase related to equity-based compensation	—	—	—	—	1,179	—	—	724	1,903
Distributions declared	—	—	(2,981)	(3,848)	—	(51,045)	—	(31,322)	(89,196)
Net income	—	—	2,981	3,848	—	90,208	—	46,204	143,241
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	5,333	3,273	8,606
Unitholders' capital as of September 30, 2021	99,137	60,834	\$ 173,669	\$ 226,915	\$ 949,510	\$ 202,742	\$ (10,867)	\$ 570,557	\$ 2,112,526

Oaktree Capital Group, LLC									
	Class A Units	Class B Units	Series A Preferred Units	Series B Preferred Units	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests in Consolidated Subsidiaries	Total Unitholders' Capital
Unitholders' capital as of December 31, 2020	98,677	61,371	\$ 173,669	\$ 226,915	\$ 819,963	\$ 119,920	\$ (5,414)	\$ 544,935	\$ 1,879,988
Activity for the three months ended:									
Net issuance of units	—	4	—	—	—	—	—	—	—
Unit exchange	460	(460)	—	—	—	—	—	—	—
Cancellation of units associated with forfeitures	—	(81)	—	—	—	—	—	—	—
Capital contributions	—	—	—	—	121,015	—	—	5,226	126,241
Equity reallocation between controlling and non-controlling interests	—	—	—	—	3,667	—	—	(6,774)	(3,107)
Capital increase related to equity-based compensation	—	—	—	—	4,865	—	—	3,003	7,868
Distributions declared	—	—	(8,943)	(11,544)	—	(388,188)	—	(239,143)	(647,818)
Net income	—	—	8,943	11,544	—	471,010	—	265,590	757,087
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(5,453)	(2,280)	(7,733)
Unitholders' capital as of September 30, 2021	99,137	60,834	\$ 173,669	\$ 226,915	\$ 949,510	\$ 202,742	\$ (10,867)	\$ 570,557	\$ 2,112,526

*Please see accompanying notes to condensed consolidated financial statements.*

**Oaktree Capital Group, LLC**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**  
**September 30, 2022**  
**(\$ in thousands, except where noted)**

**1. ORGANIZATION AND BASIS OF PRESENTATION**

As used in these condensed consolidated financial statements:

“Oaktree” refers to (i) Oaktree Capital Group, LLC and, where applicable, its subsidiaries and affiliates prior to October 1, 2019 and (ii) the Oaktree Operating Group and, where applicable, their respective subsidiaries and affiliates after September 30, 2019; and

the “Company” refers to Oaktree Capital Group, LLC and, where applicable, its subsidiaries and affiliates, including, as the context requires, affiliated Oaktree Operating Group members after September 30, 2019.

Oaktree is a leader among global investment managers specializing in alternative investments. Oaktree emphasizes an opportunistic, value-oriented and risk-controlled approach to investments in credit, private equity, real assets and listed equities. Funds managed by Oaktree (the “Oaktree funds”) include commingled funds, separate accounts, collateralized loan obligation vehicles (“CLOs”) and business development companies (“BDCs”). Commingled funds include open-end and closed-end limited partnerships in which Oaktree makes an investment and for which it serves as the general partner. CLOs are structured finance vehicles in which Oaktree typically makes an investment and for which it serves as collateral manager.

Oaktree Capital Group, LLC is a Delaware limited liability company that was formed on April 13, 2007. The Company's issued and outstanding member interests are divided into certain classes and series of units. The Company's outstanding units are held by (i) an affiliate of Brookfield Asset Management, Inc. (“Brookfield”) as the sole holder of the Company's Class A common units, (ii) preferred unitholders as the holders of Series A and Series B preferred units listed on the NYSE, which represent only the right to receive certain distributions from the Company and such other rights as are specified in the relevant preferred unit designations, and (iii) Oaktree Capital Group Holdings, L.P. (“OCGH”) as the sole holder of the Company's Class B common units, which units do not represent an economic interest in the Company. OCGH is owned by Oaktree's senior executives, current and former employees, and certain other investors (collectively, the “OCGH unitholders”). Subject to the operating agreement of the Company, to the extent the approval of any matter requires the vote of the Company's unitholders, the Class A units are entitled to one vote per unit and the Class B units are entitled to ten votes per unit, voting together as a single class.

The Oaktree business is conducted through a group of six operating entities collectively referred to as the “Oaktree Operating Group.” The interests in the Oaktree Operating Group are referred to as the “Oaktree Operating Group units.” An Oaktree Operating Group unit is not a separate legal interest but represents one limited partnership interest in each of the Oaktree Operating Group entities. OCGH has a direct economic interest in all six of the Oaktree Operating Group members. The Company's operations, however, are conducted through an indirect economic interest in only two of these six Oaktree Operating Group entities. Accordingly, the Company's condensed consolidated financial statements reflect its indirect economic interest in: (i) Oaktree Capital I, L.P. (“Oaktree Capital I”), which acts as or controls the general partner of certain Oaktree funds and which holds a majority of Oaktree's investments in its funds and (ii) Oaktree Capital Management (Cayman), L.P. (“OCM Cayman”), which represents Oaktree's non-U.S. fee business. References to “Oaktree” in these financial statements will generally refer to the collective business of the Oaktree Operating Group, of which consolidated subsidiaries of the Company are components.

The Company's current ownership and operational structure were the results of a merger with Brookfield completed on September 30, 2019 (“Merger”) and a subsequent restructuring (“Restructuring”) completed on October 1, 2019 in connection with the Merger. See audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 filed with the Securities and Exchange Commission (“SEC”) for more information regarding the Merger and Restructuring.

Oaktree Capital Management, L.P. (“OCM”), an affiliate of the Company, provides certain administrative and other services relating to the operations of the Company's business pursuant to a Services Agreement between the Company and OCM (as amended from time to time, the “Services Agreement”).

**Oaktree Capital Group, LLC**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)**  
**September 30, 2022**  
**(\$ in thousands, except where noted)**

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. The condensed consolidated financial statements, including these notes, are unaudited and exclude some of the disclosures required in annual financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) such that the condensed consolidated financial statements are presented fairly and that estimates made in preparing its condensed consolidated financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. The condensed consolidated financial statements include the accounts of the Company, its wholly-owned or majority-owned subsidiaries and entities in which the Company is deemed to have a direct or indirect controlling financial interest based on either a variable interest model or voting interest model. Certain of the Oaktree funds consolidated by the Company are investment companies that follow a specialized basis of accounting established by GAAP. All intercompany transactions and balances have been eliminated in consolidation.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2021 included in the Company's Annual Report on Form 10-K filed with the SEC on March 14, 2022.

**Use of Estimates**

The preparation of the condensed consolidated financial statements in accordance with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the condensed consolidated financial statements, as well as the reported amounts of income and expenses during the period then ended. Actual results could differ from these estimates.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Policies of the Company**

***Consolidation***

The Company consolidates entities in which it has a direct or indirect controlling financial interest based on either a variable interest model or voting interest model. A limited partnership or similar entity is a variable interest entity ("VIE") if the unaffiliated limited partners do not have substantive kick-out or participating rights. Most of the Oaktree funds are VIEs because they have not granted unaffiliated limited partners substantive kick-out or participating rights. The Company consolidates those VIEs in which it is the primary beneficiary. An entity is deemed to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. The consolidation guidance requires an analysis to determine (a) whether an entity in which the Company holds a variable interest is a VIE and (b) whether the Company's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance-based fees), would give it a controlling financial interest. A decision maker's fee arrangement is not considered a variable interest if (a) it is compensation for services provided, commensurate with the level of effort required to provide those services, and part of a compensation arrangement that includes only terms, conditions or amounts that are customarily present in arrangements for similar services negotiated at arm's length ("at-market"), and (b) the decision maker does not hold any other variable interests that absorb more than an insignificant amount of the potential VIE's expected residual returns.

**Oaktree Capital Group, LLC**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)**  
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The Company determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion at each reporting date. In evaluating whether the Company is the primary beneficiary, the Company evaluates its economic interests in the entity held either directly by the Company or indirectly through related parties. The consolidation analysis can generally be performed qualitatively; however, if it is not readily apparent that the Company is not the primary beneficiary, a quantitative analysis may also be performed. Investments and redemptions (either by the Company, affiliates of the Company or third parties) or amendments to the governing documents of the respective Oaktree funds could affect an entity's status as a VIE or the determination of the primary beneficiary. The Company does not consolidate most of the Oaktree funds because it is not the primary beneficiary of those funds due to the fact that its fee arrangements are considered at-market and thus not deemed to be variable interests, and it does not hold any other interests in those funds that are considered to be more than insignificant. Please see note 4 for more information regarding both consolidated and unconsolidated VIEs. For entities that are not VIEs, consolidation is evaluated through a majority voting interest model.

"Consolidated funds" refers to Oaktree-managed funds and CLOs that the Company is required to consolidate. When funds or CLOs are consolidated, the Company reflects the assets, liabilities, revenues, expenses and cash flows of the funds or CLOs on a gross basis, and the majority of the economic interests in those funds or CLOs, which are held by third-party investors, are reflected as non-controlling interests in consolidated funds or debt obligations of CLOs in the condensed consolidated financial statements. All of the revenues earned by the Company as investment manager of the consolidated funds are eliminated in consolidation. However, because the eliminated amounts are earned from and funded by third-party investors, the consolidation of a fund does not impact net income or loss attributable to the Company.

Certain entities in which the Company has the ability to exert significant influence, including unconsolidated Oaktree funds for which the Company acts as general partner, are accounted for under the equity method of accounting.

***Non-controlling Redeemable Interests in Consolidated Funds***

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

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

***Non-controlling Interests in Consolidated Funds***

Non-controlling interests in consolidated funds represent the equity interests held by third-party investors in CLOs that had not yet priced as of the respective period end. All non-controlling interests in those CLOs are attributed a share of income or loss arising from the respective CLO based on the relative ownership interests of third-party investors after consideration of contractual arrangements that govern allocations of income or loss.

**Oaktree Capital Group, LLC**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)**  
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Investors in those CLOs are generally unable to redeem their interests until the respective CLO liquidates, is called or otherwise terminates.

***Non-controlling Interests in Consolidated Subsidiaries***

Non-controlling interests in consolidated subsidiaries reflect the portion of unitholders' capital attributable to OCGH unitholders ("OCGH non-controlling interest") and third parties. All non-controlling interests in consolidated subsidiaries are attributed a share of income or loss in the respective consolidated subsidiary based on the relative economic interests of the OCGH unitholders or third parties after consideration of contractual arrangements that govern allocations of income or loss. Please see note 11 for more information.

***Fair Value of Financial Instruments***

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

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

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

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

In the absence of observable market prices, the Company values Level III investments inclusive of the Company's investments in unconsolidated Oaktree funds using valuation methodologies applied on a consistent basis. The quarterly valuation process for Level III investments begins with each portfolio company, property or security being valued by the investment and/or valuation teams. With the exception of open-end funds, all unquoted Level III investment values are reviewed and approved by (i) the Company's valuation officer, who is independent of the investment teams, (ii) a designated investment professional of each strategy and (iii) for a substantial majority of unquoted Level III holdings as measured by market value, a valuation committee of the respective strategy. For open-end funds, unquoted Level III investment values are reviewed and approved by the Company's valuation



**Oaktree Capital Group, LLC**  
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officer. For certain investments, the valuation process also includes a review by independent valuation parties, at least annually, to determine whether the fair values determined by management are reasonable. Results of the valuation process are evaluated each quarter, including an assessment of whether the underlying calculations should be adjusted or recalibrated. In connection with this process, the Company periodically evaluates changes in fair-value measurements for reasonableness, considering items such as industry trends, general economic and market conditions, and factors specific to the investment.

Certain assets are valued using prices obtained from pricing vendors or brokers. The Company seeks to obtain prices from at least two pricing vendors for the subject or similar securities. In cases where vendor pricing is not reflective of fair value, a secondary vendor is unavailable, or no vendor pricing is available, a comparison value made up of quotes for the subject or similar securities received from broker dealers may be used. These investments may be classified as Level III because the quoted prices may be indicative in nature for securities that are in an inactive market, may be for similar securities, or may require adjustment for investment-specific factors or restrictions. The Company evaluates the prices obtained from brokers or pricing vendors based on available market information, including trading activity of the subject or similar securities, or by performing a comparable security analysis to ensure that fair values are reasonably estimated. The Company also performs back-testing of valuation information obtained from pricing vendors and brokers against actual prices received in transactions. In addition to ongoing monitoring and back-testing, the Company performs due diligence procedures surrounding pricing vendors to understand their methodology and controls to support their use in the valuation process.

***Fair Value Option***

The Company has elected the fair value option for the financial assets and financial liabilities of its consolidated CLOs. The assets and liabilities of CLOs are primarily reflected within the investments, at fair value and within the debt obligations of CLOs line items in the condensed consolidated statements of financial condition. The Company's accounting for CLO assets is similar to its accounting for its funds with respect to both carrying investments held by CLOs at fair value and the valuation methods used to determine the fair value of those investments. The fair value of CLO liabilities are measured as the fair value of CLO assets less the sum of (a) the fair value of any beneficial interests held by the Company and (b) the carrying value of any beneficial interests that represent compensation for services. Realized gains or losses and changes in the fair value of CLO assets, respectively, are included in net realized gain on consolidated funds' investments and net change in unrealized appreciation (depreciation) on consolidated funds' investments in the condensed consolidated statements of operations. Interest income of CLOs is included in interest and dividend income, and interest expense and other expenses, respectively, are included in interest expense and consolidated fund expenses in the condensed consolidated statements of operations. Changes in the fair value of a CLO's financial liabilities in accordance with the CLO measurement guidance are included in net change in unrealized appreciation (depreciation) on consolidated funds' investments in the condensed consolidated statements of operations. Please see notes 6 and 8 for more information.

***Foreign Currency***

The assets and liabilities of the Company's foreign subsidiaries with non-U.S. dollar functional currencies are translated at exchange rates prevailing at the end of each reporting period. The results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included in other comprehensive income (loss) within the condensed consolidated statements of financial condition until realized. Gains and losses resulting from foreign-currency transactions are included in general and administrative expense.

**Oaktree Capital Group, LLC**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)**  
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***Derivatives and Hedging***

A derivative is a financial instrument whose value is derived from an underlying financial instrument or index, such as interest rates, equity securities, currencies, commodities or credit spreads. Derivatives include futures, forwards, swaps or option contracts, and other financial instruments with similar characteristics. Derivative contracts often involve future commitments to exchange interest payment streams or currencies based on a notional or contractual amount (e.g., interest-rate swaps, foreign-currency forwards or cross-currency swaps).

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

The Company recognizes all derivatives as assets or liabilities in its condensed consolidated statements of financial condition at fair value. In connection with its derivative activities, the Company generally enters into agreements subject to enforceable master netting arrangements that allow the Company to offset derivative assets and liabilities in the same currency by specific derivative type or, in the event of default by the counterparty, to offset derivative assets and liabilities with the same counterparty. While these derivatives are eligible to be offset in accordance with applicable accounting guidance, the Company has elected to present derivative assets and liabilities based on gross fair value in its condensed consolidated statements of financial condition.

When the Company enters into a derivative contract, it may or may not elect to designate the derivative as a hedging instrument and apply hedge accounting as part of its overall risk management strategy. In other situations, when a derivative does not qualify for hedge accounting or when the derivative and the hedged item are both recorded in current-period earnings and thus deemed to be economic hedges, hedge accounting is not applied. Freestanding derivatives are financial instruments that we enter into as part of our overall risk management strategy but do not utilize hedge accounting. These financial instruments may include foreign-currency exchange contracts, interest-rate swaps and other derivative contracts.

***Leases***

The Company determines whether an arrangement contains a lease at inception. A lease is a contract that provides the right to control an identified asset for a period of time in exchange for consideration. For identified leases, the Company determines whether it should be classified as an operating or finance lease. Operating leases are recorded in the consolidated statements of financial condition as separate line items: right-of-use assets and operating lease liabilities. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and operating lease liabilities are recognized at the commencement date of the lease and measured based on the present value of lease payments over the lease term. The right-of-use asset amount also includes deferred rent liabilities and lease incentives. The Company's lease arrangements generally do not provide an implicit rate. As a result, in such situations the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company may also include options to extend or terminate the lease when it is reasonably certain that it will exercise that option in the measurement of its right-of-use assets and liabilities. Lease expense for operating leases is recognized on a straight-line basis over the lease term. The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. Please see note 9 for more information.

**Oaktree Capital Group, LLC**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)**  
**September 30, 2022**  
**(\$ in thousands, except where noted)**

***Cash and Cash-equivalents***

Cash and cash-equivalents include demand deposit accounts, money market funds, and other short-term investments with maturities of three months or less at the date of acquisition.

***U.S. Treasury and Other Securities***

U.S. Treasury and other securities include holdings of U.S. Treasury bills, notes and bonds, time deposit securities, commercial paper and investment grade debt securities, including sovereign debt, domestic and international corporate fixed and floating rate debt, structured credit and debt issued or guaranteed by U.S. government-sponsored entities with maturities greater than three months from the date of acquisition. These securities are classified as trading and are recorded at fair value with changes in fair value included in investment income.

***Corporate Investments***

Corporate investments may consist of investments in funds, companies in which the Company does not have a controlling financial interest, and non-investment grade debt securities. Investments for which the Company is deemed to exert significant influence are accounted for under the equity method of accounting and reflect Oaktree's ownership interest in each fund or company. In the case of investments for which the Company is not deemed to exert significant influence or control, the fair value option of accounting has been elected. Investment income represents the Company's pro-rata share of income or loss from these funds or companies, or the change in fair value of the investment, as applicable. Oaktree's general partnership interests are generally illiquid. While investments in funds reflect each respective fund's holdings at fair value, equity-method investments in companies are not adjusted to reflect the fair value of the underlying company. The fair value of the underlying investments in Oaktree funds is based on the Company's assessment, which takes into account expected cash flows, earnings multiples and/or comparisons to similar market transactions, among other factors. Valuation adjustments reflecting consideration of credit quality, concentration risk, sales restrictions and other liquidity factors are integral to valuing these instruments.

Non-investment grade debt securities include domestic and international corporate fixed and floating rating debt and structured credit investments. These securities are classified as trading and are recorded at fair value with changes in fair value included in investment income.

***Revenue Recognition***

The Company earns management fees and incentive income from the investment advisory services it provides to its customers. Revenue is recognized when control of the promised services is transferred to customers in an amount that reflects the consideration the Company expects to receive in exchange for those services. The Company typically enters into contracts with investment funds to provide investment management and administrative services. These services are generally capable of being distinct and each is accounted for as separate performance obligations comprised of distinct service periods because the services are performed over time. The Company determined that for accounting purposes, based on certain facts and circumstances specific to each investment fund structure, that either the investment fund or individual investors may be considered the customer with respect to commingled funds, while the individual investors are the customers with respect to separate account and fund-of-one vehicles. The Company receives management fees and/or incentive income with respect to its investment management services, and it is reimbursed by the funds for expenses incurred or paid on behalf of the funds with respect to its investment advisory services and its administrative services. The Company evaluates whether it is the principal (i.e., report as management fees on a gross basis) or agent (i.e., report as management fees on a net basis) with respect to each performance obligation and associated reimbursement arrangements. The Company has elected to apply the variable consideration exemption for its fee arrangements with its customers. Please see note 3 for more information on revenues.

***Management Fees***

Management fees are recognized over the period in which the investment management services are performed because customers simultaneously consume and receive benefits that are satisfied over time. The

**Oaktree Capital Group, LLC**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)**  
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contractual terms of management fees generally vary by fund structure. For closed-end funds, the management fee rate is generally applied against committed capital, contributed capital or cost basis during the fund's investment period and the lesser of aggregate contributed capital or cost basis of assets in the liquidation period. For closed-end funds that pay management fees based on committed capital, Oaktree may elect to delay the start of the fund's investment period and thus its full management fees, in which case it earns management fees based on contributed capital, until Oaktree elects to start the fund's investment period. Oaktree's right to receive management fees typically ends after 10 or 11 years from either the initial closing date or the start of the investment period, even if assets remain in the fund. In the case of CLOs, the management fee is based on the aggregate par value of collateral assets and principal cash, as defined in the applicable CLO indentures, and a portion of the management fees is dependent on the sufficiency of the particular vehicle's cash flow. For open-end and evergreen funds, the management fee is generally based on the NAV of the fund. For the BDCs, the management fee is based on gross assets (including assets acquired with leverage), net of cash. In the case of certain open-end fund accounts, Oaktree has the potential to earn performance-based fees, typically in reference to a relevant benchmark index or hurdle rate, which are classified as management fees. Oaktree also earns quarterly incentive fees on the investment income from certain evergreen funds, such as the BDCs and other fund accounts, which are generally recurring in nature and reflected as management fees.

The ultimate amount of management fees that will be earned over the life of the contract is subject to a large number and broad range of possible outcomes due to market volatility and other factors outside of Oaktree's control. As a result, the amount of revenue earned in any given period is generally determined at the end of each reporting period and relates to services performed during that period. Included in this amount is a gross-up for reimbursable costs incurred on behalf of the Oaktree funds in which the Company has determined it is the principal within the principal and agent relationship of the related fund. Such reimbursable costs are presented in compensation and benefits and general and administrative expenses.

Our management fees consist primarily of fees earned from funds managed by OCM Cayman and sub-advisory fees for services provided to OCM. Our revenue recognition for sub-advisory fees is substantially similar to revenue recognition for management fees.

#### ***Incentive Income***

Incentive income generally represents 20% of each closed-end fund's profits, subject to the return of contributed capital and a preferred return of typically 8% per annum, and up to 20% of certain evergreen fund's annual profits, subject to high-water marks or hurdle rates. Incentive income is recognized when it is probable that a significant reversal will not occur. Revenue recognition is typically met (a) for closed-end funds, only after all contributed capital and the preferred return on that capital have been distributed to the fund's investors, and (b) for certain evergreen funds, at the conclusion of each annual measurement period. Potential incentive income is highly susceptible to market volatility, the judgment and actions of third parties, and other factors outside of the Company's control. The Company's experience has demonstrated little predictive value in the amount of potential incentive income ultimately earned due to the highly uncertain nature of returns inherent in the markets and contingencies associated with many realization events. As a result, the amount of incentive income recognized in any given period is generally determined after giving consideration to a number of factors, including whether the fund is in its investment or liquidation period, and the nature and level of risk associated with changes in fair value of the remaining assets in the fund. In general, it would be unlikely that any amount of potential incentive income would be recognized until (a) the uncertainty is resolved or (b) the fund is near final liquidation, assets are under contract for sale or are at low risk of significant fluctuation in fair value, and the assets are significantly in excess of the threshold at which incentive income would be earned.

Incentives received by the Company before the revenue recognition criteria have been met are deferred and recorded as a deferred incentive income liability within accounts payable, accrued expenses and other liabilities in the condensed consolidated statements of financial condition. The Company may receive tax distributions related to taxable income allocated by funds, which are treated as an advance of incentive income and subject to the same recognition criteria. Tax distributions are contractually not subject to clawback.

The Company may earn incentive income upon deconsolidation of a SPAC arising from the completion of a merger with an identified target. Upon deconsolidation, the Company will derecognize the net assets of the entity

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and record any gain or loss related to the remeasurement of its investments to fair value as incentive income in its condensed consolidated statements of operations. Subsequent fair value changes in the Company's investments held in the entity will be recorded in investment income in its condensed consolidated statements of operations.

**Total Compensation and Benefits**

*Compensation and Benefits*

Compensation and benefits expense reflects all compensation-related items not directly related to incentive income, investment income or equity-based compensation, and includes salaries, bonuses, compensation based on management fees or a definition of profits, employee benefits, payroll taxes, phantom equity awards, and long-term incentive plan. Bonuses are generally accrued over the related service period. Phantom equity awards represent liability-classified awards subject to vesting and remeasurement at the end of each reporting period. The remeasurement is based on changes in the value of Converted OCGH Units or other OCGH units, as applicable. Our consolidated operating results include compensation and benefits expense primarily related to employees of OCM Cayman.

*Equity-based Compensation*

Equity-based compensation expense reflects the non-cash charge associated with grants of Converted OCGH units, OCGH units, OCGH equity value units ("EVUs"), OEP units, deferred equity units and other performance-based units.

Equity-based awards that do not require future service (i.e., awards vested at grant) are expensed immediately. Equity-based awards that require future service are expensed on a straight-line basis over the requisite service period. Cash-settled equity-based awards are classified as liabilities and are remeasured at the end of each reporting period.

With respect to forfeitures, the Company made an accounting policy election to account for forfeitures when they occur. Accordingly, no forfeitures have been assumed in the calculation of compensation expense.

*Incentive Income Compensation*

Incentive income compensation expense primarily reflects compensation directly related to incentive income, which generally consists of percentage interests (sometimes referred to as "points" or an allocation of shares received upon the completion of a successful SPAC merger) that the Company grants to its investment professionals associated with the particular fund or SPAC that generated the incentive income, and secondarily, compensation directly related to investment income. The Company has an obligation to pay a fixed percentage of the incentive income earned from a particular fund or SPAC, including income from consolidated funds that is eliminated in consolidation, to specified investment professionals responsible for the management of the fund or SPAC. Amounts payable pursuant to these arrangements are recorded as compensation expense when they have become probable and reasonably estimable. The Company's determination of the point at which it becomes probable and reasonably estimable that incentive income compensation expense should be recorded is based on its assessment of numerous factors, particularly those related to the profitability, realizations, distribution status, investment profile and commitments or contingencies of the individual funds that may give rise to incentive income or the completion of a merger by an Oaktree sponsored SPAC. Incentive income compensation is generally expensed in the period in which the underlying income is recognized. Payment of incentive income compensation generally occurs in the same period the related income is received or in the next period. Participation in incentive income generated by the funds or SPACs is subject to forfeiture upon departure and to vesting provisions (generally over a period of five years), in each case, under certain circumstances set forth in the applicable governing documents. These provisions are generally only applicable to incentive income compensation that has not yet been recognized as an expense by the Company or paid to the participant.

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***Depreciation and Amortization***

Depreciation and amortization expense includes costs associated with the purchase of furniture and equipment, capitalized software and office leasehold improvements. Furniture and equipment and capitalized software are depreciated using the straight-line method over the estimated useful life of the asset, generally three to five years beginning in the first full month after the asset is placed in service. Leasehold improvements are amortized using the straight-line method over the shorter of the respective estimated useful life or the lease term.

***Other Income (Expense), Net***

Other income (expense), net represents non-operating income or expense items.

***Income Taxes***

The Company is a publicly traded partnership. Because it satisfies the qualifying income test, it is not required to be treated as a corporation for U.S. federal and state income tax purposes; rather it is taxed as a partnership. The Company currently holds interests in Oaktree Capital I, L.P. (a non-corporate entity that is not subject to U.S. federal corporate income tax) and Oaktree Capital Management (Cayman), L.P. (which holds subsidiaries that are taxable in non-U.S. jurisdictions).

Income taxes are accounted for using the liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amount of assets and liabilities and their respective tax bases, using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets would be reduced by a valuation allowance if it becomes more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company analyzes its tax filing positions for all open tax years in all of the U.S. federal, state, local and foreign tax jurisdictions where it is required to file income tax returns. If the Company determines that uncertainties in tax positions exist, a reserve is established. The Company recognizes accrued interest and penalties related to uncertain tax positions within income tax expense in the condensed consolidated statements of operations.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties. The Company reviews its tax positions quarterly and adjusts its tax balances as new information becomes available.

The Oaktree funds are generally not subject to U.S. federal and state income taxes and, consequently, no income tax provision has been made in the accompanying condensed consolidated financial statements because individual partners are responsible for their proportionate share of the taxable income.

***Comprehensive Income (Loss)***

Comprehensive income (loss) consists of net income (loss) and other gains and losses affecting unitholders' capital that are excluded from net income (loss). Other gains and losses result from foreign-currency translation adjustments, net of tax.

***Accounting Policies of Consolidated Funds***

***Investment Transactions and Income Recognition***

The consolidated funds record investment transactions at cost on trade date for publicly-traded securities or when they have an enforceable right to acquire the security, which is generally on the closing date if not publicly traded. Realized gains and losses on investments are recorded on a specific-identification basis. The consolidated funds record dividend income on the ex-dividend date and interest income on an accrual basis, unless the related investment is in default or if collection of the income is otherwise considered doubtful. The consolidated funds may hold investments that provide for interest payable in-kind rather than in cash, in which case the related income is recorded at its estimated net realizable amount.

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***Income Taxes***

The consolidated funds may invest in operating entities that are treated as partnerships for U.S. federal income tax purposes which may give rise to unrelated business taxable income or income effectively connected with a U.S. trade or business. In such situations, the consolidated funds permit certain investors to elect to participate in these investments through a “blocker structure” using entities that are treated as corporations for U.S. federal income tax purposes and are generally subject to U.S. federal, state and local taxes. The consolidated funds withhold blocker expenses and tax payments from electing limited partners, which are treated as deemed distributions to such limited partners pursuant to the terms of the respective limited partnership agreement.

***Foreign Currency***

Investments denominated in non-U.S. currencies are recorded in the condensed consolidated financial statements after translation into U.S. dollars utilizing rates of exchange on the last business day of the period. Interest and dividend income is recorded net of foreign withholding taxes and calculated using the exchange rate in effect when the income is recognized. The effect of changes in exchange rates on assets and liabilities, income, and realized gains or losses is included as part of net realized gain (loss) on consolidated funds’ investments and net change in unrealized appreciation (depreciation) on consolidated funds’ investments in the condensed consolidated statements of operations.

***Cash and Cash-equivalents***

Cash and cash-equivalents held at the consolidated funds represent cash that, although not legally restricted, is not available to support the general liquidity needs of the Company as the use of such amounts is generally limited to the investment activities of the consolidated funds. Cash-equivalents, a Level I valuation, include highly liquid investments such as money market funds, whose carrying value approximates fair value due to its short-term nature.

***Receivable for Investments Sold***

Receivables for investments sold by the consolidated funds are recorded at net realizable value. Changes in net realizable value are reflected within net change in unrealized appreciation (depreciation) on consolidated funds’ investments and realizations are reflected within net realized gain on consolidated funds’ investments in the condensed consolidated statements of operations.

***Investments, at Fair Value***

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

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

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*Exchange-traded Investments*

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

*Credit-oriented Investments (including Real Estate Loan Portfolios)*

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

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

*Non-publicly Traded Equity and Real Estate Investments*

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

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

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



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**Securities Sold Short**

Securities sold short represent obligations of the consolidated funds to make a future delivery of a specific security and, correspondingly, create an obligation to purchase the security at prevailing market prices (or deliver the security, if owned by the consolidated funds) as of the delivery date. As a result, these short sales create the risk that the funds' obligations to satisfy the delivery requirement may exceed the amount recorded in the accompanying condensed consolidated statements of financial condition.

Securities sold short are recorded at fair value, with the resulting change in value reflected as a component of net change in unrealized appreciation (depreciation) on consolidated funds' investments in the condensed consolidated statements of operations. When the securities are delivered, any gain or loss is included in net realized gain on consolidated funds' investments. The funds maintain cash deposits with prime brokers in order to cover their obligations on short sales. These amounts are included in due from brokers in the condensed consolidated statements of financial condition.

**Options**

The purchase price of a call option or a put option is recorded as an investment, which is carried at fair value. If a purchased option expires, a loss in the amount of the cost of the option is realized. When there is a closing sale transaction, a gain or loss is realized if the proceeds are greater or less than, respectively, the cost of the option. When a call option is exercised, the cost of the security purchased upon exercise is increased by the premium originally paid.

When a consolidated fund writes an option, the premium received is recorded as a liability and is subsequently adjusted to the current fair value of the option written. If a written option expires, a gain is realized in the amount of the premium received. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain or loss. The writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option. Options written are included in accounts payable, accrued expenses and other liabilities in the condensed consolidated statements of financial condition.

**Total-return Swaps**

A total-return swap is an agreement to exchange cash flows based on an underlying asset. Pursuant to these agreements, a fund may deposit collateral with the counterparty and may pay a swap fee equal to a fixed percentage of the value of the underlying security (notional amount). A fund earns interest on cash collateral held on account with the counterparty and may be required to deposit additional collateral equal to the unrealized appreciation or depreciation on the underlying asset. Changes in the value of the swaps, which are recorded as unrealized gains or losses, are based on changes in the underlying value of the security. All amounts exchanged with the swap counterparty representing capital appreciation or depreciation, dividend income and expense, items of interest income on short proceeds, borrowing costs on short sales, and commissions are recorded as realized gains or losses. Dividend income and expense on the underlying assets are accrued as unrealized gains or losses on the ex-date.

**Due From Brokers**

Due from brokers represents cash owned by the consolidated funds and cash collateral on deposit with brokers and counterparties that are used as collateral for the consolidated funds' securities and swaps.

**Risks and Uncertainties**

Certain consolidated funds invest primarily in the securities of entities that are undergoing, or are considered likely to undergo, reorganization, debt restructuring, liquidation or other extraordinary transactions. Investments in such entities are considered speculative and involve substantial risk of principal loss. Certain of the consolidated funds' investments may also consist of securities that are thinly traded, securities and other assets for which no market exists, and securities which are restricted as to their transferability. Additionally, investments are subject to concentration and industry risks, reflecting numerous factors, including political, regulatory or economic

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issues that could cause the investments and their markets to be relatively illiquid and their prices relatively volatile. Investments denominated in non-U.S. currencies or involving non-U.S. domiciled entities are subject to risks and special considerations not typically associated with U.S. investments. Such risks may include, but are not limited to, investment and repatriation restrictions; currency exchange-rate fluctuations; adverse political, social and economic developments; less liquidity; smaller capital markets; and certain local tax law considerations.

Credit risk is the potential loss that may be incurred from the failure of a counterparty or an issuer to make payments according to the terms of a contract. Some consolidated funds are subject to additional credit risk due to strategies of investing in debt of financially distressed issuers or derivatives, as well as involvement in privately-negotiated structured notes and structured-credit transactions. Counterparties include custodian banks, major brokerage houses and their affiliates. The Company monitors the creditworthiness of the financial institutions with which it conducts business.

Bank debt has exposure to certain types of risk, including interest rate, market, and the potential non-payment of principal and interest as a result of default or bankruptcy of the issuer. Loans are generally subject to prepayment risk, which will affect the maturity of such loans. The consolidated funds may enter into bank debt participation agreements through contractual relationships with a third-party intermediary, causing the consolidated funds to assume the credit risk of both the borrower and the intermediary.

Certain consolidated funds may invest in real property and real estate-related investments, including commercial mortgage-backed securities ("CMBS") and real estate loans, that entail substantial inherent risks. There can be no assurance that such investments will increase in value or that significant losses will not be incurred. CMBS are subject to a number of risks, including credit, interest rate, prepayment and market. These risks can be affected by a number of factors, including general economic conditions, particularly those in the area where the related mortgaged properties are located, the level of the borrowers' equity in the mortgaged properties, and the relative timing and rate of delinquencies and prepayments of mortgage loans bearing a higher rate of interest. Real estate loans include residential or commercial loans that are non-performing at the time of their acquisition or that become non-performing following their acquisition. Non-performing real estate loans may require a substantial amount of workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate and/or write-down of the principal balance. Moreover, foreclosure on collateral securing one or more real estate loans held by the consolidated funds may be necessary, which may be lengthy and expensive. Residential loans are typically subject to risks associated with the value of the underlying properties, which may be affected by a number of factors including general economic conditions, mortgage qualification standards, local market conditions such as employment levels, the supply of homes, and the safety, convenience and attractiveness of the properties and neighborhoods. Commercial loans are typically subject to risks associated with the ability of the borrower to repay, which may be impacted by general economic conditions, as well as borrower-specific factors including the quality of management, the ability to generate sufficient income to make scheduled principal and interest payments, or the ability to obtain alternative financing to repay the loan.

Certain consolidated funds hold over-the-counter derivatives that may allow counterparties to terminate derivative contracts prior to maturity under certain circumstances, thereby resulting in an accelerated payment of any net liability owed to the counterparty.

#### **Recent Accounting Developments**

In March 2020, the Financial Accounting Standards Board ("FASB") issued guidance which provides temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. The guidance is effective upon issuance and generally may be elected over time through December 31, 2022. The Company has not adopted any of the optional expedients or exceptions through September 30, 2022, but will continue to evaluate the possible adoption (including potential impact) of any such expedients or exceptions during the effective period as circumstances evolve.

In June 2022, the FASB issued ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions. The amendments in this update clarify the guidance in Topic 820 when measuring the fair value of an equity security subject to contractual sale restrictions

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and introduce new disclosure requirements related to such equity securities. The amendments are effective for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

**3. REVENUES**

The Company provides investment management services to funds and separate accounts. The Company earns revenues from the management fees and incentive income generated by the funds that it manages. Additionally, for acting as a sub-investment manager, or sub-advisor, to certain Oaktree funds, the Company earns sub-advisory fees. Under certain subsidiary services agreements the Company provides certain investment and marketing related services to Oaktree affiliated entities. Revenues are affected by economic factors related to the asset class composition of the holdings and the contractual terms such as the basis for calculating the management fees and investors' ability to redeem. For the three and nine months ended September 30, 2022, the Company recorded no incentive income and \$52.6 million, respectively, of incentive income primarily related to the deconsolidation of a SPAC. Substantially all of our incentive income was generated by closed-end funds for the three and nine months ended September 30, 2021.

Revenues by fund structure and sub-advisory fees are set forth below.

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Management Fees</b>				
Closed-end	\$ 1,350	\$ 984	\$ 4,194	\$ 3,390
Open-end	950	1,816	3,659	4,479
Sub-advisory fees	57,560	55,828	175,517	164,979
Total	<u>\$ 59,860</u>	<u>\$ 58,628</u>	<u>\$ 183,370</u>	<u>\$ 172,848</u>
<b>Incentive Income</b>				
Closed-end and Evergreen	\$ (33)	\$ 167,534	\$ 56,070	\$ 811,481

**Contract Balances**

The Company receives management fees monthly or quarterly in accordance with its contracts with customers. Incentive income is received generally after all contributed capital and preferred return on that capital have been distributed to the fund's investors. Contract assets relate to the Company's conditional right to receive payment for its performance completed under the contract. Receivables are recorded when the right to consideration becomes unconditional (i.e., only requires the passage of time). Contract liabilities (i.e., deferred revenues) relate to payments received in advance of performance under the contract. Contract liabilities are recognized as revenues when the Company provides investment management services.

The table below sets forth contract balances for the periods indicated:

	As of	
	September 30, 2022	December 31, 2021
Receivables	\$ 93,216	\$ 138,435
Contract assets <sup>(1)</sup>	—	151,360
Contract liabilities	(312)	—

(1) The changes in the balances primarily relate to accruals, net of payments received.

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**4. VARIABLE INTEREST ENTITIES**

The Company consolidates VIEs for which it is the primary beneficiary. VIEs include funds managed by Oaktree and CLOs for which Oaktree acts as collateral manager. The purpose of these VIEs is to provide investment opportunities for investors in exchange for management fees and, in certain cases, performance-based fees. While the investment strategies of the funds and CLOs differ by product, in general the fundamental risks of the funds and CLOs have similar characteristics, including loss of invested capital and reduction or absence of management and performance-based fees. As general partner or collateral manager, respectively, Oaktree generally considers itself the sponsor of the applicable fund or CLO. The Company does not provide performance guarantees and, other than capital commitments, has no financial obligation to provide funding to VIEs.

**Consolidated VIEs**

As of September 30, 2022, the Company consolidated 26 VIEs for which it was the primary beneficiary, including 9 funds managed by Oaktree and 17 CLOs for which Oaktree serves as collateral manager. As of December 31, 2021, the Company consolidated 25 VIEs.

As of September 30, 2022, the assets and liabilities of the 26 consolidated VIEs representing funds and CLOs amounted to \$12.9 billion and \$9.7 billion, respectively. The assets of these consolidated VIEs primarily consisted of investments in debt and equity securities, while their liabilities primarily represented debt obligations issued by CLOs. The assets of these VIEs may be used only to settle obligations of the same VIE. In addition, there is no recourse to the Company for the VIEs' liabilities. In exchange for managing either the funds' or CLOs' collateral, the Company typically earns management fees and may earn performance fees, all of which are eliminated in consolidation. As of September 30, 2022, the Company's investments in consolidated VIEs had a carrying value of \$1.0 billion, which represented its maximum risk of loss as of that date. The Company's investments in CLOs are generally subordinated to other interests in the CLOs and entitle the Company to receive a pro-rata portion of the residual cash flows, if any, from the CLOs. Please see note 8 for more information on CLO debt obligations.

**Unconsolidated VIEs**

The Company holds variable interests in certain VIEs in the form of direct equity interests that are not consolidated because it is not the primary beneficiary, inasmuch as its fee arrangements are considered at-market and it does not hold interests in those entities that are considered more than insignificant.

The carrying value of the Company's investments in VIEs that were not consolidated are shown below.

	Carrying Value as of	
	September 30, 2022	December 31, 2021
Corporate investments	\$ 913,361	\$ 895,116
Due from affiliates	1,327	188,237
Maximum exposure to loss	<u>\$ 914,688</u>	<u>\$ 1,083,353</u>

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**5. INVESTMENTS**

**Corporate Investments**

Corporate investments may consist of investments in funds, companies in which the Company does not have a controlling financial interest, and non-investment grade debt securities. Investments for which the Company is deemed to exert significant influence are accounted for under the equity method of accounting and reflect the Company's ownership interest in each fund or company. In the case of investments for which the Company is not deemed to exert significant influence or control, the fair value option of accounting has been elected. Investment income represents the Company's pro-rata share of income or loss from these funds or companies, or the change in fair value of the investment, as applicable. The Company's general partnership interests are substantially illiquid. While investments in funds reflect each respective fund's holdings at fair value, equity-method investments in companies are not adjusted to reflect the fair value of the underlying company. The fair value of the underlying investments in Oaktree funds is based on the Company's assessment, which takes into account expected cash flows, earnings multiples and/or comparisons to similar market transactions, among other factors. Valuation adjustments reflecting consideration of credit quality, concentration risk, sales restrictions and other liquidity factors are integral to valuing these instruments.

Corporate investments consisted of the following:

<u>Corporate Investments</u>	As of	
	September 30, 2022	December 31, 2021
Equity-method investments:		
Funds	\$ 1,017,337	\$ 915,185
Companies	184,221	36,225
Other investments, at fair value	88,260	71,154
Total corporate investments	<u>\$ 1,289,818</u>	<u>\$ 1,022,564</u>

The components of investment income (loss) are set forth below:

<u>Investment Income (Loss)</u>	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Equity-method investments:				
Funds	\$ 13,167	\$ 24,663	\$ (7,171)	\$ 194,876
Companies	(4,989)	—	(6,225)	(15)
Other investments, at fair value	(9,249)	(7,674)	(6,608)	(4,093)
Total investment income (loss)	<u>\$ (1,071)</u>	<u>\$ 16,989</u>	<u>\$ (20,004)</u>	<u>\$ 190,768</u>

**Equity-method Investments**

The Company's equity-method investments include its investments in Oaktree funds for which it serves as general partner, and other third-party funds and companies that are not consolidated, but for which the Company is deemed to exert significant influence. The Company's share of income or loss generated by these investments is recorded within investment income in the condensed consolidated statements of operations. The Company's equity-method investments in Oaktree funds principally reflect the Company's general partner interests in those funds, which typically does not exceed 2.5% in each fund. The Oaktree funds are investment companies that follow a specialized basis of accounting established by GAAP.

Each reporting period, the Company evaluates each of its equity-method investments to determine if any are considered significant, as defined by the SEC. For the nine months ended September 30, 2022, no individual equity-method investment met the significance criteria.

**Oaktree Capital Group, LLC**  
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Summarized financial information of the Company's equity-method investments is set forth below.

<b>Statements of Operations</b>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenues / investment income	\$ 737,270	\$ 454,038	\$ 2,367,107	\$ 1,397,866
Interest expense	(97,197)	(49,486)	(222,367)	(133,490)
Other expenses	(193,454)	(190,067)	(595,763)	(593,696)
Net realized and unrealized gain (loss) on investments	678,849	1,476,912	769,190	8,593,086
Net income (loss)	<u>\$ 1,125,468</u>	<u>\$ 1,691,397</u>	<u>\$ 2,318,167</u>	<u>\$ 9,263,766</u>

**Other Investments, at Fair Value**

Other investments, at fair value primarily consist of (a) investments in certain Oaktree and non-Oaktree funds (b) non-investment grade debt securities, and (c) derivatives utilized to economically hedge the Company's exposure to investment income earned from its funds.

The following table summarizes net gains (losses) attributable to the Company's other investments:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Realized gain	\$ 1,680	\$ 304	\$ 2,424	\$ 25,451
Net change in unrealized gain (loss)	(10,929)	(7,978)	(9,032)	(29,544)
Total gain (loss)	<u>\$ (9,249)</u>	<u>\$ (7,674)</u>	<u>\$ (6,608)</u>	<u>\$ (4,093)</u>

**Oaktree Capital Group, LLC**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)**  
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**Investments of Consolidated Funds**

**Investments, at Fair Value**

Investments held and securities sold short by the consolidated funds are summarized below:

<u>Investments</u>	<u>Fair Value as of</u>		<u>Fair Value as a Percentage of Investments of Consolidated Funds as of</u>	
	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
United States:				
Debt securities:				
Communication services	\$ 549,875	\$ 635,930	4.6 %	5.6 %
Consumer discretionary	875,633	665,405	7.3	5.8
Consumer staples	282,982	190,391	2.4	1.7
Energy	294,483	354,585	2.5	3.1
Financials	548,394	463,412	4.6	4.0
Health care	432,287	459,713	3.6	4.0
Industrials	1,044,942	891,850	8.7	7.8
Information technology	796,324	685,959	6.7	6.0
Materials	562,063	436,434	4.7	3.8
Real estate	223,715	202,131	1.9	1.8
Utilities	348,860	305,220	2.9	2.7
Other	3,902	10,683	0.0	0.1
Total debt securities (cost: \$6,367,766 and \$5,303,858 as of September 30, 2022 and December 31, 2021, respectively)	<u>5,963,460</u>	<u>5,301,713</u>	<u>49.9</u>	<u>46.3</u>
Equity securities:				
Communication services	87,049	54,635	0.7	0.5
Consumer discretionary	121,720	126,978	1.0	1.1
Energy	582,138	369,912	4.9	3.2
Financials	177,875	151,501	1.5	1.3
Health care	28,640	33,475	0.2	0.3
Industrials	297,336	246,856	2.5	2.2
Information Technology	13,170	—	0.1	0.0
Materials	899	82,273	0.0	0.7
Utilities	100,763	81,989	0.8	0.7
Total equity securities (cost: \$1,065,873 and \$1,086,667 as of September 30, 2022 and December 31, 2021, respectively)	<u>1,409,590</u>	<u>1,147,619</u>	<u>11.7</u>	<u>10.0</u>
Real estate:				
Real estate	1,567	—	—	—
Total real estate securities (cost: \$1,657 and \$— as of September 30, 2022 and December 31, 2021, respectively)	<u>1,567</u>	<u>—</u>	<u>—</u>	<u>—</u>

**Oaktree Capital Group, LLC**  
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<u>Investments</u>	Fair Value as of		Fair Value as a Percentage of Investments of Consolidated Funds as of	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
<b>Europe:</b>				
Debt securities:				
Communication services	\$ 636,730	\$ 756,728	5.3 %	6.6 %
Consumer discretionary	711,699	915,535	6.0	8.0
Consumer staples	194,161	206,590	1.6	1.8
Energy	996	1,251	0.0	0.0
Financials	79,690	98,126	0.7	0.9
Health care	579,466	751,936	4.9	6.6
Industrials	520,196	656,033	4.4	5.7
Information technology	282,620	383,041	2.4	3.3
Materials	403,492	466,181	3.4	4.1
Real estate	27,899	34,116	0.2	0.3
Utilities	4,311	1,777	0.0	0.0
Other	3,108	15,049	0.0	0.1
Total debt securities (cost: \$3,805,789 and \$4,289,708 as of September 30, 2022 and December 31, 2021, respectively)	<u>3,444,368</u>	<u>4,286,363</u>	<u>28.9</u>	<u>37.4</u>
Equity securities:				
Consumer discretionary	103,305	102,919	0.9	0.9
Consumer staples	30,369	—	0.3	—
Financials	29,099	19,987	0.2	0.2
Health care	13	—	0.0	—
Industrials	47,902	27,475	0.4	0.2
Real estate	20,622	—	0.2	—
Total equity securities (cost: \$225,723 and \$119,114 as of September 30, 2022 and December 31, 2021, respectively)	<u>231,310</u>	<u>150,381</u>	<u>2.0</u>	<u>1.3</u>
Real estate:				
Real estate	59,686	33,834	0.5	0.3
Total real estate securities (cost: \$61,792 and \$34,927 as of September 30, 2022 and December 31, 2021, respectively)	<u>59,686</u>	<u>33,834</u>	<u>0.5</u>	<u>0.3</u>
<b>Asia and other:</b>				
Debt securities:				
Communication services	7,610	6,087	0.1	0.1
Consumer discretionary	71,113	71,082	0.6	0.6
Consumer staples	31,179	13,378	0.3	0.1
Energy	24,254	24,325	0.2	0.2
Financials	6,353	14,739	0.1	0.1
Health care	3,948	4,084	0.0	0.0
Industrials	25,173	7,084	0.2	0.1
Information technology	387	714	0.0	0.0
Materials	114,893	121,151	1.0	1.1
Real estate	331,819	131,155	2.8	1.1
Utilities	3,002	3,743	0.0	0.0
Other	57,830	9,482	0.5	0.1
Total debt securities (cost: \$708,858 and \$417,825 as of September 30, 2022 and December 31, 2021, respectively)	<u>677,561</u>	<u>407,024</u>	<u>5.7</u>	<u>3.6</u>



**Oaktree Capital Group, LLC**  
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<b>Investments</b>	Fair Value as of		Fair Value as a Percentage of Investments of Consolidated Funds as of	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Asia and other:				
Equity securities:				
Consumer discretionary	1,006	1,057	0.0 %	0.0 %
Energy	7,090	8,332	0.1	0.1
Industrials	117,215	81,782	1.0	0.7
Real estate	32,916	38,614	0.3	0.3
Utilities	1	176	0.0	0.0
Total equity securities (cost: \$144,151 and \$120,308 as of September 30, 2022 and December 31, 2021, respectively)	<u>158,228</u>	<u>129,961</u>	<u>1.4</u>	<u>1.1</u>
Total debt securities	\$ 10,085,389	\$ 9,995,100	84.5	87.2
Total equity securities	1,799,128	1,427,961	15.0	12.5
Total real estate	61,253	33,834	0.5	0.3
Total investments, at fair value	<u>\$ 11,945,770</u>	<u>\$ 11,456,895</u>	<u>100.0 %</u>	<u>100.0 %</u>

As of September 30, 2022 and December 31, 2021, no single issuer or investment had a fair value that exceeded 5% of Oaktree's total consolidated net assets.

**Oaktree Capital Group, LLC**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)**  
**September 30, 2022**  
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**Net Gains (Losses) From Investment Activities of Consolidated Funds**

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

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

	Three months ended September 30,			
	2022		2021	
	Net Realized Gain (Loss) on Investments	Net Change in Unrealized Appreciation (Depreciation) on Investments	Net Realized Gain (Loss) on Investments	Net Change in Unrealized Appreciation (Depreciation) on Investments
Investments and other financial instruments	\$ 12,800	\$ 286	\$ 3,424	\$ 61,928
CLO liabilities <sup>(1)</sup>	(9,133)	(5,230)	(13,865)	4,987
Foreign-currency forward contracts <sup>(2)</sup>	12,977	16,823	1,103	2,507
Total-return and interest-rate swaps <sup>(2)</sup>	727	163	(288)	(13,404)
Options and futures <sup>(2)</sup>	416	2,498	(719)	898
Commodity swaps <sup>(2)</sup>	(13,573)	(1,518)	—	3,413
Total	<u>\$ 4,214</u>	<u>\$ 13,022</u>	<u>\$ (10,345)</u>	<u>\$ 60,329</u>

	Nine months ended September 30,			
	2022		2021	
	Net Realized Gain (Loss) on Investments	Net Change in Unrealized Appreciation (Depreciation) on Investments	Net Realized Gain (Loss) on Investments	Net Change in Unrealized Appreciation (Depreciation) on Investments
Investments and other financial instruments	\$ (55,582)	\$ 77,240	\$ 10,659	\$ 169,760
CLO liabilities <sup>(1)</sup>	(23,567)	(92,030)	(9,335)	17,132
Foreign-currency forward contracts <sup>(2)</sup>	28,066	29,245	803	7,329
Total-return and interest-rate swaps <sup>(2)</sup>	1,009	269	(367)	(12,420)
Options and futures <sup>(2)</sup>	10,497	2,393	(912)	1,016
Commodity swaps <sup>(2)</sup>	(29,308)	(31,088)	—	2,601
Total	<u>\$ (68,885)</u>	<u>\$ (13,971)</u>	<u>\$ 848</u>	<u>\$ 185,418</u>

(1) Represents the net change in the fair value of CLO liabilities based on the more observable fair value of CLO assets, as measured under the CLO measurement guidance. Please see note 2 for more information.

(2) Please see note 7 for additional information.

**Oaktree Capital Group, LLC**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)**  
**September 30, 2022**  
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**6. FAIR VALUE**

**Fair Value of Financial Assets and Liabilities**

The short-term nature of cash and cash-equivalents, receivables and accounts payable causes each of their carrying values to approximate fair value. The fair value of short-term investments included in cash and cash-equivalents is a Level I valuation. The Company's other financial assets and financial liabilities by fair-value hierarchy level are set forth below. Please see notes 8 and 16 for the fair value of the Company's outstanding debt obligations and amounts due from/to affiliates, respectively.

	As of September 30, 2022				As of December 31, 2021			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
<b>Assets</b>								
U.S. Treasury and other securities <sup>(1)</sup>	\$ 6,033	\$ —	\$ —	\$ 6,033	\$ 2,086	\$ —	\$ —	\$ 2,086
Corporate investments	78,088	1,171	4,772	84,031	62,124	7,316	1,714	71,154
Foreign-currency forward contracts - included in corporate investments	—	4,229	—	4,229	—	6,414	—	6,414
Foreign-currency forward contracts - included in other assets	—	1,342	—	1,342	—	4,799	—	4,799
<b>Total assets</b>	<b>\$ 84,121</b>	<b>\$ 6,742</b>	<b>\$ 4,772</b>	<b>\$ 95,635</b>	<b>\$ 64,210</b>	<b>\$ 18,529</b>	<b>\$ 1,714</b>	<b>\$ 84,453</b>
<b>Liabilities</b>								
Foreign-currency forward contracts - included in other liabilities	—	—	—	—	—	(536)	—	(536)
Foreign-currency forward contracts - included in debt obligations	—	(4,032)	—	(4,032)	—	—	—	(4,032)

(1) For U.S. Treasury securities the carrying value approximates fair value due to their short-term nature and are classified as Level I investments within the fair value hierarchy detailed above.



**Oaktree Capital Group, LLC**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)**  
**September 30, 2022**  
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**Fair Value of Financial Instruments Held By Consolidated Funds**

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

	As of September 30, 2022				As of December 31, 2021			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
<b>Assets</b>								
Investments:								
Corporate debt – bank debt	\$ —	\$ 7,777,776	\$ 831,543	\$ 8,609,319	\$ —	\$ 7,867,741	\$ 597,188	\$ 8,464,929
Corporate debt – all other	—	1,272,044	204,026	1,476,070	—	1,300,595	229,576	1,530,171
Equities – common stock	286,075	29,968	805,494	1,121,537	206,133	76,751	581,748	864,632
Equities – preferred stock	65,584	—	612,007	677,591	77,299	—	486,030	563,329
Real estate	—	1,567	59,686	61,253	—	—	33,834	33,834
Total investments	351,659	9,081,355	2,512,756	11,945,770	283,432	9,245,087	1,928,376	11,456,895
Derivatives:								
Foreign-currency forward contracts	—	34,329	—	34,329	—	5,062	—	5,062
Swaps	308	574	—	882	—	1,162	—	1,162
Options and futures	2,628	—	—	2,628	509	—	—	509
Total derivatives <sup>(1)</sup>	2,936	34,903	—	37,839	509	6,224	—	6,733
Total assets	\$ 354,595	\$ 9,116,258	\$ 2,512,756	\$ 11,983,609	\$ 283,941	\$ 9,251,311	\$ 1,928,376	\$ 11,463,628
<b>Liabilities</b>								
CLO debt obligations:								
Senior secured notes	\$ —	\$ (7,702,872)	\$ —	\$ (7,702,872)	\$ —	\$ (7,472,521)	\$ —	\$ (7,472,521)
Subordinated notes	—	(284,496)	—	(284,496)	—	(333,742)	—	(333,742)
Total CLO debt obligations <sup>(2)</sup>	—	(7,987,368)	—	(7,987,368)	—	(7,806,263)	—	(7,806,263)
Derivatives:								
Foreign-currency forward contracts	—	(637)	—	(637)	—	(886)	—	(886)
Swaps	(35,147)	(4)	—	(35,151)	(4,100)	(235)	—	(4,335)
Options and futures	(881)	—	—	(881)	—	—	—	—
Warrants	—	—	—	—	—	(6,626)	—	(6,626)
Total derivatives <sup>(3)</sup>	(36,028)	(641)	—	(36,669)	(4,100)	(7,747)	—	(11,847)
Total liabilities	\$ (36,028)	\$ (7,988,009)	\$ —	\$ (8,024,037)	\$ (4,100)	\$ (7,814,010)	\$ —	\$ (7,818,110)

- (1) Amounts are included in other assets under “assets of consolidated funds” in the condensed consolidated statements of financial condition.
- (2) The fair value of CLO liabilities is classified based on the more observable fair value of CLO assets. Please see notes 2 and 8 for more information.
- (3) Amounts are included in accounts payable, accrued expenses and other liabilities under “liabilities of consolidated funds” in the condensed consolidated statements of financial condition

**Oaktree Capital Group, LLC**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)**  
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The following tables set forth a summary of changes in the fair value of Level III investments:

	Corporate Debt – Bank Debt	Corporate Debt – All Other	Equities – Common Stock	Equities – Preferred Stock	Real Estate	Total
<b>Three months ended September 30, 2022</b>						
Beginning balance	\$ 850,679	\$ 201,624	\$ 682,462	\$ 585,430	\$ 59,141	\$ 2,379,336
Deconsolidation of funds	—	—	—	—	—	—
Transfers into Level III	14,057	3,742	—	—	—	17,799
Transfers out of Level III	(9,426)	(3,850)	(116)	—	—	(13,392)
Purchases	62,351	(1,470)	107,266	22,974	3,537	194,658
Sales	(88,332)	(285)	(13,640)	—	—	(102,257)
Realized gain (losses), net	1,235	(943)	8,836	(1,849)	13	7,292
Unrealized appreciation (depreciation), net	979	5,208	20,686	5,452	(3,005)	29,320
Ending balance	<u>\$ 831,543</u>	<u>\$ 204,026</u>	<u>\$ 805,494</u>	<u>\$ 612,007</u>	<u>\$ 59,686</u>	<u>\$ 2,512,756</u>
Net change in unrealized appreciation (depreciation) attributable to assets still held at end of period	<u>\$ (4,237)</u>	<u>\$ (384)</u>	<u>\$ (155)</u>	<u>\$ (314)</u>	<u>\$ —</u>	<u>\$ (5,090)</u>
<b>Three months ended September 30, 2021</b>						
Beginning balance	\$ 421,031	\$ 176,598	\$ 350,194	\$ 192,185	\$ 45,666	\$ 1,185,674
Deconsolidation of funds	—	(12,598)	—	—	—	(12,598)
Transfers into Level III	18,700	—	204	—	—	18,904
Transfers out of Level III	(1,858)	(560)	—	(32,190)	—	(34,608)
Purchases	138,682	42,609	99,446	150,394	6,233	437,364
Sales	(35,919)	(312)	(11,828)	—	(22,233)	(70,292)
Realized losses, net	737	10	(2,714)	5	(583)	(2,545)
Unrealized appreciation (depreciation), net	7,449	5,262	35,135	16,458	(251)	64,053
Ending balance	<u>\$ 548,822</u>	<u>\$ 211,009</u>	<u>\$ 470,437</u>	<u>\$ 326,852</u>	<u>\$ 28,832</u>	<u>\$ 1,585,952</u>
Net change in unrealized appreciation (depreciation) attributable to assets still held at end of period	<u>\$ 7,705</u>	<u>\$ 4,248</u>	<u>\$ 32,002</u>	<u>\$ 16,458</u>	<u>\$ (250)</u>	<u>\$ 60,163</u>

**Oaktree Capital Group, LLC**  
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	Corporate Debt – Bank Debt	Corporate Debt – All Other	Equities – Common Stock	Equities – Preferred Stock	Real Estate	Total
<b>Nine months ended September 30, 2022</b>						
Beginning balance	\$ 597,188	\$ 229,576	\$ 581,748	\$ 486,030	\$ 33,834	\$ 1,928,376
Deconsolidation of funds	(33,428)	—	(456)	—	—	(33,884)
Transfers into Level III	101,309	9,096	—	—	—	110,405
Transfers out of Level III	(50,875)	(7,800)	(122)	—	—	(58,797)
Purchases	475,632	6,699	216,907	194,133	27,678	921,049
Sales	(252,572)	(24,717)	(120,009)	(91,191)	—	(488,489)
Realized gain, net	3,701	(962)	(113,147)	(1,845)	(814)	(113,067)
Unrealized appreciation (depreciation), net	(9,412)	(7,866)	240,573	24,880	(1,012)	247,163
Ending balance	<u>\$ 831,543</u>	<u>\$ 204,026</u>	<u>\$ 805,494</u>	<u>\$ 612,007</u>	<u>\$ 59,686</u>	<u>\$ 2,512,756</u>
Net change in unrealized appreciation attributable to assets still held at end of period	<u>\$ (8,551)</u>	<u>\$ (538)</u>	<u>\$ (437)</u>	<u>\$ (323)</u>	<u>\$ 2</u>	<u>\$ (9,847)</u>
<b>Nine months ended September 30, 2021</b>						
Beginning balance	\$ 255,283	\$ 79,085	\$ 187,370	\$ 23,219	\$ —	\$ 544,957
Deconsolidation of funds	(3,065)	(12,598)	—	—	—	(15,663)
Transfers into Level III	69,983	2,960	209	—	—	73,152
Transfers out of Level III	(68,258)	(15,776)	—	(32,190)	—	(116,224)
Purchases	395,707	151,573	264,946	311,256	52,850	1,176,332
Sales	(115,799)	(4,798)	(16,622)	(1,655)	(22,233)	(161,107)
Realized losses, net	4,158	450	(10,986)	162	(583)	(6,799)
Unrealized depreciation, net	10,813	10,113	45,520	26,060	(1,202)	91,304
Ending balance	<u>\$ 548,822</u>	<u>\$ 211,009</u>	<u>\$ 470,437</u>	<u>\$ 326,852</u>	<u>\$ 28,832</u>	<u>\$ 1,585,952</u>
Net change in unrealized appreciation (depreciation) attributable to assets still held at end of period	<u>\$ 10,670</u>	<u>\$ 9,659</u>	<u>\$ 34,008</u>	<u>\$ 22,845</u>	<u>\$ (1,200)</u>	<u>\$ 75,982</u>

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

Transfers out of Level III are generally attributable to certain investments that experienced a more significant level of market trading activity or completed an initial public offering during the respective period and thus were valued using observable inputs. Transfers into Level III typically reflect either investments that experienced a less significant level of market trading activity during the period or portfolio companies that undertook restructurings or bankruptcy proceedings and thus were valued in the absence of observable inputs.

The following table sets forth a summary of the valuation techniques and quantitative information utilized in determining the fair value of the consolidated funds' Level III investments as of September 30, 2022:

Investment Type	Fair Value	Valuation Technique	Significant Unobservable Inputs <sup>(1)(2)</sup>	Range	Weighted Average <sup>(3)</sup>
Credit-oriented investments:					
Communication services	\$ 60,493	Discounted cash flow <sup>(4)</sup>	Discount rate	12% - 13%	13%
	37,704	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not applicable
Consumer discretionary:	15,883	Discounted cash flow <sup>(4)</sup>	Discount rate	11% - 15%	13%
	19,554	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not applicable
Energy	—	Recent transaction price <sup>(6)</sup>	Quoted prices	Not applicable	Not applicable
	2,661	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not applicable

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	35,138	Discounted cash flow <sup>(4)</sup>	Discount rate	13% - 23%	19%
Financials	—	Market approach (comparable companies) <sup>(7)</sup>	Multiple of underlying assets <sup>(8)</sup>	0.9x - 1.1x	1.1x
	46,497	Discounted cash flow <sup>(4)</sup>	Discount rate	13% - 17%	15%
	23,992	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not appli
	13,503	Recent transaction price <sup>(6)</sup>	Quoted prices	Not applicable	Not appli
Health care	27,240	Discounted cash flow <sup>(4)</sup>	Discount rate	11% - 17%	14%
	44,775	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not appli
	—	Recent transaction price <sup>(6)</sup>	Quoted prices	Not applicable	Not appli
Industrials	4,402	Discounted cash flow <sup>(6)</sup>	Discount rate	15% - 15%	15%
	3,724	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not appli
	4,944	Recent transaction price <sup>(6)</sup>	Quoted prices	Not applicable	Not appli
	34,040	Market approach (value of underlying assets)	Multiple of underlying assets	0.9x - 1.1x	1.0x
Materials	195,782	Discounted cash flow <sup>(4)</sup>	Discount rate	10% - 14%	12%
	31,786	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not appli
	—	Recent transaction price <sup>(6)</sup>	Quoted prices	Not applicable	Not appli
Real estate	36,960	Recent market information <sup>(7)</sup>	Quoted prices	Not applicable	Not appli
	77,811	Recent transaction price <sup>(6)</sup>	Quoted prices	Not applicable	Not appli
	259,034	Market approach (value of underlying assets)	Multiple of underlying assets	0.8x - 1x	0.95x
	7,907	Discounted cash flow <sup>(4)</sup>	Discount rate	11% - 85%	42%
Utilities	—	Recent market information <sup>(7)</sup>	Quoted prices	Not applicable	Not appli
Other	30,879	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not appli
	1,680	Discounted cash flow <sup>(4)</sup>	Discount rate	11% - 11%	11%
	19,180	Recent transaction price <sup>(6)</sup>	Quoted prices	Not applicable	Not appli
Equity investments:					
	199,321	Recent transaction price <sup>(6)</sup>	Quoted prices	Not applicable	Not appli
	102,559	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not appli
	183,088	Discounted cash flow <sup>(4)</sup>	Discount rate	12% - 20%	19%
	107,772	Market approach (comparable companies) <sup>(7)</sup>	Revenue multiple <sup>(9)</sup>	0.3x - 8.0x	3.6x
	322,880	Market approach (comparable companies) <sup>(7)</sup>	Earnings multiple <sup>(10)</sup>	5.0x - 10.0x	7.6x
	501,881	Market approach (comparable companies) <sup>(7)</sup>	Multiple of underlying assets <sup>(8)</sup>	0.9x - 1.1x	1.0x
Real estate-oriented investments:					
	57,409	Discounted cash flow <sup>(4)</sup>	Discount rate	14% - 30%	18%
	2,277	Recent transaction price <sup>(6)</sup>	Quoted prices	Not applicable	Not appli
Total Level III investments	<u>\$ 2,512,756</u>				



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The following table sets forth a summary of the valuation techniques and quantitative information utilized in determining the fair value of the consolidated funds' Level III investments as of December 31, 2021:

Investment Type	Fair Value	Valuation Technique	Significant Unobservable Inputs <sup>(1)(2)</sup>	Range	Weighted Average <sup>(3)</sup>	
Credit-oriented investments:						
Consumer discretionary	\$ 20,954	Recent transaction price <sup>(4)</sup>	Quoted prices	Not applicable	Not applicable	
		12,677	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not applicable
		6,864	Discounted cash flow <sup>(6)</sup>	Discount rate	9% – 11%	10%
Communication services	60,384	Market approach (comparable companies) <sup>(7)</sup>	Revenue multiple <sup>(8)</sup>	2.0x - 4.0x	3.0x	
		38,352	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not applicable
Energy	3,402	Recent transaction price <sup>(4)</sup>	Quoted prices	Not applicable	Not applicable	
		51,012	Discounted cash flow <sup>(6)</sup>	Discount rate	12% – 13%	12%
		33,987	Recent transaction price <sup>(4)</sup>	Quoted prices	Not applicable	Not applicable
Financials	13,640	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not applicable	
		29,519	Discounted cash flow <sup>(6)</sup>	Discount rate	10% – 12%	11%
		23,129	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not applicable
Industrials	13,187	Recent transaction price <sup>(4)</sup>	Quoted prices	Not applicable	Not applicable	
		87,727	Discounted cash flow <sup>(6)</sup>	Discount rate	8% – 13%	10%
Materials	1,852	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not applicable	
		136,117	Discounted cash flow <sup>(6)</sup>	Discount rate	8% – 14%	9%
		24,420	Recent transaction price <sup>(4)</sup>	Quoted prices	Not applicable	Not applicable
Real estate	6,674	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not applicable	
		76,503	Recent transaction price <sup>(4)</sup>	Quoted prices	Not applicable	Not applicable
		60,643	Market approach (comparable companies) <sup>(7)</sup>	Multiple of underlying assets <sup>(9)</sup>	0.7x - 0.9x	0.8x
Other	27,235	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not applicable	
		78,631	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not applicable
		11,425	Recent transaction price <sup>(4)</sup>	Quoted prices	Not applicable	Not applicable
Equity investments:	8,430	Market approach (comparable companies) <sup>(7)</sup>	Multiple of underlying assets <sup>(9)</sup>	0.9x - 1.1x	1.0x	
		411,574	Recent transaction price <sup>(4)</sup>	Quoted prices	Not applicable	Not applicable
		364,851	Market approach (comparable companies) <sup>(7)</sup>	Multiple of underlying assets <sup>(9)</sup>	0.9x - 1.0x	1.0x
		110,973	Market approach (comparable companies) <sup>(7)</sup>	Earnings multiple <sup>(10)</sup>	6.0x - 16.0x	11.3x
		83,999	Discounted cash flow <sup>(6)</sup>	Discount rate	7% – 16%	16%
		59,805	Market approach (comparable companies) <sup>(7)</sup>	Revenue multiple <sup>(8)</sup>	3.0x - 11.0x	8.7x
Real estate-oriented:	36,576	Recent market information <sup>(5)</sup>	Quoted prices	Not applicable	Not applicable	
		18,526	Recent transaction price <sup>(4)</sup>	Quoted prices	Not applicable	Not applicable
	15,308	Discounted cash flow <sup>(6)</sup>	Discount rate	24% – 26%	25%	
Total Level III investments	<u>\$ 1,928,376</u>					

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

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- (2) Multiple of either earnings or underlying assets is the significant unobservable input used in the market approach for the fair-value measurement of distressed credit-oriented investments, credit-oriented investments in which the consolidated funds have a controlling interest in the underlying issuer, equity investments and certain real estate-oriented investments. An increase (decrease) in the multiple would result in a higher (lower) fair-value measurement.
- (3) The weighted average is based on the fair value of the investments included in the range.
- (4) Certain investments are valued based on recent transactions, generally defined as investments purchased or sold within six months of the valuation date. The fair value may also be based on a pending transaction expected to close after the valuation date.
- (5) Certain investments are valued using vendor prices or broker quotes for the subject or similar securities. Generally, investments valued in this manner are classified as Level III because the quoted prices may be indicative in nature for securities that are in an inactive market, may be for similar securities, or may require adjustment for investment-specific factors or restrictions.
- (6) A discounted cash-flow method is generally used to value performing credit-oriented investments in which the consolidated funds do not have a controlling interest in the underlying issuer, as well as certain equity investments, real estate-oriented investments and real estate loan portfolios.
- (7) A market approach is generally used to value distressed investments and investments in which the consolidated funds have a controlling interest in the underlying issuer
- (8) Revenue multiples are based on comparable public companies and transactions with comparable companies. The Company typically applies the multiple to trailing twelve-months' revenue. However, in certain cases other revenue measures, such as pro forma revenue, may be utilized if deemed to be more relevant.
- (9) A market approach using the value of underlying assets utilizes a multiple, based on comparable companies, of underlying assets or the net book value of the portfolio company. The Company typically obtains the value of underlying assets from the underlying portfolio company's financial statements or from pricing vendors. The Company may value the underlying assets by using prices and other relevant information from market transactions involving comparable assets.
- (10) Earnings multiples are based on comparable public companies and transactions with comparable companies. The Company typically utilizes multiples of EBITDA; however, in certain cases the Company may use other earnings multiples believed to be most relevant to the investment. The Company typically applies the multiple to trailing twelve-months' EBITDA. However, in certain cases other earnings measures, such as pro forma EBITDA, may be utilized if deemed to be more relevant.

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

There were no changes in the valuation techniques for Level III securities for the three and nine months ended September 30, 2022. During the three and nine months ended September 30, 2021, the valuation technique for one Level III credit-oriented investment changed from recent transaction price to discounted cash flow and another from discounted cash flow to recent market information.

## 7. DERIVATIVES AND HEDGING

The fair value of freestanding derivatives consisted of the following:

	Assets		Liabilities	
	Notional	Fair Value	Notional	Fair Value
<b>As of September 30, 2022</b>				
Foreign-currency forward contracts	\$ 267,010	\$ 5,571	\$ (202,973)	\$ (4,032)
<b>As of December 31, 2021</b>				
Foreign-currency forward contracts	\$ 324,322	\$ 11,213	\$ (24,735)	\$ (536)

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Investment income	\$ (3,185)	\$ 4,617	\$ (1,737)	\$ 12,555
General and administrative expense <sup>(1)</sup>	4,839	2,697	6,129	6,315
Total	<u>\$ 1,654</u>	<u>\$ 7,314</u>	<u>\$ 4,392</u>	<u>\$ 18,870</u>

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

There were no derivatives outstanding that were designated as hedging instruments for accounting purposes as of September 30, 2022 and December 31, 2021.

**Derivatives Held By Consolidated Funds**

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

The fair value of derivatives held by the consolidated funds consisted of the following:

	Assets		Liabilities	
	Notional	Fair Value	Notional	Fair Value
<b>As of September 30, 2022</b>				
Foreign-currency forward contracts	\$ 498,239	\$ 34,329	\$ 23,781	\$ (637)
Total-return and interest-rate and credit default swaps	13,620	354	(141,605)	(35,151)
Options and futures	220,760	3,156	(2,828)	(881)
Total	<u>\$ 732,619</u>	<u>\$ 37,839</u>	<u>\$ (120,652)</u>	<u>\$ (36,669)</u>
<b>As of December 31, 2021</b>				
Foreign-currency forward contracts	\$ 210,868	\$ 5,062	\$ (24,845)	\$ (886)
Total-return and interest-rate and credit default swaps	13,727	1,162	(27,254)	(4,335)
Options and futures	213,575	509	—	—
Warrants	—	—	—	(6,626)
Total	<u>\$ 438,170</u>	<u>\$ 6,733</u>	<u>\$ (52,099)</u>	<u>\$ (11,847)</u>

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The impact of derivatives held by the consolidated funds in the consolidated statements of operations was as follows:

	Three months ended September 30,			
	2022		2021	
	Net Realized Gain (Loss) on Investments	Net Change in Unrealized Appreciation (Depreciation) on Investments	Net Realized Gain (Loss) on Investments	Net Change in Unrealized Appreciation (Depreciation) on Investments
Foreign-currency forward contracts	\$ 12,977	\$ 16,823	\$ 1,103	\$ 2,507
Total-return and interest-rate and credit default swaps	727	163	(288)	(13,404)
Options and futures	416	2,498	(719)	898
Commodity swaps	(13,573)	(1,518)	—	3,413
Total	<u>\$ 547</u>	<u>\$ 17,966</u>	<u>\$ 96</u>	<u>\$ (6,586)</u>

	Nine months ended September 30,			
	2022		2021	
	Net Realized Gain (Loss) on Investments	Net Change in Unrealized Appreciation (Depreciation) on Investments	Net Realized Gain (Loss) on Investments	Net Change in Unrealized Appreciation (Depreciation) on Investments
Foreign-currency forward contracts	\$ 28,066	\$ 29,245	\$ 803	\$ 7,329
Total-return and interest-rate and credit default swaps	1,009	269	(367)	(12,420)
Options and futures	10,497	2,393	(912)	1,016
Commodity swaps	(29,308)	(31,088)	—	2,601
Total	<u>\$ 10,264</u>	<u>\$ 819</u>	<u>\$ (476)</u>	<u>\$ (1,474)</u>

**Balance Sheet Offsetting**

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

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	Gross Amounts Not Offset in Statements of Financial Condition			Net Amount
	Gross Amounts of Assets (Liabilities) Presented	Derivative Assets (Liabilities)	Cash Collateral Received (Pledged)	
<b>As of September 30, 2022</b>				
<b>Derivative Assets:</b>				
Foreign-currency forward contracts	\$ 5,636	\$ 65	\$ —	\$ 5,571
<i>Derivative assets of consolidated funds:</i>				
Cross-currency swap	—	—	—	—
Foreign-currency forward contracts	34,329	—	—	34,329
Total-return and interest-rate and credit default swaps	882	—	—	882
Options and futures	2,628	—	—	2,628
Subtotal	37,839	—	—	37,839
Total	\$ 43,475	\$ 65	\$ —	\$ 43,410
<b>Derivative Liabilities:</b>				
Foreign-currency forward contracts	\$ (4,097)	\$ (65)	\$ —	\$ (4,032)
<i>Derivative liabilities of consolidated funds:</i>				
Foreign-currency forward contracts	(637)	—	—	(637)
Total-return and interest-rate and credit default swaps	(35,151)	—	—	(35,151)
Options and futures	(881)	—	—	(881)
Subtotal	(36,669)	—	—	(36,669)
Total	\$ (40,766)	\$ (65)	\$ —	\$ (40,701)
	Gross Amounts Not Offset in Statements of Financial Condition			Net Amount
	Gross Amounts of Assets (Liabilities) Presented	Derivative Assets (Liabilities)	Cash Collateral Received (Pledged)	
<b>As of December 31, 2021</b>				
<b>Derivative Assets:</b>				
Foreign-currency forward contracts	\$ 11,213	\$ 404	\$ —	\$ 10,809
<i>Derivative assets of consolidated funds:</i>				
Foreign-currency forward contracts	5,062	—	—	5,062
Total-return and interest-rate and credit default swaps	1,162	—	—	1,162
Options and futures	509	—	—	509
Subtotal	6,733	—	—	6,733
Total	\$ 17,946	\$ 404	\$ —	\$ 17,542
<b>Derivative Liabilities:</b>				
Foreign-currency forward contracts	\$ (536)	\$ (404)	\$ —	\$ (132)
<i>Derivative liabilities of consolidated funds:</i>				
Foreign-currency forward contracts	(886)	—	—	(886)
Total-return and interest-rate and credit default swaps	(4,335)	—	—	(4,335)
Warrants	(6,626)	—	—	(6,626)
Subtotal	(11,847)	—	—	(11,847)
Total	\$ (12,383)	\$ (404)	\$ —	\$ (11,979)

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**8. DEBT OBLIGATIONS AND CREDIT FACILITIES**

*Oaktree Capital I Debt Obligations*

On March 30, 2022, Oaktree Capital I entered into a note and guaranty agreement with certain accredited investors pursuant to which Oaktree Capital I agreed to issue and sell to such investors €50 million of its 2.20% Senior Notes, Series A, due 2032, €75 million of its 2.40% Senior Notes, Series B, due 2034, and €75 million of its 2.58% Senior Notes, Series C, due 2037. These notes are senior unsecured obligations of Oaktree Capital I, a consolidated subsidiary of the Company, and jointly and severally guaranteed by OCM, Oaktree Capital II, L.P. ("Oaktree Capital II") and Oaktree AIF Investments, L.P. ("Oaktree AIF"). The offering closed on June 8, 2022 and Oaktree Capital I received proceeds of €200 million on the closing date.

	As of	
	September 30, 2022	December 31, 2021
Senior unsecured notes		
€50,000, 2.20%, issued in June 2022, payable on June 8, 2032	\$ 48,832	\$
€75,000, 2.40%, issued in June 2022, payable on June 8, 2034	73,249	
€75,000, 2.58%, issued in June 2022, payable on June 8, 2037	73,249	
Total remaining principal	\$ 195,330	\$
Less: Debt issuance costs	(1,117)	
Foreign-currency forward contracts	4,032	
Total debt obligations, net	\$ 198,245	\$

*Oaktree Capital I Guaranty Agreements*

OCM, Oaktree Capital I, Oaktree Capital II and Oaktree AIF are co-obligors and jointly and severally liable for all debt obligations listed below, however, debt obligations are reflected in the condensed consolidated financial statements based upon the entity that actually made the borrowing and received the related proceeds. Prior to 2022, OCM had historically been the only direct borrower or issuer under credit agreements and private placement notes with third parties and made all payments of principal and interest. The Company's financial statements after the Restructuring generally will not reflect debt obligations, interest expense or related liabilities associated with OCM, Oaktree Capital II and Oaktree AIF.

On May 20, 2020, OCM entered into a note and guaranty agreement with certain accredited investors pursuant to which OCM agreed to issue and sell to such investors \$250 million of senior unsecured notes that bear a blended 3.68% fixed rate of interest and a weighted average maturity of 2031. These notes are guaranteed by Oaktree Capital I, a consolidated subsidiary of the Company, along with Oaktree Capital II and Oaktree AIF, as co-obligors. The offering closed on July 22, 2020 and OCM received proceeds of \$250 million on the closing date. As OCM is the issuer of such senior notes, the outstanding principal and interest payments guaranteed by Oaktree Capital I will not be included in the Company's financial statements unless an event of default occurs.

Oaktree Capital I, along with certain other Oaktree Operating Group members as co-borrowers, are parties to a credit agreement with a subsidiary of Brookfield that provides for a subordinated credit facility maturing on May 19, 2023. The subordinated credit facility has a revolving loan commitment of \$250 million and borrowings generally bear interest at a spread to either LIBOR or an alternative base rate. Borrowings on the subordinated credit facility are subordinate to the outstanding debt obligations and borrowings on the primary credit facility of Oaktree Capital I and its co-borrowers. Oaktree Capital I is jointly and severally liable, along with its co-obligors for outstanding borrowings on the subordinated credit facility. The Company's financial statements generally will not reflect debt obligations, interest expense or related liabilities associated with the subordinated credit facility until such time as Oaktree Capital I directly borrows from it. In March 2022, this credit facility was amended to extend the revolving credit maturity date from May 19, 2023 to September 14, 2026. No amounts were outstanding on the subordinated credit facility as of September 30, 2022.

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On November 4, 2021, OCM entered into a note and guaranty agreement with certain accredited investors pursuant to which OCM agreed to issue and sell to such investors \$200 million aggregate principal amount of its 3.06% Senior Notes due January 12, 2037. These notes are guaranteed by Oaktree Capital I, a consolidated subsidiary of the Company, along with Oaktree Capital II and Oaktree AIF, as co-obligors. The offering closed on January 12, 2022 and OCM received proceeds of \$200 million on the closing date. As OCM is the issuer of such notes, the outstanding principal and interest payments guaranteed by Oaktree Capital I will not be included in the Company's financial statements unless an event of default occurs.

Oaktree has a credit facility with a credit limit of \$650 million. Based on the current credit ratings of OCM, the interest rate on borrowings is LIBOR plus 1.00% per annum and the commitment fee on the unused portions of the revolving credit facility is 0.10% per annum. The credit facility was amended on September 14, 2021 to among other things, (i) extend the maturity date from December 13, 2024 to September 14, 2026, (ii) modify the assets under management covenant threshold from \$65 billion of assets under management to \$57.5 billion of management-fee generating assets under management and (iii) increase the maximum leverage ratio to 4.00 to 1.00.

As of September 30, 2022, OCM had no outstanding borrowings under the revolving credit facility. OCM and the Company were in compliance with all financial maintenance covenants associated with its senior notes and bank credit facility as of September 30, 2022 and December 31, 2021, respectively. As of September 30, 2022, Oaktree Capital I is jointly and severally liable, along with its co-obligors, for the debt obligations listed below with an aggregate outstanding principal balance of \$1.1 billion. The Company's maximum exposure to these debt obligations is set forth below:

	As of	
	September 30, 2022	December 31, 2021
Senior unsecured notes		
\$50,000, 3.91%, issued in September 2014, payable on September 3, 2024	\$ 50,000	\$ 50,000
\$100,000, 4.01%, issued in September 2014, payable on September 3, 2026	100,000	100,000
\$100,000, 4.21%, issued in September 2014, payable on September 3, 2029	100,000	100,000
\$100,000, 3.69%, issued in July 2016, payable on July 12, 2031	100,000	100,000
\$250,000, 3.78%, issued in December 2017, payable on December 18, 2032	250,000	250,000
\$200,000, 3.64%, issued in July 2020, payable on July 22, 2030	200,000	200,000
\$50,000, 3.84%, issued in July 2020, payable on July 22, 2035	50,000	50,000
\$200,000, 3.06%, issued in January 2022, payable on January 12, 2037	200,000	—
Credit facility, issued in March 2014, variable rate obligations payable on September 14, 2026	—	55,000
Total remaining principal	<u>\$ 1,050,000</u>	<u>\$ 905,000</u>

**Oaktree Capital Group, LLC**  
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**Debt Obligations of the Consolidated Funds**

Certain consolidated funds may maintain revolving credit facilities that are secured by the assets of the fund or may issue senior variable rate notes to fund investments on a longer term basis, generally up to ten years. The obligations of the consolidated funds are nonrecourse to the Company.

The consolidated funds had the following debt obligations outstanding:

Credit Agreement	Outstanding Amount as of		Key terms as of September 30, 2022				
	September 30, 2022	December 31, 2021	Facility Capacity	Effective Interest Rate	Weighted Average Remaining Maturity (years)	Commitment Fee Rate	L/C Fee
Revolving credit facility <sup>(1)</sup>	\$ 975,705	\$ 1,119,178	\$ 1,243,342	4.76%	0.85	0.20%	1.62%
Secured borrowings	—	12,740					
Total debt obligations	\$ 975,705	\$ 1,131,918					
Less: Debt issuance costs	(2,730)	(2,552)					
Total debt obligations, net <sup>(2)</sup>	\$ 972,975	\$ 1,129,366					

(1) The credit facility capacity is calculated on a pro rata basis using fund commitments as of September 30, 2022.

(2) For the revolving credit facilities, amount is shown net of debt issuance costs of \$2,730 and \$2,552 that are included in other assets, net at September 30, 2022 and December 31, 2021, respectively.

As of September 30, 2022 and December 31, 2021, the consolidated funds had debt obligations with an aggregate outstanding principal balance of \$975.7 million and \$1.1 billion, respectively. The carrying value of the revolving credit facilities approximated fair value due to recent issuance. Secured borrowing outstanding were recorded as a result of certain securities that were sold and simultaneously repurchased at a premium, with amounts payable to the counterparty due on the repurchase settlement date. Financial instruments that are valued using quoted prices for the security or similar securities are generally classified as Level III because the quoted prices may be indicative in nature for securities that are in an inactive market, may be for similar securities, or may require adjustment for investment-specific factors or restrictions.

**Debt Obligations of CLOs**

Debt obligations of CLOs represent amounts due to holders of debt securities issued by the CLOs, as well as term loans of CLOs that had not priced as of period end. Outstanding debt obligations of CLOs were as follows:

	As of September 30, 2022			As of December 31, 2021		
	Fair Value <sup>(1)</sup>	Weighted Average Interest Rate	Weighted Average Remaining Maturity (years)	Fair Value <sup>(1)</sup>	Weighted Average Interest Rate	Weighted Average Remaining Maturity (years)
Senior secured notes	\$ 7,702,872	3.38%	10.8	\$ 7,472,521	1.75%	11.0
Subordinated notes <sup>(2)</sup>	284,496	N/A	9.8	333,742	N/A	11.2
Total CLO debt obligations	\$ 7,987,368			\$ 7,806,263		

(1) The fair value of CLO liabilities was measured as the fair value of CLO assets less the sum of (a) the fair value of any beneficial interests held by the Company and (b) the carrying value of any beneficial interests that represent compensation for services. The fair value of the beneficial interests was calculated using a discounted cash flow model specific to each investment structure. Please see notes 2 and 6 for more information, including the significant valuation inputs such as input range and weighted average rate.

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

The debt obligations of CLOs are nonrecourse to the Company and are backed by the investments held by the respective CLO. Assets of one CLO may not be used to satisfy the liabilities of another. As of September 30,



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2022 and December 31, 2021, the fair value of CLO assets was \$8.8 billion and \$9.1 billion, respectively, and consisted of cash, corporate loans, corporate bonds and other securities.

As of September 30, 2022, future scheduled principal or par value payments with respect to the debt obligations of CLOs were as follows:

Remainder of 2022	\$	40,894
2023		—
2024		—
2025		—
2026		—
Thereafter		<u>8,744,482</u>
Total	\$	<u><u>8,785,376</u></u>

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**9. LEASES**

The Company has operating leases related to office space and certain equipment with remaining lease terms expiring within one year through 2031, some of which include options to extend the leases for up to five years and some of which include options to terminate the leases within one year. As of September 30, 2022, there were no finance leases outstanding and no additional operating leases that have not yet commenced.

The components of lease expense included in general and administrative expense were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Operating lease cost	\$ 1,673	\$ 1,960	\$ 5,212	\$ 5,994
Sublease income	(95)	(103)	(301)	(308)
Total lease cost	<u>\$ 1,578</u>	<u>\$ 1,857</u>	<u>\$ 4,911</u>	<u>\$ 5,686</u>

Supplemental cash flow information related to leases was as follows:

	Nine months ended September 30, 2022
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows used for operating leases	\$ 4,487
Weighted average remaining lease term for operating leases (in years)	8.24
Weighted average discount rate for operating leases	4.2 %

As of September 30, 2022, maturities of operating lease liabilities were as follows:

Remainder of 2022	\$ 1,618
2023	5,682
2024	4,649
2025	4,214
2026	4,083
Thereafter	17,639
Total lease payments	<u>37,885</u>
Less: imputed interest	(5,977)
Total operating lease liabilities	<u>\$ 31,908</u>

**Oaktree Capital Group, LLC**  
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**10. NON-CONTROLLING REDEEMABLE INTERESTS IN CONSOLIDATED FUNDS**

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

	Nine months ended September 30,	
	2022	2021
Beginning balance	\$ 1,723,294	\$ 715,347
Fund consolidation and deconsolidation, net	(247,270)	(192,984)
Contributions	702,888	766,103
Distributions	(164,488)	(126,832)
Net income	123,124	163,105
Change in distributions payable	(1,078)	10,003
Foreign currency translation and other, net	(4,872)	(12,725)
Ending balance	<u>\$ 2,131,598</u>	<u>\$ 1,322,017</u>

**11. UNITHOLDERS' CAPITAL**

Unitholders' capital reflects the economic interests attributable to Class A unitholders, preferred unitholders, non-controlling interests in consolidated subsidiaries and non-controlling interests in consolidated funds. Non-controlling interests in consolidated subsidiaries represent the portion of unitholders' capital attributable to the OCGH non-controlling interest and third parties. The OCGH non-controlling interest is determined at the Oaktree Operating Group level, after giving effect to distributions, if any, attributable to the preferred unitholders, based on the proportionate share of Oaktree Operating Group units held by the OCGH unitholders. Certain expenses, such as income taxes and related administrative expenses of Oaktree Capital Group, LLC and its Intermediate Holding Companies, are solely attributable to the Class A unitholders.

As of September 30, 2022 and December 31, 2021, OCGH units represented 56,822,301 of the total 159,902,461 Oaktree Operating Group units and 60,783,255 of the total 159,919,875 Oaktree Operating Group units, respectively. Based on total allocable capital of \$1,310,258 and \$1,565,119 as of September 30, 2022 and December 31, 2021, respectively, the OCGH non-controlling interest was \$465,414 and \$612,228. As of September 30, 2022 and December 31, 2021, there were no non-controlling interests attributable to third parties.

**Preferred Unit Issuances**

On May 17, 2018, the Company issued 7,200,000 of its 6.625% Series A preferred units representing limited liability company interests with a liquidation preference of \$25.00 per unit. The issuance resulted in \$173.7 million in net proceeds to the Company. Distributions on the Series A preferred units, when and if declared by the board of directors of Oaktree, will be paid quarterly on March 15, June 15, September 15 and December 15 of each year. The first distribution was paid on September 17, 2018. Distributions on the Series A preferred units are non-cumulative.

On August 9, 2018, the Company issued 9,400,000 of its 6.550% Series B preferred units representing limited liability company interests with a liquidation preference of \$25.00 per unit. The issuance resulted in \$226.9 million in net proceeds to the Company. Distributions on the Series B preferred units, when and if declared by the board of directors of Oaktree, will be paid quarterly on March 15, June 15, September 15 and December 15 of each year. The first distribution was paid on December 17, 2018. Distributions on the Series B preferred units are non-cumulative.

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Unless distributions have been declared and paid or declared and set apart for payment on the preferred units for a quarterly distribution period, during the remainder of that distribution period the Company may not repurchase any common units or any other units that are junior in rank, as to the payment of distributions, to the preferred units and the Company may not declare or pay or set apart payment for distributions on any common units or junior units for the remainder of that distribution period, other than certain Permitted Distributions (as defined in the unit designation related to the applicable preferred units (each, the "Preferred Unit Designation")).

The Company may redeem, at its option, out of funds legally available, the preferred units, in whole or in part, at any time on or after June 15, 2023 in respect of the Series A preferred units or September 15, 2023 in respect of the Series B preferred units, at a price of \$25.00 per preferred unit plus declared and unpaid distributions to, but excluding, the redemption date, without payment of any undeclared distributions. Holders of the preferred units have no right to require the redemption of the preferred units.

If a Change of Control Event (as defined in the applicable Preferred Unit Designation) occurs prior to June 15, 2023 in respect of the Series A preferred units or September 15, 2023 in respect of the Series B preferred units, the Company may, at its option, out of funds legally available, redeem the applicable preferred units, in whole but not in part, upon at least 30 days' notice, within 60 days of the occurrence of such Change of Control Event, at a price of \$25.25 per preferred unit, plus declared and unpaid distributions to, but excluding, the redemption date, without payment of any undeclared distributions.

If a Tax Redemption Event or Rating Agency Event (each, as defined in the applicable Preferred Unit Designation) occurs prior to June 15, 2023 in respect of the Series A preferred units or September 15, 2023 in respect of the Series B preferred units, the Company may, at its option, out of funds legally available, redeem the applicable preferred units, in whole but not in part, upon at least 30 days' notice, within 60 days of the occurrence of such Tax Redemption Event or Rating Agency Event, at a price of \$25.50 per preferred unit, plus declared and unpaid distributions to, but excluding, the redemption date, without payment of any undeclared distributions.

The preferred units are not convertible into Class A units or any other class or series of the Company's interests or any other security. Holders of the preferred units do not have any of the voting rights given to holders of our Class A units, except that holders of the preferred units are entitled to certain voting rights under certain conditions.

**Oaktree Capital Group, LLC**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)**  
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The following table sets forth a summary of net income attributable to the preferred unitholders, the OCGH non-controlling interest and the Class A common unitholders:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Weighted average Oaktree Operating Group units outstanding (in thousands):				
Non-controlling interest	\$ 60,664	\$ 60,834	\$ 60,706	\$ 61,013
Class A unitholders	99,238	99,137	99,202	98,995
Total weighted average units outstanding	<u>\$ 159,902</u>	<u>\$ 159,971</u>	<u>\$ 159,908</u>	<u>\$ 160,008</u>
Oaktree Operating Group net income (loss):				
Net income attributable to preferred unitholders <sup>(1)</sup>	\$ 6,829	\$ 6,829	\$ 20,487	\$ 20,487
Net income (loss) attributable to non-controlling interest	4,747	46,680	(11,406)	263,863
Net income (loss) attributable to OCG Class A unitholders	6,512	76,070	(19,149)	426,575
Oaktree Operating Group net income (loss)	<u>\$ 18,088</u>	<u>\$ 129,579</u>	<u>\$ (10,068)</u>	<u>\$ 710,925</u>
Net income (loss) attributable to OCG Class A unitholders:				
Oaktree Operating Group net income (loss) attributable to OCG Class A unitholders	\$ 6,512	\$ 76,070	\$ (19,149)	\$ 426,575
Non-Operating Group income and expense	12,201	14,138	27,359	44,435
Net income (loss) attributable to OCG Class A unitholders	<u>\$ 18,713</u>	<u>\$ 90,208</u>	<u>\$ 8,210</u>	<u>\$ 471,010</u>

(1) Represents distributions declared, if any, on the preferred units.

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net income (loss) attributable to OCG Class A unitholders	\$ 18,713	\$ 90,208	\$ 8,210	\$ 471,010
Equity reallocation between controlling and non-controlling interests	(1,111)	2,205	46,473	3,667
Change from net income (loss) attributable to OCG Class A unitholders and transfers from non-controlling interests	<u>\$ 17,602</u>	<u>\$ 92,413</u>	<u>\$ 54,683</u>	<u>\$ 474,677</u>

Please see notes 11, 12 and 13 for additional information regarding transactions that impacted unitholders' capital.

**Oaktree Capital Group, LLC**  
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**12. EARNINGS PER UNIT**

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(in thousands, except per unit amounts)			
Net income (loss) per Class A unit (basic and diluted):				
Net income (loss) attributable to OCG Class A unitholders	\$ 18,713	\$ 90,208	\$ 8,210	\$ 471,010
Weighted average number of Class A units outstanding (basic and diluted)	103,080	99,137	101,693	98,995
Basic and diluted net income (loss) per Class A unit	\$ 0.18	\$ 0.91	\$ 0.08	\$ 4.76

OCGH units are not exchangeable into Class A units. As the restrictions set forth in the then-current exchange agreement were in place for each applicable reporting period, OCGH units were not included in the computation of diluted earnings per unit for the three and nine months ended September 30, 2022 and 2021.

**13. EQUITY-BASED AND OTHER DEFERRED COMPENSATION**

**Long-Term Incentive Plan Awards**

In March 2020 the Company adopted the Oaktree Capital Group, LLC Long-Term Incentive Plan (the "LTIP"). The LTIP provides for the granting of cash-based incentive awards to senior executives, directors, officers, partners, employees, consultants and advisors of the Company and its affiliates. Awards may be denominated in U.S. dollars or other currencies determined by the LTIP's plan administrator. The unvested value of each LTIP award adjusts over its vesting period to track the performance of a fund designated by the plan administrator or by the award recipient from investment options selected by the plan administrator. Investment options may include funds managed by Company affiliates or by third parties. Awards do not represent an actual interest in the funds whose performance they track. Such fund investments are purely nominal and solely for the purpose of calculating the value of an award on each vesting or payment date. Awards under the LTIP represent only a contractual right to receive a cash payment upon vesting from the Company or the affiliate that issued the award. Awards tracking the performance of funds that make periodic distributions to their investors may provide for award recipients to receive corresponding payments from the Company or the affiliate issuing the award, with the remaining unvested value of the award reduced to reflect the amount of each such payment. Each payment under an award is fully vested upon receipt. Awards denominated in currencies other than U.S. dollars which track the performance of U.S. dollar-denominated funds are nominally converted into U.S. dollars for performance tracking purposes, with amounts payable under the awards converted back into the original currency at a market rate at the time of each vesting payment. Certain recipients of awards denominated in currencies other than U.S. dollars which track the performance of U.S. dollar-denominated funds receive the option to hedge the value of their awards to a currency other than U.S. dollars. All such currency hedges are calculated on a purely hypothetical basis and do not represent a right to participate in actual currency hedging contracts.

During the nine months ended September 30, 2022, the Company granted LTIP awards valued at \$18.5 million to employees, partners and directors of the Company and its subsidiaries, subject to annual vesting over a weighted average period of approximately 4.6 years. No awards were granted during the three months ended September 30, 2022. As of September 30, 2022, the Company expected to recognize compensation expense on its unvested LTIP awards of \$41.0 million, subject to adjustment based on future performance, over a weighted average period of 2.9 years. During the three and nine months ended September 30, 2022, the Company recognized \$3.9 million and \$13.5 million, respectively, of compensation expense related to the LTIP, which was included in compensation and benefits expense in the condensed consolidated statement of operations.

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### **Equity-Based Compensation**

In December 2011, the Company adopted the 2011 Oaktree Capital Group, LLC Equity Incentive Plan (the “2011 Plan”). The 2011 Plan provides for the granting of options, unit appreciation rights, restricted unit awards, unit bonus awards, phantom equity awards or other unit-based awards to senior executives, directors, officers, certain employees, consultants, and advisors of the Company and its affiliates. As of September 30, 2022, a maximum of 23,988,048 units have been authorized to be awarded pursuant to the 2011 Plan, and 19,526,195 units (including 2,000,000 EVUs) have been awarded under the 2011 Plan. Each Class A and OCGH unit, when issued, represents an indirect interest in one Oaktree Operating Group unit. Total vested and unvested Converted OCGH Units, OCGH units and Class A units issued and outstanding were 159,902,461 as of September 30, 2022.

### **Restated Exchange Agreement**

At the closing of the Merger, Oaktree entered into a Third Amended and Restated Exchange Agreement (the “OCGH Unit Exchange Agreement”) that among other things, allows limited partners of OCGH to exchange (“Exchanges”) certain vested limited partnership units of OCGH (“OCGH Units”) for cash, Brookfield Class A Shares, notes issued by a Brookfield subsidiary or equity interests in a subsidiary of OCGH that entitles such limited partners to the proceeds from a note, or a combination of the foregoing. Either of such notes will have a three-year maturity and will accrue interest at the then-current 5-year treasury note rate plus 3%. Only Converted OCGH Units, OCGH Units issued and outstanding at the time of the closing of the Merger, OCGH Units issued after the closing of the Merger pursuant to agreements in effect on March 13, 2019, OCGH Units issuable upon vesting of certain phantom equity awards (“Phantom Units”) and other OCGH Units consented-to by Brookfield will be, when vested, eligible to participate in an Exchange. Any such Exchange is subject to certain annual caps and limitations as set forth in the OCGH Unit Exchange Agreement. The form of the consideration in an Exchange is generally in the discretion of Brookfield, subject to certain limitations.

In general, OCGH limited partners are entitled to provide an election notice to participate in an Exchange with respect to eligible vested OCGH Units and Converted OCGH Units during the first 60 calendar days of each year beginning January 1, 2022 (an “Open Period”). In 2021 and 2020, holders of Converted OCGH Units and Phantom Units were eligible to provide an election notice with respect to their vested units. Each Exchange is consummated within the first 155 days of such calendar year, subject to extension in certain circumstances.

### *Valuation*

Except as described below, each OCGH Unit is valued (i) by applying a 13.5x multiple to the trailing three-year average (or two-year average for Exchanges in 2022) of fee-related earnings less stock-based compensation at grant value and excluding depreciation and amortization and a 6.75x multiple to the trailing three-year average of net incentives created, and (ii) adding 100% of the value of net cash (defined as cash less the face value of debt and preferred stock, other than certain preferred stock issued in connection with certain Exchanges), 100% of the value of corporate investments and 75% of fund-level net accrued incentives as of December 31 of the prior year, in each case subject to certain adjustments. Amounts received in respect of each OCGH Unit is reduced by the amount of any non-tax related distributions received in the calendar year in which the Exchange occurs, but increased by an amount accruing daily from January 1 of such year to the date of the closing of the Exchange at a rate per annum equal to the 5-year treasury note rate as of December 31 of the prior year plus 3%. However, in 2020 and 2021, Converted OCGH Units and Phantom Units were valued at \$49.00 per unit, less the amount of any capital distributions received upon vesting. Thereafter any such Converted OCGH Units and Phantom Units is valued using the same methodology applied to all other OCGH Units.

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**OCGH Unit Awards**

As of September 30, 2022, the Company expected to recognize compensation expense on its unvested OCGH unit and Converted OCGH unit awards of \$13.2 million over a weighted average period of 3.3 years. With respect to forfeitures, the Company made an accounting policy election to account for forfeitures when they occur. Accordingly, no forfeitures have been assumed in the calculation of compensation expense.

Through 2021, Converted OCGH Units could have been exchanged at \$49.00 per unit, less the amount of any capital distributions received upon vesting. Thereafter, any such Converted OCGH Units is valued using the same methodology applied to all other OCGH units.

A summary of the status of the Company's unvested Converted OCGH units and other OCGH unit awards and changes for the period presented are set forth below (actual dollars per unit):

	Converted OCGH Units <sup>(1)</sup>		OCGH Units	
	Number of Units	Weighted Average Grant Date Fair Value	Number of Units	Weighted Average Grant Date Fair Value
Balance as of December 31, 2021	277,464	\$ 46.79	338,530	\$ 37.64
Vested	(147,255)	45.59	(135,723)	31.01
Forfeited	(2,969)	49.52	—	—
Balance as of September 30, 2022	<u>127,240</u>	<u>\$ 48.12</u>	<u>202,807</u>	<u>\$ 42.07</u>

- (1) Upon completion of the Merger, each unvested Class A Unit held by current, or in certain cases former, employees, officers and directors of Oaktree and its subsidiaries was converted into one unvested OCGH Unit (each, a "Converted OCGH Unit") and thereafter became subject to the terms and conditions of the OCGH limited partnership agreement. The Converted OCGH Units (i) are subject to the same vesting terms that were applicable to such units prior to the completion of the Merger, (ii) are entitled to receive ongoing distributions in respect of earnings, but not capital distributions and (iii) upon vesting, receive the accumulated value of capital distributions that accrued while such units were unvested. Through 2021, Converted OCGH Units were valued at \$49.00 per unit, less the amount of any capital distributions received upon vesting.

**Oaktree Equity Plan**

In April 2022, the Company established an equity participation plan ("OEP"), through which certain employees of the Company's indirect subsidiaries participate in certain equity interests in the Oaktree Operating Group.

During the nine months ended September 30, 2022, the Company granted OEP awards valued at \$8.0 million to certain employees of the Company and its subsidiaries, subject to annual vesting over a period of approximately 6.5 years. For the three and nine months ended September 30, 2022, the Company recognized \$0.3 million, and \$0.6 million, respectively, of compensation expense related to the OEP awards, which were included in equity-based compensation expense in the combined and consolidated statements of operations. Total unvested units issued were 875,248 units as of September 30, 2022.

*Valuation*



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The Company uses the Black-Scholes option pricing model to determine the grant date fair value of the OEP units. This model requires the Company to estimate the expected volatility and the expected term of the OEP units which are highly complex and subjective variables. The variables take into consideration, among other things, projected OEP unit exercise behavior. The Company uses a predicted volatility of its stock price during the expected life of the units that is based on the historical performance of the Company's stock price as well as including an estimate using guideline companies. The expected term is computed using the simplified method as the Company's best estimate given its lack of actual exercise history. The Company has selected a risk-free rate based on the implied yield available on U.S. Treasury securities with a maturity equivalent to the expected term of the award. Forfeitures are recognized as incurred. The OEP units were valued at \$9.13 per unit, net of the upfront cash consideration from the employee.

#### **14. INCOME TAXES AND RELATED PAYMENTS**

The Company is a publicly traded partnership and currently holds interests in Oaktree Capital I, L.P. (a non-corporate entity that is not subject to U.S. federal and state corporate income tax) and Oaktree Capital Management (Cayman), L.P. (which holds subsidiaries that are taxable in non-U.S. jurisdictions).

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal, state, local and foreign tax regulators. With limited exceptions, the Company is no longer subject to income tax audits by taxing authorities for periods before 2018. The Company believes that it has adequately provided for any reasonably foreseeable outcomes related to its tax examinations and that any settlements related thereto will not have a material adverse effect on the Company's condensed consolidated financial statements; however, there can be no assurances as to the ultimate outcomes.

#### **15. COMMITMENTS AND CONTINGENCIES**

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

##### **Legal Actions**

Oaktree, its affiliates, investment professionals, and portfolio companies are routinely involved in litigation and other legal actions in the ordinary course of their business and investing activities. In addition, Oaktree is subject to the authority of a number of U.S. and non-U.S. regulators, including the SEC and the Financial Industry Regulatory Authority, and those authorities periodically conduct examinations of Oaktree and make other inquiries that may result in the commencement of regulatory proceedings against Oaktree and its personnel. Oaktree is currently not subject to any pending actions or regulatory proceedings that either individually or in the aggregate are expected to have a material impact on its condensed consolidated financial statements.

##### **Incentive Income**

In addition to the incentive income recognized by the Company, certain of its funds have amounts recorded as potentially allocable to the Company as its share of potential future incentive income, based on each fund's net asset value. Inasmuch as this incentive income is contingent upon future investment activity and other factors, it is not recognized by the Company as revenue until it is probable that a significant reversal will not occur. As of September 30, 2022 and December 31, 2021, respectively, the aggregate of such amounts recorded at the fund level in excess of incentive income recognized by the Company was \$1,589,145 and \$1,668,839, for which related direct incentive income compensation expense was estimated to be \$831,139 and \$868,408, respectively.

**Oaktree Capital Group, LLC**  
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**Commitments to Funds**

As of September 30, 2022 and December 31, 2021, the Company, generally in its capacity as general partner, had undrawn capital and other commitments of \$517.5 million and \$325.8 million, respectively, including commitments to both unconsolidated and consolidated funds. Additionally, as of September 30, 2022 the Company had undrawn capital commitments of \$375.0 million in its capacity as a limited partner in Opps XI (as defined in note 16).

**Investment Commitments of the Consolidated Funds**

Certain of the consolidated funds are parties to credit arrangements that provide for the issuance of letters of credit and/or revolving loans, which may require the particular fund to extend loans to investee companies. The consolidated funds use the same investment criteria in making these commitments as they do for investments that are included in the condensed consolidated statements of financial condition. The unfunded liability associated with these credit arrangements is equal to the amount by which the contractual loan commitment exceeds the sum of funded debt and cash held in escrow, if any. As of September 30, 2022 and December 31, 2021, the consolidated funds had potential aggregate commitments of \$9.8 million and \$13.5 million, respectively. These commitments are expected to be funded by the funds' cash balances, proceeds from asset sales or drawdowns against existing capital commitments.

A consolidated fund may agree to guarantee the repayment obligations of certain investee companies. As of September 30, 2022 and December 31, 2021, there were no guaranteed amounts under such arrangements.

Certain consolidated funds are investment companies that are required to disclose financial support provided or contractually required to be provided to any of their portfolio companies. During the nine months ended September 30, 2022, the consolidated funds did not provide any financial support to portfolio companies.

**16. RELATED-PARTY TRANSACTIONS**

The Company considers its senior executives, employees and unconsolidated Oaktree funds to be affiliates (as defined in the FASB ASC Master Glossary). Amounts due from and to affiliates are set forth below. The fair value of amounts due from and to affiliates is a Level III valuation and was valued based on a discounted cash-flow analysis. The carrying value of amounts due from affiliates approximated fair value due to their short-term nature or because their weighted average interest rate approximated the Company's cost of debt.

	As of	
	September 30, 2022	December 31, 2021
Due from affiliates:		
Loans to affiliates and employees	\$ —	\$ 44,088
Amounts due from unconsolidated funds	1,702	2,829
Management fees and incentive income due from unconsolidated funds and affiliates	93,216	289,795
Payments made on behalf of unconsolidated entities	9,563	36,001
Non-interest bearing advances made to certain non-controlling interest holders and employees	56	148
Total due from affiliates	<u>\$ 104,537</u>	<u>\$ 372,861</u>
Due to affiliates:		
Amounts due to unconsolidated entities	<u>\$ 18,535</u>	<u>\$ 4,198</u>
Total due to affiliates	<u>\$ 18,535</u>	<u>\$ 4,198</u>

**Oaktree Capital Group, LLC**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)**  
**September 30, 2022**  
**(\$ in thousands, except where noted)**

### **Loans To Affiliates and Employees**

Loans primarily consist of (i) interest-bearing loans made to affiliates, and (ii) interest-bearing loans made to certain Oaktree employees to meet tax obligations related to vesting of equity awards.

On May 7, 2021 the Company, through its consolidated subsidiary Oaktree Capital I, L.P, entered into two revolving line of credit notes with Oaktree Capital Management, L.P., one as a borrower and the other as a lender. Both revolving line of credit notes allow for outstanding principal amounts not to exceed \$250.0 million and mature on May 7, 2024. There were no loans to affiliates as of September 30, 2022, and \$0 and \$10 interest income were generated for the three and nine months ended September 30, 2022, respectively.

The employee loans, which are generally recourse to the borrower or secured by vested equity and other collateral, typically bear interest at the Company's cost of debt. As of September 30, 2022 and December 31, 2021, there were no Company loans to employees. The Company's loans generated no interest income for the three and nine months ended September 30, 2022, and \$0 and \$3 for the three and nine months ended September 30, 2021, respectively.

As of September 30, 2022, certain employees had an outstanding note balance of \$2.2 million to OCM.

### **Due From Oaktree Funds**

In the normal course of business, the Company advances certain expenses on behalf of Oaktree funds. Amounts advanced on behalf of consolidated funds are eliminated in consolidation. Certain expenses paid by the Company, which typically are employee travel and other costs associated with particular portfolio company holdings, are reimbursed to the Company by the portfolio companies. In addition, the Company recognizes distributions and proceeds from corporate investments in Oaktree funds for which it serves as general partner, and other third-party managed funds and companies as receivables when certain criteria is met.

### **Revenues Earned From Oaktree Funds**

In aggregate, management fees and incentive income earned from unconsolidated Oaktree funds totaled \$2.3 million and \$63.9 million for the three and nine months ended September 30, 2022, respectively, and \$169.4 million and \$816.6 million for the three and nine months ended September 30, 2021, respectively.

### **Other Investment Transactions**

The Company's senior executives, directors and senior professionals are permitted to invest their own capital (or the capital of family trusts or other estate planning vehicles they control) in Oaktree funds, for which they typically pay the particular fund's management fee but not its incentive allocation. To facilitate the funding of capital calls by funds in which employees are invested, the Company periodically advances on a short-term basis the capital calls on certain employees' behalf. These advances are reimbursed generally toward the end of the calendar quarter in which the capital calls occurred. Amounts advanced by the Company are included within "non-interest bearing advances made to certain non-controlling interest holders and employees" in the table above.

### **Aircraft Services**

OCM owns an aircraft for business purposes. Howard Marks, the Company's Co-Chairman, may use this aircraft for personal travel and will reimburse OCM to the extent his use of the aircraft for personal travel exceeds a certain threshold pursuant to an Oaktree policy. Oaktree also provides certain senior executives a personal travel allowance for private aircraft usage up to a certain threshold pursuant to the same Oaktree policy. Additionally, Oaktree occasionally makes use of an aircraft owned by one of its senior executives for business purposes at a price to Oaktree that is based on market rates.

### **Special Allocations**

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

**Oaktree Capital Group, LLC**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)**  
**September 30, 2022**  
**(\$ in thousands, except where noted)**

### **Administrative Services**

The Company is party to the Services Agreement with OCM. Pursuant to the Services Agreement, OCM provides administrative services to the Company necessary for the operations of the Company, which include providing office facilities, equipment, clerical, bookkeeping and record keeping services at such facilities and such other services as OCM, subject to review by the Company's Board of Directors, shall from time to time deem to be necessary or useful to perform its obligations under the Services Agreement. OCM may, on behalf of the Company, conduct relations and negotiate agreements with custodians, trustees, depositories, attorneys, underwriters, brokers and dealers, corporate fiduciaries, insurers, banks and such other persons in any such other capacity deemed to be necessary or desirable. OCM makes reports to the Company's Board of Directors of its performance of obligations under the Services Agreement and furnishes advice and recommendations with respect to such other aspects of the Company's business and affairs, in each case, as it shall determine to be desirable or as reasonably required by the Company's Board of Directors.

OCM is responsible for the financial and other records that the Company is required to maintain and prepares, prints and disseminates reports to the Company's unitholders and all other materials filed with the SEC. In addition, OCM assists the Company in overseeing the preparation and filing of the Company's tax returns, and generally overseeing the payment of the Company's expenses and the performance of administrative and professional services rendered to the Company by others.

On an annual basis the Company will reimburse OCM \$750,000 of the costs incurred for providing these administrative services. This reimbursement is payable quarterly, in equal installments, and relates to the Company's allocable portion of overhead and other expenses (facilities and personnel) incurred by OCM in performing its obligations under the Services Agreement. This amount includes the Company's allocable portion of (i) the rent of the Company's principal executive offices (which are located in a building owned by a Brookfield affiliate) at market rates and (ii) the costs of compensation and related expenses of various personnel at Oaktree that perform duties for the Company. The Services Agreement may be terminated by either party without penalty upon 90 days' written notice to the other.

The Company incurred administrative services expense of \$0.2 million and \$0.6 million for the three and nine months ended September 30, 2022, respectively, and \$0.2 million and \$0.6 million for the three and nine months ended September 30, 2021, respectively. As of September 30, 2022 and December 31, 2021, no amounts and \$0.2 million, respectively were included in "Due to affiliates" in the condensed consolidated statements of financial condition.

### **Investment in Oaktree Opportunities Fund XI**

The Company has subscribed for a limited partner interest in, and made a capital commitment of, \$750.0 million to Oaktree Opportunities Fund XI, L.P., a parallel investment vehicle thereof or a feeder fund in respect of one of the foregoing (such limited partner interest, the "Opps XI Investment" and such fund entities collectively, "Opps XI"). In order to make the Opps XI Investment, the Company's sole Class A unitholder, or one of its affiliates, will contribute cash as a capital contribution (the "Opps XI Investment Cash") as and to the extent required to satisfy the Company's obligations to Opps XI. The Company will use the Opps XI Investment Cash solely to fund the Opps XI Investment and satisfy its obligations in respect of Opps XI and distributions from the Opps XI Investment are intended for the benefit of the Class A unitholder, subject to applicable law. The Company's preferred unitholders should not rely on distributions received by the Company in respect of the Company's Opps XI Investment for payment of dividends or redemption of the preferred units. During the nine months ended September 30, 2022, the Company funded \$150.0 million of its capital commitment. As of September 30, 2022, the Company has funded in the aggregate \$375.0 million of the \$750.0 million capital commitment.

**Oaktree Capital Group, LLC**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) — (Continued)**  
**September 30, 2022**  
**(\$ in thousands, except where noted)**

**17. SEGMENT REPORTING**

As a global investment manager, the Company provides investment management services through funds, separate accounts and subsidiary services agreements. The Company earns revenues from the management fees and incentive income generated by the funds that it manages or serves as the general partner. Additionally, for acting as a sub-investment manager, or sub-advisor, to certain Oaktree funds, the Company earns sub-advisory fees. Under the subsidiary services agreements, the Company provides certain investment and marketing related services to Oaktree affiliated entities. Management uses a consolidated approach to assess performance and allocate resources. As such, the Company's business is comprised of one segment, the investment management business.

**18. SUBSEQUENT EVENTS**

**Class A Unit Distributions**

A distribution of \$0.30 per Class A unit was paid on November 10, 2022 to holders of record at the close of business on October 31, 2022.

**Preferred Unit Distributions**

A distribution of \$0.414063 per Series A preferred unit will be paid on December 15, 2022 to Series A preferred unitholders of record at the close of business on December 1, 2022.

A distribution of \$0.409375 per Series B preferred unit will be paid on December 15, 2022 to Series B preferred unitholders of record at the close of business on December 1, 2022.

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

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

### Business Overview

Oaktree is a leading global alternative investment management firm with expertise in investing in credit, real assets, private equity, and listed equities. Oaktree's mission is to deliver superior investment results with risk under control and to conduct its business with the highest integrity. Oaktree emphasizes an opportunistic, value-oriented and risk-controlled approach to its investments. Over more than three decades, Oaktree has developed a large and growing client base through its ability to identify and capitalize on opportunities for attractive investment returns in less efficient markets.

Oaktree was formed in 1995 by a group of individuals who had been investing together since the mid-1980s. Oaktree's founders were pioneers in the management of high yield bonds, convertible securities and distressed debt. From those roots Oaktree has developed a diversified mix of specialized credit- and equity-oriented strategies. Oaktree operates according to a unifying investment philosophy, which consists of six tenets-risk control, consistency, market inefficiency, specialization, bottom-up analysis and disavowal of market timing-and is complemented by a set of core business principles that articulate our commitment to excellence in investing, commonality of interests with clients, a collaborative and cooperative culture, and a disciplined, opportunistic approach to the expansion of products.

The Company's current ownership and operational structure were the results of a merger with an affiliate of Brookfield Asset Management, Inc. ("Brookfield") completed on September 30, 2019 (the "Merger") and a subsequent restructuring ("Restructuring") completed on October 1, 2019 in connection with such Merger. As a result of the Restructuring, references to "Oaktree" in this quarterly report will generally refer to the collective business of the Oaktree Operating Group, of which consolidated subsidiaries of the Company are components. Please see "Item 1. Business — Brookfield Merger and — Restructuring Transaction" within our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the Securities and Exchange Commission for more information regarding the Merger and Restructuring.

OCM provides certain administrative and other services relating to the operations of the Company's business pursuant to a Services Agreement between the Company and OCM.

### Business Environment and Developments

As a global investment manager, Oaktree is affected by a wide range of factors, including the condition of the global economy and financial markets; the relative attractiveness of Oaktree's investment strategies and investors' demand for them; and regulatory or other governmental policies or actions. Global economic conditions can significantly impact the values of Oaktree's and its funds' investments and the ability to make new investments or sell existing investments for these funds. Historically, however, Oaktree's diversified nature, of both its investment strategies and revenue mix, has generally allowed it to benefit from both strong and weak economic environments. Weak economies and the declining financial markets that typically accompany them tend to dampen revenues from asset-based management fees, investment realizations or price appreciation, but their prospect can present opportunities to raise relatively larger amounts of capital for certain strategies, especially opportunistic credit. Additionally, weak financial markets may also present more opportunities for funds to make investments at reduced prices. Conversely, strong financial markets generally increase the value of fund investments, which positions Oaktree, and us, for growth in management fees that are based on asset value, and typically create favorable exit opportunities that enhance the prospect for incentive income and fund-related realized investment income proceeds. Those same markets may delay or diminish opportunities to deploy capital and thus management fees from certain funds.

COVID-19 continues to pose threats to the health and economic wellbeing of the worldwide population and the global economy in light of COVID-19 variants that seem to spread more easily than the original COVID-19 virus. There is continued uncertainty as to the duration of the global health and economic impact caused by COVID-19 even

with COVID-19 vaccines now available. The continued uncertainty of COVID-19 variants may lead to renewed governmental efforts to mitigate COVID-19 spread seen at the beginning of the pandemic. Such renewed mitigation efforts may create significant uncertainty and volatility in Oaktree's business and its funds' and their respective portfolio companies' businesses as compared to pre-pandemic levels.

Any prolonged difficult market and economic conditions and uncertainty caused by COVID-19 will adversely impact the valuations of Oaktree's and its funds' investments, particularly if the value of an investment is determined in whole or in part by reference to public equity, public debt, or private debt markets. However, while any market dislocation caused by COVID-19 will adversely impact the value of Oaktree's and its funds' investments, the increased volatility in the financial markets may also present attractive investment opportunities for certain Oaktree investment strategies. Currently, we are unaware of any material risk to the stability of our condensed consolidated financial statements caused by any COVID-19 uncertainties or the materiality of any effect such uncertainties may have on our business and operations. Please see "Item 1A. Risk Factors— The coronavirus pandemic has significantly disrupted economic conditions and may adversely affect our operations, business, financial performance and operating results" within Oaktree's annual report.

The ongoing Russia-Ukraine conflict, including global sanctions imposed on Russia, creates continued uncertainty and volatility in the global financial markets and economy and, as a result, may adversely impact Oaktree's business and its funds' and their respective portfolio companies' business. As of the date of this filing, we are not aware of any material risk to the stability of our condensed consolidated financial statements caused by the Russia-Ukraine conflict or the materiality of any effect such uncertainties may have on our business and operations.

### **Understanding Our Results—Consolidation of Oaktree Funds**

Generally accepted accounting principles in the United States ("GAAP") requires us to consolidate entities in which we have a direct or indirect controlling financial interest based on either a variable interest model or voting interest model. A limited partnership or similar entity is a variable interest entity ("VIE") if the unaffiliated limited partners do not have substantive kick-out or participating rights. Most of the Oaktree funds are VIEs because they have not granted unaffiliated limited partners substantive kick-out or participating rights. The Company consolidates those VIEs in which we are the primary beneficiary. For entities that are not VIEs, consolidation is evaluated through a majority voting interest model. Please see note 2 to our condensed consolidated financial statements included elsewhere in this quarterly report for more information.

We do not consolidate most of the Oaktree funds that are VIEs because we are not the primary beneficiary due to the fact that our fee arrangements are considered at-market and thus not deemed to be variable interests, and we do not hold any other interests in those funds that are considered to be more than insignificant. However, investment vehicles in which we have a significant investment, such as CLOs and certain Oaktree funds, are consolidated ("consolidated funds"). When a CLO or fund is consolidated, we reflect the assets, liabilities, revenues, expenses and cash flows of the consolidated funds on a gross basis, and the majority of the economic interests in those consolidated funds, which are held by third-party investors, are reflected as debt obligations of CLOs or non-controlling redeemable interests in consolidated funds in the condensed consolidated financial statements. All of the revenues earned by us as investment manager of the consolidated funds are eliminated in consolidation. However, because the eliminated amounts are earned from and funded by third-party investors, the consolidation of a fund does not impact net income or loss attributable to us.

Certain entities in which we have the ability to exert significant influence, including unconsolidated Oaktree funds for which we act as general partner, are accounted for under the equity method of accounting. As a result of the Restructuring, we re-assessed our prior variable interest entity consolidation determinations, noting that we were no longer the primary beneficiary of three funds in which our direct ownership interests are held by Oaktree Operating Group entities that are no longer directly controlled by us.

### **Revenues**

Oaktree's business generates three types of revenue: management fees, incentive income and investment income. Management fees earned from third parties are billed monthly or quarterly based on annual rates and are typically earned for each of the funds that we manage. The contractual terms of management fees generally vary by fund structure. Management fees also may include performance-based fees earned from certain open-end and evergreen fund accounts. Subsequent to the Restructuring, our management fees consist primarily of fees earned from funds managed by OCM Cayman and sub-advisory fees for services provided to OCM. We also have the potential to earn incentive income from most of the closed-end and certain evergreen funds managed by Oaktree in our capacity as the general partner of those funds. These closed-end funds generally provide that we receive

incentive income only after we have returned to our investors all of their contributed capital plus an annual preferred return, typically 8%. Once this occurs, we generally receive as incentive income 80% of all distributions otherwise attributable to our investors, and those investors receive the remaining 20% until we have received, as incentive income, 20% of all such distributions in excess of the contributed capital from the inception of the fund. Thereafter, all such future distributions attributable to our investors are distributed 80% to those investors and 20% to us as incentive income. Our third revenue source, investment income, represents our pro-rata share of income or loss from our investments, generally in our capacity as general partner in Oaktree funds and as an investor in our CLOs and third-party managed funds and companies.

We may earn incentive income upon deconsolidation of a SPAC arising from the completion of a merger with an identified target. Upon deconsolidation, we will derecognize the net assets of the entity and record any gain or loss related to the remeasurement of its investments to fair value as incentive income in its condensed consolidated statements of operations. Subsequent fair value changes in our investments held in the entity will be recorded in investment income in our condensed consolidated statements of operations.

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

## **Expenses**

### *Compensation and Benefits*

Compensation and benefits expense reflects all compensation-related items not directly related to incentive income, investment income or the vesting of Converted OCGH units, OCGH units, EVUs, OEP units, deferred equity units and other performance-based units, and includes salaries, bonuses, compensation based on management fees or a definition of profits, employee benefits, payroll taxes and phantom equity awards. Phantom equity awards represent liability-classified awards subject to vesting and remeasurement at the end of each reporting period. Phantom equity award expense reflects the vesting of those liability-classified awards, the equity distribution declared in the period and changes in the OCGH unit fair value. Compensation and benefits expense reflects the gross-up of reimbursable costs incurred on behalf of Oaktree funds in which the Company has determined it is the principal. Subsequent to the Restructuring, our consolidated operating results primarily include compensation and benefits expense related to employees of OCM Cayman.

### *Equity-based Compensation*

Equity-based compensation expense reflects the non-cash charge associated with grants of Converted OCGH units, OCGH units, EVUs, OEP units, deferred equity units and other performance-based units. Subsequent to the Restructuring, our consolidated operating results primarily include equity-based compensation expense related to employees of OCM Cayman.

### *Incentive Income Compensation*

Incentive income compensation expense primarily reflects compensation directly related to incentive income, which generally consists of percentage interests (sometimes referred to as “points” or an allocation of shares received upon the completion of a successful SPAC merger) that are granted to Oaktree investment professionals associated with the particular fund or SPAC that generated the incentive income, and secondarily, compensation directly related to investment income. There is no fixed percentage for the incentive income-related portion of this compensation, either by fund, SPAC or strategy. In general, within a particular strategy more recent funds have a higher percentage of aggregate incentive income compensation expense than do older funds. The percentage that consolidated incentive income compensation expense represents of the particular period’s consolidated incentive income may not be meaningful because incentive income from consolidated funds or SPACs is eliminated in consolidation, whereas no incentive income compensation expense is eliminated in consolidation.

### *General and Administrative*

General and administrative expense includes costs related to occupancy, outside auditors, tax professionals, legal advisers, research, consultants, travel and entertainment, communications and information services, business process outsourcing, foreign-exchange activity, insurance, placement costs, changes in the contingent consideration liability, and other general items related directly to the Company’s operations. These expenses are net of amounts



borne by fund investors and are not offset by credits attributable to fund investors' non-controlling interests in consolidated funds. General and administrative expense reflects the gross-up of reimbursable costs incurred on behalf of Oaktree funds in which the Company has determined it is the principal. Subsequent to the Restructuring, general and administrative expenses primarily include direct and reimbursable expenses incurred by Oaktree Capital I and OCM Cayman and the Company's share of certain expenses through a service agreement with OCM.

#### *Depreciation and Amortization*

Depreciation and amortization expense includes costs associated with the purchase of furniture and equipment, capitalized software, office leasehold improvements and acquired intangibles. Furniture and equipment and capitalized software costs are depreciated using the straight-line method over the estimated useful life of the asset, which is generally three to five years. Leasehold improvements are amortized using the straight-line method over the shorter of the respective estimated useful life or the lease term. Acquired intangibles primarily relate to contractual rights and are amortized over their estimated useful lives, which range from seven to 25 years. Subsequent to the Restructuring, the majority of Oaktree's acquired intangible assets are no longer included in our consolidated statement of financial condition.

#### *Consolidated Fund Expenses*

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

#### **Other Income (Loss)**

##### *Interest Expense*

Interest expense primarily reflects the interest expense of the consolidated funds, as well as the interest expense of Oaktree and its operating subsidiaries. Prior to the Restructuring, our financial statements reflected debt service of the entire Oaktree Operating Group. After the Restructuring, our financial statements reflect debt obligations, interest expense or related liabilities associated with our operating subsidiaries only if one of our two remaining Oaktree Operating Group entities, directly borrows or issues notes under Oaktree's credit agreements, private placement notes or other debt arrangement.

##### *Interest and Dividend Income*

Interest and dividend income consists of interest and dividend income earned on the investments held by our consolidated funds, and interest income earned by Oaktree and its operating subsidiaries.

##### *Net Realized Gain (Loss) on Consolidated Funds' Investments*

Net realized gain (loss) on consolidated funds' investments consists of realized gains and losses arising from dispositions of investments held by our consolidated funds.

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

Net change in unrealized appreciation (depreciation) on consolidated funds' investments reflects both unrealized gains and losses on investments held by our consolidated funds and the reversal upon disposition of investments of unrealized gains and losses previously recognized for those investments.

##### *Investment Income*

Investment income represents our pro-rata share of income or loss from our investments, generally in our capacity as general partner in certain Oaktree funds and as an investor in our CLOs and third-party managed funds and companies. Investment income, as reflected in our condensed consolidated statements of operations, excludes investment income earned by us from our consolidated funds.

##### *Other Income (Expense), Net*

Other income (expense), net represents non-operating income or expense.

## **Income Taxes**

The Company is a publicly traded partnership. Because it satisfies the qualifying income test, it is not required to be treated as a corporation for U.S. federal and state income tax purposes; rather it is taxed as a partnership. The Company currently holds interests in Oaktree Capital I, L.P. (a non-corporate entity that is not subject to U.S. federal corporate income tax) and Oaktree Capital Management (Cayman), L.P. (which holds subsidiaries that are taxable in non-U.S. jurisdictions). Subsequent to the Restructuring, the Company no longer includes on our financial statements economic interests in OCM, Oaktree Capital II, Oaktree Investment Holdings, and Oaktree AIF.

Income taxes are accounted for using the liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amount of assets and liabilities and their respective tax bases, using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets would be reduced by a valuation allowance if it becomes more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company analyzes its tax filing positions for all open tax years in all of the U.S. federal, state, local and foreign tax jurisdictions where it is required to file income tax returns. If the Company determines that uncertainties in tax positions exist, a reserve is established. The Company recognizes accrued interest and penalties related to uncertain tax positions within income tax expense in the condensed consolidated statements of operations.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties. The Company reviews its tax positions quarterly and adjusts its tax balances as new information becomes available.

The Oaktree funds are generally not subject to U.S. federal and state income taxes and, consequently, no income tax provision has been made in the accompanying condensed consolidated financial statements because individual partners are responsible for their proportionate share of the taxable income.

### **Net Income Attributable to Non-controlling Interests**

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

- **Net Income Attributable to Non-controlling Interests in Consolidated Funds.** This category represents the economic interests of the unaffiliated investors in the consolidated funds, as well as the equity interests held by third-party investors in CLOs that had not yet priced as of the respective period end. Those interests are primarily driven by the investment performance of the consolidated funds. In comparison to net income, this measure excludes our operating results and other items solely attributable to the Company; and,
- **Net Income Attributable to Non-controlling Interests in Consolidated Subsidiaries.** This category primarily represents the economic interest in the Oaktree Operating Group owned by OCGH ("OCGH non-controlling interest"), as well as the economic interest in certain consolidated subsidiaries held by third parties. Prior to the Restructuring, this category included the OCGH non-controlling interest in all six Oaktree Operating Group entities; subsequent to the Restructuring, it includes only the OCGH non-controlling interest in Oaktree Capital I and OCM Cayman. The OCGH non-controlling interest is determined at the Oaktree Operating Group level based on the weighted average proportionate share of Oaktree Operating Group units held by the OCGH unitholders. Inasmuch as the number of outstanding Oaktree Operating Group units corresponds with the total number of outstanding Class A and OCGH units, changes in the economic interest held by the OCGH unitholders are driven by our additional issuances of Class A and OCGH units, as well as repurchases and forfeitures of, and exchanges between, Class A and OCGH units. Certain of our expenses, such as income tax and related administrative expenses of Oaktree Capital Group, LLC and its Intermediate Holding Companies, are solely attributable to the Class A unitholders. Please see note 11 to our condensed consolidated financial statements included elsewhere in this quarterly report for additional information on the economic interest in the Oaktree Operating Group owned by OCGH.

### **Net Income Attributable to Preferred Unitholders**

This category represents distributions declared, if any, on our preferred units. Please see note 11 to our condensed consolidated financial statements for more information.

## **Operating Metrics**

We monitor certain operating metrics that we believe provide important information and data regarding our business. A substantial portion of our revenues is comprised of incentive income and investment income earned in our capacity as general partner of certain Oaktree funds. To analyze and monitor our operating performance we utilize incentive-creating AUM, incentives created (fund level) and accrued incentives (fund level). These operating metrics provide us with detailed information and insight into the operating performance of the funds we manage.

### ***Incentive-creating Assets Under Management***

Incentive-creating AUM refers to the AUM that may eventually produce incentive income. It generally represents the NAV of Oaktree funds for which we are entitled to receive an incentive allocation, excluding CLOs and investments made by us and our or Oaktree employees and directors (which are not subject to an incentive allocation) and gross assets (including assets acquired with leverage), net of cash, for our BDCs. All funds for which we are entitled to receive an incentive allocation are included in incentive-creating AUM, regardless of whether or not they are currently above their preferred return or high-water mark and therefore generating incentives. Incentive-creating AUM does not include undrawn capital commitments.

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

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

The same performance and market risks inherent in incentives created (fund level) affect the ability to ultimately realize accrued incentives (fund level). One consequence of the accounting method we follow for incentives created (fund level) is that accrued incentives (fund level) is an off-balance sheet metric, rather than being an on-balance sheet receivable that could require reduction if fund performance suffers. We track accrued incentives (fund level) because it provides an indication of potential future value, though the timing and ultimate realization of that value are uncertain.

Incentives created (fund level), incentive income and accrued incentives (fund level) are presented gross, without deduction for direct compensation expense that is owed to Oaktree investment professionals associated with the particular fund when we earn the incentive income. We call that charge "incentive income compensation expense." Incentive income compensation expense varies by the investment strategy and vintage of the particular fund, among many other factors.

Incentives created (fund level) often reflects investments measured at fair value and therefore is subject to risk of substantial fluctuation by the time the underlying investments are liquidated. We earn the incentive income, if any, that the fund is then obligated to pay us with respect to our incentive interest (generally 20%) in the profits of our unaffiliated investors, subject to an annual preferred return of typically 8%. Incentive income is recognized when it is probable that significant reversal of revenue will not occur. We track incentives created (fund level) because it provides an indication of the value for us currently being created by investment activities of the funds and facilitates comparability with those companies in our industry that account for investments in carry funds as equity-method investments, thus effectively reflecting an accrual-based method for recognizing incentive income in their financial statements.

## GAAP Consolidated Results of Operations

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(in thousands, except per unit data)			
Revenues:				
Management fees	\$ 59,860	\$ 58,628	\$ 183,370	\$ 172,848
Incentive income	(33)	167,534	56,070	811,481
Total revenues	59,827	226,162	239,440	984,329
Expenses:				
Compensation and benefits	(36,452)	(37,080)	(118,371)	(116,803)
Equity-based compensation	(2,011)	(1,903)	(5,461)	(7,868)
Incentive income compensation	753	(81,952)	(17,141)	(396,435)
Total compensation and benefits expense	(37,710)	(120,935)	(140,973)	(521,106)
General and administrative	(6,251)	(5,303)	(17,548)	(18,879)
Depreciation and amortization	(356)	(580)	(1,349)	(1,745)
Consolidated fund expenses	(21,153)	(25,734)	(61,312)	(50,581)
Total expenses	(65,470)	(152,552)	(221,182)	(592,311)
Other income (loss):				
Interest expense	(73,992)	(32,990)	(171,032)	(113,093)
Interest and dividend income	154,967	90,673	408,396	273,460
Net realized gain (loss) on consolidated funds' investments	4,214	(10,345)	(68,885)	848
Net change in unrealized appreciation (depreciation) on consolidated funds' investments	13,022	60,329	(13,971)	185,418
Investment income (loss)	(1,071)	16,989	(20,004)	190,768
Other income, net	—	—	—	19
Total other income (loss)	97,140	124,656	134,504	537,420
Income (loss) before income taxes	91,497	198,266	152,762	929,438
Income taxes	(4,934)	(3,811)	(12,347)	(9,246)
Net income (loss)	86,563	194,455	140,415	920,192
Less:				
Net (income) loss attributable to non-controlling interests in consolidated funds	(56,274)	(51,214)	(123,124)	(163,105)
Net (income) loss attributable to non-controlling interests in consolidated subsidiaries	(4,747)	(46,204)	11,406	(265,590)
Net income (loss) attributable to OCG	25,542	97,037	28,697	491,497
Net income attributable to preferred unitholders	(6,829)	(6,829)	(20,487)	(20,487)
Net income (loss) attributable to OCG Class A unitholders	\$ 18,713	\$ 90,208	\$ 8,210	\$ 471,010
Distributions declared per Class A unit	\$ 0.38	\$ 0.51	\$ 1.51	\$ 3.92
Net income (loss) per Class A unit (basic and diluted):				
Net income (loss) per Class A unit	\$ 0.18	\$ 0.91	\$ 0.08	\$ 4.76
Weighted average number of Class A units outstanding	103,080	99,137	101,693	98,995

### **Third Quarter Ended September 30, 2022 Compared to the Third Quarter Ended September 30, 2021**

#### **Revenues**

##### *Management Fees*

Management fees increased \$1.3 million, or 2.2%, to \$59.9 million for the third quarter of 2022, from \$58.6 million for the third quarter of 2021. The increase was primarily due to sub-advisory fees earned, reflecting both growth of Oaktree's business operations and its impact to the sub-advisory fees we earn from these arrangements.

##### *Incentive Income*

No incentive income was recognized during the third quarter of 2022. The decrease in incentive income from \$167.5 million for the third quarter of 2021 was primarily due to a decline in distributions from Private Equity and Credit closed-end funds that were paying incentive income.

#### **Expenses**

##### *Compensation and Benefits*

Compensation and benefits expense decreased \$0.6 million, or 1.6%, to \$36.5 million for the third quarter of 2022, from \$37.1 million for the third quarter of 2021. The decrease in compensation and benefits expense was primarily due to foreign exchange.

##### *Equity-based Compensation*

Equity-based compensation expense increased \$0.1 million, or 5.3%, to \$2.0 million for the third quarter of 2022, from \$1.9 million for the third quarter of 2021, due to OEP awards granted during the second quarter of 2022.

##### *Incentive Income Compensation*

Incentive income compensation expense decreased \$82.8 million to \$(0.8) million for the third quarter of 2022, from \$82.0 million for the third quarter of 2021, primarily reflecting the decrease in incentive income.

##### *General and Administrative*

General and administrative expense increased \$1.0 million, or 18.9%, to \$6.3 million for the third quarter of 2022, from \$5.3 million for the third quarter of 2021, primarily due to increase in travel.

##### *Depreciation and Amortization*

Depreciation and amortization expense was \$0.4 million and \$0.6 million for the third quarter of 2022 and 2021, respectively.

##### *Consolidated Fund Expenses*

Consolidated fund expenses decreased \$4.5 million, or 17.5%, to \$21.2 million for the third quarter of 2022, from \$25.7 million for the third quarter of 2021. The decrease reflects the impact of general costs incurred by our consolidated funds and changes to the funds that were consolidated during the third quarter of 2022.

#### **Other Income (Loss)**

##### *Interest Expense*

Interest expense increased \$41.0 million, or 124.2%, to \$74.0 million for the third quarter of 2022, from \$33.0 million for the third quarter of 2021. The increase was primarily attributable to higher interest rates, additional CLO issuances, and the issuance of senior notes during the second quarter of 2022.

##### *Interest and Dividend Income*

Interest and dividend income increased \$64.3 million, or 70.9%, to \$155.0 million for the third quarter of 2022, from \$90.7 million for the third quarter of 2021. The increase was primarily attributable to our consolidated funds.

#### *Net Realized Gain (Loss) on Consolidated Funds' Investments*

Net realized gain (loss) on consolidated funds' investments increased \$14.5 million, from a loss of \$10.3 million for the third quarter of 2021 to a gain of \$4.2 million for the third quarter of 2022. The increase in our net realized gain reflects our consolidated funds' performance on investments sold and primarily resulted from gains in Opps XI.

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

Net change in unrealized appreciation (depreciation) on consolidated funds' investments decreased \$47.3 million, to a gain of \$13.0 million for the third quarter of 2022, from a gain of \$60.3 million for the third quarter of 2021. Excluding the impact of the reversal of net realized gain (loss) on consolidated funds' investments, the net change in unrealized appreciation (depreciation) on consolidated funds' investments decreased \$32.8 million, to a net gain of \$17.2 million for the third quarter of 2022, from a net gain of \$50.0 million for the third quarter of 2021, primarily driven by current market conditions affecting the values of investments held by Opps XI and our CLOs.

#### *Investment Income (Loss)*

Investment income (loss) decreased \$18.1 million, or 106.5%, to a loss of \$1.1 million for the third quarter of 2022, from a gain of \$17.0 million for the third quarter of 2021. The decrease is primarily driven by current market conditions affecting the values of our Credit investments.

#### *Income Taxes*

Income taxes increased \$1.1 million, or 28.9%, to \$4.9 million for the third quarter of 2022, from \$3.8 million for the third quarter of 2021. The increase primarily reflected higher taxable net income attributable to our operations outside of the United States during the third quarter of 2022. Please see the Income Taxes section of “—Understanding Our Results—Consolidation of Oaktree Funds” for details.

#### ***Net (Income) Loss Attributable to Non-controlling Interests in Consolidated Funds***

Net income attributable to non-controlling interests in consolidated funds increased \$5.1 million, to net income of \$56.3 million for the third quarter of 2022, from net income of \$51.2 million for the third quarter of 2021. The increase reflected our consolidated funds' performance attributable to third-party investors in each period. These effects are described in more detail under “—Other Income (Loss)” above.

#### ***Net Income (Loss) Attributable to Oaktree Capital Group, LLC Class A Unitholders***

Net income attributable to Oaktree Capital Group, LLC Class A unitholders decreased \$71.5 million, or 79.3%, to net income of \$18.7 million for the third quarter of 2022, from net income of \$90.2 million for the third quarter of 2021, primarily reflecting lower incentive income, net of associated compensation and lower unrealized appreciation on investments driven by current market conditions.

## **Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021**

### **Revenues**

#### *Management Fees*

Management fees increased \$10.6 million, or 6.1%, to \$183.4 million for the first nine months of 2022, from \$172.8 million for the first nine months of 2021. The increase was primarily due to sub-advisory fees earned, reflecting both growth of Oaktree's business operations and its impact to the sub-advisory fees we earn from these arrangements.

#### *Incentive Income*

Incentive income decreased \$755.4 million to \$56.1 million for the first nine months of 2022, from \$811.5 million for the first nine months of 2021. The decrease in incentive income was primarily due to higher distributions from Private Equity and Credit closed-end funds that were paying incentive income. Incentive income for first nine months of 2022 was primarily due to the deconsolidation of a SPAC during the second quarter.

### **Expenses**

#### *Compensation and Benefits*

Compensation and benefits expense increased \$1.6 million, or 1.4%, to \$118.4 million for the first nine months of 2022, from \$116.8 million for the first nine months of 2021. The increase in compensation and benefits expense was primarily due to the increased value of phantom equity awards, partially offset by foreign exchange.

#### *Equity-based Compensation*

Equity-based compensation expense decreased \$2.4 million, or 30.4%, to \$5.5 million for the first nine months of 2022, from \$7.9 million for the first nine months of 2021, reflecting that beginning in 2020, deferred compensation was primarily paid in Long-Term Incentive Plan awards rather than equity-based awards, partially offset by OEP awards granted during the second quarter of 2022.

#### *Incentive Income Compensation*

Incentive income compensation expense decreased \$379.3 million to \$17.1 million for the first nine months of 2022, from \$396.4 million for the first nine months of 2021, primarily reflecting the decrease in incentive income.

#### *General and Administrative*

General and administrative expense decreased \$1.4 million, or 7.4%, to \$17.5 million for the first nine months of 2022, from \$18.9 million for the first nine months of 2021, primarily due to foreign exchange.

#### *Depreciation and Amortization*

Depreciation and amortization expense was \$1.3 million and \$1.7 million for the first nine months of 2022 and 2021, respectively.

#### *Consolidated Fund Expenses*

Consolidated fund expenses increased \$10.7 million, or 21.1%, to \$61.3 million for the first nine months of 2022, from \$50.6 million for the first nine months of 2021. The increase reflects the impact of general costs incurred by our consolidated funds and changes to the funds that were consolidated during the first nine months of 2022.

### **Other Income (Loss)**

#### *Interest Expense*

Interest expense increased \$57.9 million, or 51.2%, to \$171.0 million for the first nine months of 2022, from \$113.1 million for the first nine months of 2021. The increase was primarily attributable to higher interest rates, additional CLO issuances, and the issuance of senior notes during the second quarter of 2022.

### *Interest and Dividend Income*

Interest and dividend income increased \$134.9 million, or 49.3%, to \$408.4 million for the first nine months of 2022, from \$273.5 million for the first nine months of 2021. The increase was primarily attributable to our consolidated funds.

### *Net Realized Gain (Loss) on Consolidated Funds' Investments*

Net realized gain (loss) on consolidated funds' investments decreased by \$69.7 million, from a gain of \$0.8 million for the first nine months of 2021 to a loss of \$68.9 million for the first nine months of 2022. The net realized loss during the first nine months of 2022 reflects our consolidated funds' performance on investments sold and is primarily due to realized losses on our Real Assets investments.

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

Net change in unrealized appreciation (depreciation) on consolidated funds' investments decreased \$199.4 million, to a depreciation of \$14.0 million for the first nine months of 2022, from an appreciation of \$185.4 million for the first nine months of 2021. Excluding the impact of the reversal of net realized gain (loss) on consolidated funds' investments, the net change in unrealized appreciation (depreciation) on consolidated funds' investments decreased \$269.2 million, to a net loss of \$82.9 million for the first nine months of 2022, from a net gain of \$186.3 million for the first nine months of 2021, primarily driven by current market conditions affecting the values of investments held by Opps XI and our CLOs.

### *Investment Income (Loss)*

Investment income (loss) decreased \$210.8 million, or 110.5%, to a loss of \$20.0 million for the first nine months of 2022, from a gain of \$190.8 million for the first nine months of 2021. The decrease is primarily driven by current market conditions affecting the values of our Credit and Private Equity investments.

### *Income Taxes*

Income taxes increased \$3.1 million, or 33.7%, to \$12.3 million for the first nine months of 2022, from \$9.2 million for the first nine months of 2021. The increase primarily reflected higher taxable net income attributable to our operations outside of the United States during the first nine months of 2022. Please see the Income Taxes section of “—Understanding Our Results—Consolidation of Oaktree Funds” for details.

### ***Net (Income) Loss Attributable to Non-controlling Interests in Consolidated Funds***

Net income attributable to non-controlling interests in consolidated funds decreased \$40.0 million, to net income of \$123.1 million for the first nine months of 2022, from net income of \$163.1 million for the first nine months of 2021. The decrease reflected our consolidated funds' performance attributable to third-party investors in each period. These effects are described in more detail under “—Other Income (Loss)” above.

### ***Net Income (Loss) Attributable to Oaktree Capital Group, LLC Class A Unitholders***

Net income attributable to Oaktree Capital Group, LLC Class A unitholders decreased \$462.8 million, or 98.3%, to net income of \$8.2 million for the first nine months of 2022, from net income of \$471.0 million for the first nine months of 2021, primarily reflecting lower incentive income, net of associated compensation and unrealized investment losses driven by current market conditions.



## Operating Metrics

We monitor certain operating metrics that we believe provide important data regarding our business. These operating metrics include incentive-creating AUM, incentives created (fund level), and accrued incentives (fund level).

### Incentive-creating AUM

Our incentive-creating AUM is set forth below and includes only incentive-creating AUM generated by our indirect subsidiaries, Oaktree Capital I and OCM Cayman for the periods ended September 30, 2022 and December 31, 2021. Incentive-creating AUM does not include undrawn capital commitments and is set forth below:

	As of		
	September 30, 2022	June 30, 2022	December 31, 2021
	(in millions)		
<b>Incentive-creating AUM:</b>			
Closed-end funds	\$ 41,418	\$ 39,743	\$ 36,726
Evergreen funds	2,400	3,487	4,219
Total	<u>\$ 43,818</u>	<u>\$ 43,230</u>	<u>\$ 40,945</u>

### Third Quarter Ended September 30, 2022

Incentive-creating AUM increased \$0.6 billion, or 1.4%, to \$43.8 billion as of September 30, 2022, from \$43.2 billion as of June 30, 2022. This increase reflected \$1.6 billion of net contributions, partially offset by \$1.0 billion of market-value depreciation, inclusive of the impact of foreign currency fluctuations during the third quarter of 2022.

### Nine Months Ended September 30, 2022

Incentive-creating AUM increased \$2.9 billion, or 7.1%, to \$43.8 billion as of September 30, 2022, from \$40.9 billion as of December 31, 2021. This increase reflected \$3.1 billion of net contributions, partially offset by \$0.2 billion of market-value depreciation, inclusive of the impact of foreign currency fluctuations during the nine months ended 2022.

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

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

	As of or for the Three Months Ended September 30,		As of or for the Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)			
<b>Accrued Incentives (Fund Level):</b>				
Beginning balance	\$ 1,574,007	\$ 1,862,008	\$ 1,668,838	\$ 1,314,443
Incentives created (fund level):				
Closed-end funds	12,472	238,256	136,794	1,429,088
Evergreen funds	2,632	17,097	3,246	60,264
Total incentives created (fund level)	<u>15,104</u>	<u>255,353</u>	<u>140,040</u>	<u>1,489,352</u>
Less: incentive income recognized by us	33	(167,534)	(219,734)	(853,967)
Ending balance	<u>\$ 1,589,144</u>	<u>\$ 1,949,827</u>	<u>\$ 1,589,144</u>	<u>\$ 1,949,828</u>
Accrued incentives (fund level), net of associated incentive income compensation expense	<u>\$ 759,471</u>	<u>\$ 905,604</u>	<u>\$ 759,471</u>	<u>\$ 905,604</u>

As of September 30, 2022 and 2021, the portion of net accrued incentives (fund level) represented by funds that were currently paying incentives was \$21.4 million (or 2.8%) and \$66.5 million (or 7.3%), respectively, with the remainder arising from funds that as of that date were not at the stage of their cash distribution waterfall where Oaktree was entitled to receive incentives, other than possibly tax-related distributions.

As of September 30, 2022, \$372.5 million, or 49.0%, of the net accrued incentives (fund level) were in evergreen or closed-end funds that were incentive paying or in their liquidation period. Please see “—Critical Accounting Policies—Fair Value of Financial Instruments” for a discussion of the fair-value hierarchy level established by GAAP.

*Third Quarter Ended September 30, 2022*

Incentives created (fund level) was \$15.1 million for the third quarter of September 30, 2022, primarily reflecting \$12.0 million from Private Equity funds and \$3.7 million from Real Asset Funds.

*Nine Months Ended September 30, 2022*

Incentives created (fund level) was \$140.1 million for the first nine months of September 30, 2022, primarily reflecting \$108.0 million from Credit funds, \$52.6 million from Listed Equities, partially offset by \$24.3 million from Private Equity funds.

## GAAP Statement of Financial Condition (Unaudited)

We manage our financial condition without the consolidation of the Oaktree funds in which we serve as general partner. Since Oaktree's founding, Oaktree and, by extension, we have managed our financial condition in a way that builds our capital base and maintains sufficient liquidity for known and anticipated uses of cash. Our assets do not include accrued incentives (fund level), an off-balance sheet metric.

The following table presents our unaudited condensed consolidating statement of financial condition:

	As of September 30, 2022			
	Oaktree and Operating Subsidiaries	Consolidated Funds	Eliminations	Consolidated
	(in thousands)			
<b>Assets:</b>				
Cash and cash-equivalents	\$ 120,544	\$ —	\$ —	\$ 120,544
U.S. Treasury and other securities	6,033	—	—	6,033
Corporate investments	2,301,315	—	(1,011,497)	1,289,818
Deferred tax assets	3,489	—	—	3,489
Right-of-use assets	27,148	—	—	27,148
Receivables and other assets	159,689	—	(2,336)	157,353
Assets of consolidated funds	—	12,876,870	—	12,876,870
Total assets	<u>\$ 2,618,218</u>	<u>\$ 12,876,870</u>	<u>\$ (1,013,833)</u>	<u>\$ 14,481,255</u>
<b>Liabilities and Capital:</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 186,648	\$ —	\$ —	\$ 186,648
Due to affiliates	18,535	—	—	18,535
Debt obligations	198,245	—	—	198,245
Operating lease liabilities	31,908	—	—	31,908
Liabilities of consolidated funds	—	9,735,118	(3,679)	9,731,439
Total liabilities	<u>435,336</u>	<u>9,735,118</u>	<u>(3,679)</u>	<u>10,166,775</u>
Non-controlling redeemable interests in consolidated funds	—	—	2,131,598	2,131,598
Capital:				
Capital attributable to OCG preferred unitholders	400,584	—	—	400,584
Capital attributable to OCG Class A unitholders	1,316,884	651,146	(651,146)	1,316,884
Non-controlling interest in consolidated subsidiaries	465,414	359,008	(359,008)	465,414
Non-controlling interest in consolidated funds	—	2,131,598	(2,131,598)	—
Total capital	<u>2,182,882</u>	<u>3,141,752</u>	<u>(3,141,752)</u>	<u>2,182,882</u>
Total liabilities and capital	<u>\$ 2,618,218</u>	<u>\$ 12,876,870</u>	<u>\$ (1,013,833)</u>	<u>\$ 14,481,255</u>

## Corporate Investments

	As of		
	September 30, 2022	June 30, 2022	September 30, 2021
	(in thousands)		
Oaktree funds:			
Credit	\$ 1,768,681	\$ 1,707,113	\$ 1,298,949
Private Equity	226,918	239,810	268,343
Real Assets	28,806	27,764	91,558
Listed Equities	39,830	38,016	39,652
Non-Oaktree	237,080	67,478	42,798
Total corporate investments – Oaktree and operating subsidiaries	<u>2,301,315</u>	<u>2,080,181</u>	<u>1,741,300</u>
Eliminations	<u>(1,011,497)</u>	<u>(946,514)</u>	<u>(697,933)</u>
Total corporate investments – Consolidated	<u>\$ 1,289,818</u>	<u>\$ 1,133,667</u>	<u>\$ 1,043,367</u>

## Liquidity and Capital Resources

We manage our liquidity and capital requirements by focusing on our cash flows before the consolidation of Oaktree funds and the effect of normal changes in short-term assets and liabilities. Our primary cash flow activities on an unconsolidated basis involve (a) generating cash flow from operations, (b) generating income from investment activities, including strategic investments in certain third parties, (c) funding capital commitments that we have made to Oaktree funds in which we act as general partner, (d) funding our growth initiatives, (e) distributing cash flow to our Class A, OCGH and OEP unitholders, (f) borrowings, interest payments and repayments under credit agreements, our senior notes and other borrowing arrangements, and (g) issuances of, and distributions made on, our preferred units. As of September 30, 2022, the Company had \$126.6 million of cash and U.S. Treasury and other securities and \$198.2 million of debt obligations. See the Future Sources and Uses of Liquidity section for additional details of Oaktree and its indirect subsidiaries financing activities in 2021.

Ongoing sources of cash include (a) management and sub-advisory fees, which are collected monthly or quarterly, (b) incentive income, which is volatile and largely unpredictable as to amount and timing, and (c) distributions stemming from our corporate investments in funds and companies. We primarily use cash flow from operations and distributions from our corporate investments to pay compensation and related expenses, general and administrative expenses, income taxes, debt service, capital expenditures and distributions. This same cash flow, together with proceeds from equity and debt issuances, is also used to fund corporate investments, fixed assets and other capital items. Subject to applicable law and certain consent rights contained in our operating agreement, pursuant to a covenant in our operating agreement we plan to cause the Oaktree Operating Group, including our indirect subsidiaries Oaktree Capital I and OCM Cayman, to distribute, on a quarterly basis, at least 85% of its adjusted distributable earnings, as defined in our operating agreement, and we plan to distribute amounts we receive in respect of such distributions, less any tax and tax receivable obligations, to holders of our Class A units. Distributions from each Operating Group entity may not be proportionate to its share of adjusted distributable earnings.

Distributions on the preferred units are discretionary and non-cumulative. We may redeem, at our option, out of funds legally available, the preferred units, in whole or in part, at any time on or after June 15, 2023 in respect of the Series A preferred units or September 15, 2023 in respect of the Series B preferred units, at a price of \$25.00 per preferred unit plus declared and unpaid distributions to, but excluding, the redemption date, without payment of any undeclared distributions. Holders of the preferred units have no right to require the redemption of such preferred units.

The Company has subscribed for a limited partner interest in, and made a capital commitment of, \$750 million to Oaktree Opportunities Fund XI, L.P., a parallel investment vehicle thereof or a feeder fund in respect of one of the foregoing (such limited partner interest, the “Opps XI Investment” and such fund entities collectively, “Opps XI”). In order to fund the Opps XI Investment, the Company’s sole Class A unitholder, or one of its affiliates, will contribute cash as a capital contribution (the “Opps XI Investment Cash”) as and to the extent required to satisfy the Company’s obligations to Opps XI. The Company will use the Opps XI Investment Cash solely to fund the Opps XI Investment and satisfy its obligations in respect of Opps XI and distributions from the Opps XI Investment are intended for the benefit of the Class A unitholder, subject to applicable law. The Company’s preferred unitholders should not rely on distributions received by the Company in respect of the Company’s Opps XI Investment for payment of dividends or

redemption of the preferred units. As of September 30, 2022, \$375.0 million of the \$750.0 million capital commitment was funded.

### **Consolidated Cash Flows**

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

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

Because our consolidated funds are either treated as investment companies for accounting purposes or represent CLOs whose primary operations are investing activities, their investing cash flow amounts are included in our cash flows from operations. We believe that we and each of the consolidated funds has sufficient access to cash to fund our and their respective operations in the near term.

Significant amounts from our condensed consolidated statements of cash flows for the nine months ended September 30, 2022 and 2021 are discussed below.

#### *Operating Activities*

Operating activities used \$1.6 billion and \$1.6 billion of cash for the first nine months of 2022 and 2021, respectively. These amounts principally reflected net income (loss), purchases of securities, net of non-cash adjustments, and net realized and unrealized (gain) loss from consolidated fund investments in each of the respective periods as well as net purchases of securities of the consolidated funds.

#### *Investing Activities*

Investing activities used \$183.7 million and provided \$161.9 million of cash for the first nine months of 2022 and 2021, respectively. Net activity from purchases, maturities and sales of U.S. Treasury and other securities included net purchases of \$4.5 million and net proceeds of \$3.2 million for the first nine months of 2022 and 2021, respectively. Corporate investments in funds and companies of \$240.0 million and \$166.9 million for the first nine months of 2022 and 2021, respectively, consisted of the following:

	Nine months ended September 30,	
	2022	2021
	(in thousands)	
Funds	\$ 596,845	\$ 439,217
Eliminated in consolidation	(356,810)	(272,352)
Total investments	<u>\$ 240,035</u>	<u>\$ 166,865</u>

Distributions and proceeds from corporate investments in funds and companies of \$61.2 million and \$325.9 million for the first nine months of 2022 and 2021, respectively, consisted of the following:

	Nine months ended September 30,	
	2022	2021
	(in thousands)	
Funds	\$ 229,742	\$ 397,945
Eliminated in consolidation	(168,544)	(72,048)
Total proceeds	<u>\$ 61,198</u>	<u>\$ 325,897</u>

Purchases of fixed assets were \$0.4 million and \$0.3 million for the first nine months of 2022 and 2021, respectively.

#### *Financing Activities*

Financing activities provided \$1.7 billion and \$1.7 billion of cash for the first nine months of 2022 and 2021, respectively, and included: (a) net contributions from non-controlling interests of consolidated funds of \$538.4 million and \$639.3 million; (b) distributions to unitholders of \$274.4 million and \$636.8 million; (c) net capital contributions of \$147.6 million and \$109.4 million; (d) proceeds from CLO and other debt obligations of \$2.3 billion and \$3.0 billion and repayments of \$892.5 million and \$2.2 billion, and (e) payments of debt issuance costs of \$8.8 million and \$1.8 million. Additionally, the first nine months of 2022 and 2021 included borrowings of \$567.1 million and \$658.8 million, respectively, and \$673.3 million repayments and \$0.0 million of repayments, respectively, related to consolidated funds.

#### *Future Sources and Uses of Liquidity*

We expect to continue to make distributions to our preferred unitholders in accordance with their contractual terms and our Class A unitholders pursuant to our distribution policy for our common units as described in our operating agreement. In the future, subject to our operating agreement we may also issue additional units or debt and other equity securities with the objective of increasing our available capital. In addition, we may, from time to time, repurchase our preferred units in open market or privately negotiated purchases or otherwise, redeem our preferred units pursuant to the terms of their respective governing documents, or repurchase OCGH or OEP units.

In addition to our ongoing sources of cash that include management and sub-advisory fees, incentive income and distributions related to our corporate investments in funds and companies, we also have access to liquidity through our debt financings, credit agreements and equity financings. Prior to the Restructuring, our financial statements reflected debt and debt service of the entire Oaktree Operating Group. Until 2022, OCM had historically been the only direct borrower or issuer under credit agreements and private placement notes with third parties and made all payments of principal and interest. While certain Oaktree Operating Group entities (including Oaktree Capital I) are co-obligors and jointly and severally liable, debt obligations are reflected in the condensed consolidated financial statements based upon the entity that actually made the borrowing and received the related proceeds. Accordingly, our financial statements after the Restructuring generally will not reflect debt obligations, interest expense or related liabilities associated with OCM, Oaktree Capital II and Oaktree AIF.

We believe that the sources of liquidity described below will be sufficient to fund our working capital requirements for at least the next twelve months.

#### *Debt Financings*

In June 2022, our consolidated subsidiary Oaktree Capital I issued and sold to certain accredited investors €50 million of its 2.20% Senior Notes, Series A, due 2032, €75 million of its 2.40% Senior Notes, Series B, due 2034, and €75 million of its 2.58% Senior Notes, Series C, due 2037. These series of notes are senior unsecured obligations of Oaktree Capital I, jointly and severally guaranteed by our former indirect subsidiaries OCM, Oaktree Capital II and Oaktree AIF. These notes provide for certain affirmative and negative covenants, including financial covenants relating to the issuer's and guarantors' combined leverage ratio and minimum assets under management. In addition, these notes contain customary representations and warranties of the issuer and the guarantors, and customary events of default, in certain cases, subject to cure periods. The issuer may prepay all, or from time to time any part of, any series of these notes at any time, subject, in the case of optional prepayment prior to the date that is three months prior to the maturity of the notes, to the issuer's payment of the applicable make-whole amount and

swap breakage loss, if any, determined with respect to such principal amount prepaid. Upon the occurrence of a change of control, the issuer will be required to make an offer to prepay each series of these notes without any make-whole amount.

In January 2022, OCM issued and sold to certain accredited investors \$200 million of 3.06% senior notes due 2037 (the "2037 Notes"). The 2037 Notes are senior unsecured obligations of OCM, jointly and severally guaranteed by Oaktree Capital I, Oaktree Capital II and Oaktree AIF. The 2037 Notes provide for certain affirmative and negative covenants, including financial covenants relating to the issuer's and guarantors' combined leverage ratio and minimum assets under management. In addition, the 2037 Notes contain customary representations and warranties of the issuer and the guarantors, and customary events of default, in certain cases, subject to cure periods. The issuer may prepay all, or from time to time any part of, the 2037 Notes at any time, subject in the case of optional prepayment prior to the date that is three months prior to the maturity of the notes, to the issuer's payment of the applicable make-whole amount determined with respect to such principal amount prepaid. Upon the occurrence of a change of control, the issuer will be required to make an offer to prepay the 2037 Notes without any make-whole amount. As OCM is the issuer of such senior unsecured notes, the outstanding principal and interest payments guaranteed by Oaktree Capital I will not be included in our financial statements unless an event of default occurs.

In July 2020, OCM issued and sold to certain accredited investors \$200 million aggregate principal amount of 3.64% Senior Notes, Series A, due 2030 (the "Series A 2030 Notes") and \$50 million aggregate principal amount of 3.84% Senior Notes, Series B, due 2035 (the "Series B 2035 Notes") pursuant to a note and guaranty agreement. Both series of notes are senior unsecured obligations of the issuer, jointly and severally guaranteed by Oaktree Capital I, Oaktree Capital II and Oaktree AIF. Both series of notes provide for certain affirmative and negative covenants, including financial covenants relating to the issuer's and guarantors' combined leverage ratio and minimum assets under management. In addition, the Series A 2030 Notes and Series B 2035 Notes contain customary representations and warranties of the issuer and the guarantors, and customary events of default, in certain cases, subject to cure periods. The issuer may prepay all, or from time to time any part of, the Series A 2030 Notes and Series B 2035 Notes at any time, subject in the case of optional prepayment prior to the date that is three months prior to the maturity of the notes, to the issuer's payment of the applicable make-whole amount determined with respect to such principal amount prepaid. Upon the occurrence of a change of control, the issuer will be required to make an offer to prepay both series of notes without any make-whole amount. As OCM is the issuer of such senior unsecured notes, the outstanding principal and interest payments guaranteed by Oaktree Capital I will not be included in our financial statements unless an event of default occurs.

In May 2020, Oaktree Capital I, along with certain other Oaktree Operating Group members as co-borrowers, entered into a credit agreement with a subsidiary of Brookfield that provides for a subordinated credit facility maturing on May 19, 2023. The subordinated credit facility has a revolving loan commitment of \$250 million and borrowings generally bear interest at a spread to either LIBOR or an alternative base rate. Borrowings on the subordinated credit facility are subordinate to the outstanding debt obligations and borrowings on the primary credit facility of Oaktree Capital I and its co-borrowers as detailed in note 8 to our condensed consolidated financial statements included elsewhere in this quarterly report. Oaktree Capital I is jointly and severally liable, along with its co-obligors for outstanding borrowings on the subordinated credit facility. As set forth in such note 8, the Company's financial statements generally will not reflect debt obligations, interest expense or related liabilities associated with its operating subsidiaries until such time as Oaktree Capital I directly borrows from the subordinated credit facility. In March 2022, the Company entered into an amendment to the credit facility to extend the revolving credit maturity date from May 19, 2023 to September 14, 2026. No amounts were outstanding on the subordinated credit facility as of September 30, 2022.

In December 2019, OCM, Oaktree Capital II, Oaktree AIF, and Oaktree Capital I (collectively, the "Borrowers") entered into the Fifth Amendment to Credit Agreement (the "Fifth Amendment"), which amended the credit agreement dated as of March 31, 2014 (as amended through and including the Fifth Amendment, the "Credit Agreement"). The Fifth Amendment extended the maturity date of the Credit Agreement from March 29, 2023 to December 13, 2024, increased the revolving credit facility (the "Revolver") from \$500 million to \$650 million, provided for the refinancing of the then-outstanding \$150 million term loan balance with revolving loans, and provides the Borrowers with the option to extend the new maturity date by one year up to two times if the lenders holding at least 50% of the aggregate amount of the revolving loan commitment thereunder on the date of the Borrowers' extension request consent to such extension. The Fifth Amendment also favorably updated the commitment fee and interest rate margins in the corporate ratings-based pricing grid, increased the AUM covenant threshold from \$60 billion to \$65 billion and made certain other amendments to the provisions of the Credit Agreement. Borrowings under the Credit Agreement

generally bear interest at a spread to either LIBOR or an alternative base rate. Based on the current credit ratings of OCM, the interest rate on borrowings is LIBOR plus 1.00% per annum and the commitment fee on the unused portions of the Revolver is 0.10% per annum. The Credit Agreement contains customary financial covenants and restrictions, including (after giving effect to the Fifth Amendment) covenants regarding a maximum leverage ratio of 3.50x-to-1.00x and a minimum required level of assets under management (as defined in the credit agreement). In September 2021, the Borrowers entered into the Sixth Amendment to Credit Agreement (the "Sixth Agreement"). The Sixth Amendment extended the maturity date of the Credit Agreement from December 13, 2024 to September 14, 2026, modified the AUM covenant threshold from \$65 billion of AUM to \$57.5 billion of management fee-generating AUM, and increased the maximum leverage ratio to 4.00x-to-1.00x. As of September 30, 2022, OCM had no outstanding borrowings under the \$650 million revolving credit facility.

In December 2017, OCM issued and sold to certain accredited investors \$250 million of 3.78% senior notes due 2032 (the "2032 Notes"). The 2032 Notes are senior unsecured obligations of the issuer, jointly and severally guaranteed by Oaktree Capital I, Oaktree Capital II and Oaktree AIF. The proceeds from the sale of the 2032 Notes and cash on hand were used to redeem the \$250 million of 6.75% Senior Notes due 2019 and to pay the related make-whole premium to holders thereof. In connection with the Notes offering, we entered into a cross-currency swap agreement to euros, reducing the interest cost to 1.95% per year. The 2032 Notes provide for certain affirmative and negative covenants, including financial covenants relating to the issuer's and guarantors' combined leverage ratio and minimum assets under management. In addition, the 2032 Notes contain customary representations and warranties of the issuer and the guarantors, and customary events of default, in certain cases, subject to cure periods. The issuer may prepay all, or from time to time any part of, the 2032 Notes at any time, subject to the issuer's payment of the applicable make-whole amount determined with respect to such principal amount prepaid. Upon the occurrence of a change of control, the issuer will be required to make an offer to prepay the 2032 Notes together with the applicable make-whole amount determined with respect to such principal amount prepaid.

In July 2016, OCM, issued and sold to certain accredited investors \$100 million of 3.69% senior notes due July 12, 2031 (the "2031 Notes"). The 2031 Notes are senior unsecured obligations of the issuer, jointly and severally guaranteed by Oaktree Capital I, Oaktree Capital II and Oaktree AIF pursuant to a note and guaranty agreement. The proceeds from the sale of the 2031 Notes were used to simultaneously repay \$100 million of borrowings outstanding under the \$250 million term loan due March 31, 2021. The 2031 Notes provide for certain affirmative and negative covenants, including financial covenants relating to the issuer's and guarantors' combined leverage ratio and minimum assets under management. In addition, the 2031 Notes contain customary representations and warranties of the issuer and the guarantors, and customary events of default, in certain cases, subject to cure periods. The issuer may prepay all, or from time to time any part of, the 2031 Notes at any time, subject to the issuer's payment of the applicable make-whole amount determined with respect to such principal amount prepaid. Upon the occurrence of a change of control, the issuer will be required to make an offer to prepay the 2031 Notes together with the applicable make-whole amount determined with respect to such principal amount prepaid.

In September 2014, OCM issued and sold to certain accredited investors \$50 million aggregate principal amount of 3.91% Senior Notes, Series A, due September 3, 2024 (the "Series A Notes"), \$100 million aggregate principal amount of 4.01% Senior Notes, Series B, due September 3, 2026 (the "Series B Notes") and \$100 million aggregate principal amount of 4.21% Senior Notes, Series C, due September 3, 2029 (the "Series C Notes" and together with the Series A Notes and the Series B Notes, the "Senior Notes") pursuant to a note and guarantee agreement. The Senior Notes are senior unsecured obligations of the issuer, guaranteed on a joint and several basis by Oaktree Capital I, Oaktree Capital II and Oaktree AIF. Interest on the 2014 Notes is payable semi-annually. The Senior Notes provide for certain affirmative and negative covenants, including financial covenants relating to the issuer's and guarantors' combined leverage ratio and minimum assets under management. In addition, the Senior Notes contain customary representations and warranties of the issuer and the guarantors, and customary events of default, in certain cases, subject to cure periods. The issuer may prepay all, or from time to time any part of, the Senior Notes at any time, subject to the issuer's payment of the applicable make-whole amount determined with respect to such principal amount prepaid. Upon the occurrence of a change of control, the issuer will be required to make an offer to prepay the Senior Notes together with the applicable make-whole amount determined with respect to such principal amount prepaid.



### *Preferred Unit Issuances*

On May 17, 2018, we issued 7,200,000 of our 6.625% Series A preferred units representing limited liability company interests with a liquidation preference of \$25.00 per unit. The issuance resulted in \$173.7 million in net proceeds to us. Distributions on the Series A preferred units, when and if declared by the board of directors of Oaktree, will be paid quarterly on March 15, June 15, September 15 and December 15 of each year. Distributions on the Series A preferred units are non-cumulative.

On August 9, 2018, we issued 9,400,000 of our 6.550% Series B preferred units representing limited liability company interests with a liquidation preference of \$25.00 per unit. The issuance resulted in \$226.9 million in net proceeds to us. Distributions on the Series B preferred units, when and if declared by the board of directors of Oaktree, will be paid quarterly on March 15, June 15, September 15 and December 15 of each year. Distributions on the Series B preferred units are non-cumulative.

Unless distributions have been declared and paid or declared and set apart for payment on the preferred units for a quarterly distribution period, during the remainder of that distribution period we may not repurchase any common units or any other units that are junior in rank, as to the payment of distributions, to the preferred units and we may not declare or pay or set apart payment for distributions on any common units or junior units for the remainder of that distribution period, other than certain Permitted Distributions (as defined in the unit designation related to the applicable preferred units (each, the "Preferred Unit Designation")).

We may redeem, at our option, out of funds legally available, the preferred units, in whole or in part, at any time on or after June 15, 2023 in respect of the Series A preferred units or September 15, 2023 in respect of the Series B preferred units, at a price of \$25.00 per preferred unit plus declared and unpaid distributions to, but excluding, the redemption date, without payment of any undeclared distributions. Holders of the preferred units have no right to require the redemption of the preferred units.

If a Change of Control Event (as defined in the applicable Preferred Unit Designation) occurs prior to June 15, 2023 in respect of the Series A preferred units or September 15, 2023 in respect of the Series B preferred units, we may, at our option, out of funds legally available, redeem the applicable preferred units, in whole but not in part, upon at least 30 days' notice, within 60 days of the occurrence of such Change of Control Event, at a price of \$25.25 per preferred unit, plus declared and unpaid distributions to, but excluding, the redemption date, without payment of any undeclared distributions.

If a Tax Redemption Event or Rating Agency Event (each, as defined in the applicable Preferred Unit Designation) occurs prior to June 15, 2023 in respect of the Series A preferred units or September 15, 2023 in respect of the Series B preferred units, we may, at our option, out of funds legally available, redeem the applicable preferred units, in whole but not in part, upon at least 30 days' notice, within 60 days of the occurrence of such Tax Redemption Event or Rating Agency Event, at a price of \$25.50 per preferred unit, plus declared and unpaid distributions to, but excluding, the redemption date, without payment of any undeclared distributions.

The preferred units are not convertible into Class A units or any other class or series of our interests or any other security. Holders of the preferred units do not have any of the voting rights given to holders of our Class A units, except that holders of the preferred units are entitled to certain voting rights under certain conditions.

## Contractual Obligations, Commitments and Contingencies

In the ordinary course of business, we and our consolidated funds enter into contractual arrangements that may require future cash payments. The following table sets forth information related to anticipated future cash payments as of September 30, 2022:

	Remainder of 2022	2023-2024	2025-2026	Thereafter	Total
	(in thousands)				
<b>Oaktree and Operating Subsidiaries:</b>					
Operating lease obligations <sup>(1)</sup>	\$ 1,618	\$ 10,331	\$ 8,297	\$ 17,639	\$ 37,885
Senior note principal repayment <sup>(2)</sup>	—	—	—	195,330	195,330
OCG limited partner commitments to Oaktree funds <sup>(3)</sup>	375,000	—	—	—	375,000
Oaktree Capital I general partner commitments to Oaktree and third-party funds <sup>(3)</sup>	517,464	—	—	—	517,464
Subtotal	894,082	10,331	8,297	212,969	1,125,679
<b>Consolidated Funds:</b>					
Debt obligations payable <sup>(2)</sup>	—	975,705	—	—	975,705
Interest obligations on debt <sup>(4)</sup>	11,864	28,173	—	—	40,037
Debt obligations of CLOs <sup>(2)</sup>	40,894	—	—	8,744,482	8,785,376
Interest on debt obligations of CLOs <sup>(4)</sup>	71,143	569,144	569,144	1,877,903	3,087,334
Commitments to fund investments <sup>(5)</sup>	9,754	—	—	—	9,754
Total	\$ 1,027,737	\$ 1,583,353	\$ 577,441	\$ 10,835,354	\$ 14,023,885

- (1) We lease our office space under agreements that expire periodically through 2031. The table includes both guaranteed and expected minimum lease payments for these leases and does not project other lease-related payments.
- (2) These obligations represent future principal payments, gross of debt issuance costs, and for CLOs, the par value.
- (3) These obligations represent commitments by us to provide limited and general partner capital funding to our funds, limited partner capital funding to funds managed by unaffiliated third parties and commitments to support investments by our funds. These amounts are generally due on demand and are therefore presented in the 2022 column. Capital commitments are generally expected to be called over a period of several years.
- (4) Interest obligations include accrued interest on outstanding indebtedness. Where applicable, current interest rates are applied to estimate future interest obligations on variable-rate debt.
- (5) These obligations represent commitments by our funds to make investments or fund uncalled contingent commitments. These amounts are generally due either on demand or by various contractual dates that vary by investment and are therefore presented in the 2022 column. Capital commitments are expected to be called over a period of several years.

In some of our service contracts or management agreements, we have agreed to indemnify third-party service providers or separate account clients under certain circumstances. The terms of the indemnities vary from contract to contract and the amount of indemnification liability, if any, cannot be determined and has neither been included in the above table nor recorded in our condensed consolidated financial statements as of September 30, 2022.

### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements. Please see note 15 to our condensed consolidated financial statements included elsewhere in this quarterly report for information on our commitments and contingencies.

**Critical Accounting Estimates**

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

**Recent Accounting Developments**

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

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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

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

#### **Price Risk**

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

As of September 30, 2022, we had investments, at fair value of \$11.9 billion related to our consolidated funds, primarily consisting of investments held by our CLOs. We estimate that a 10% decline in market values would result in a decrease in unrealized appreciation (depreciation) on the consolidated funds' investments of \$1.2 billion. Of this decline, approximately \$327.3 million would impact net income and \$203.1 million would impact net income attributable to OCG Class A unitholders, with the remainder attributable to non-controlling interests and third-party debt holders in our CLOs. The magnitude of the impact on net income is largely affected by the percentage of our equity ownership interest and levered nature of our CLO investments.

##### ***Impact on Management Fees (before consolidation of funds)***

Management fees are generally assessed in the case of (a) our open-end and evergreen funds, based on NAV, and (b) our closed-end funds, based on committed capital, drawn capital or cost basis during the investment period and, during the liquidation period, based on the lesser of (i) the total funded committed capital or (ii) the cost basis of assets remaining in the fund. Management fees are affected by changes in market values to the extent they are based on NAV. For the nine months ended September 30, 2022 and 2021, NAV-based management fees represented approximately 2% and 2%, respectively, of total management fees. Based on investments held as of September 30, 2022, we estimate that a 10% decline in market values of the investments held in our funds would result in an approximate \$0.1 million decrease in the amount of quarterly management fees. These estimated effects are without regard to a number of factors that would be expected to increase or decrease the magnitude of the change to degrees that are not readily quantifiable, such as the use of leverage facilities in certain of our funds, the timing of fund flows, or the impact on our sub-advisory fees which are excluded from this analysis.

##### ***Impact on Incentive Income (before consolidation of funds)***

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

### **Impact on Investment Income (before consolidation of funds)**

Investment income or loss arises from our pro-rata share of income or loss from our investments, generally in our capacity as general partner in our funds and as an investor in our CLOs and third-party managed funds or companies. This income is directly affected by changes in market risk factors. Based on investments held as of September 30, 2022, a 10% decline in fair values of the investments held in our funds and other holdings would result in a \$319.2 million decrease in the amount of investment income. The estimated decline of \$319.2 million is greater than 10% of the September 30, 2022 corporate investments balance primarily due to the levered nature of our CLO investments. These estimated effects are without regard to a number of factors that would be expected to increase or decrease the magnitude of the change to degrees that are not readily quantifiable, such as the use of leverage facilities in certain of our funds, the timing of fund flows or the timing of new investments or realizations.

### **Exchange-rate Risk**

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

We estimate that for the nine months ended September 30, 2022, without considering the impact of derivative instruments, corporate investments or consolidated funds, a 10% decline in the average exchange rate of the U.S. dollar would have resulted in the following approximate effects on our operating results:

- our management fees (relating to (a) and (b) above) would have increased by \$19.6 million;
- our operating expenses would have increased by \$14.5 million;
- OCGH interest in net income of consolidated subsidiaries would have increased by \$2.4 million; and
- our income tax expense would have increase by \$1.0 million.

These movements would have increased our net income attributable to OCG Class A unitholders by \$2.9 million.

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

### **Credit Risk**

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

### **Interest-rate Risk**

As of September 30, 2022, the Company and its operating subsidiaries had \$195.3 million of debt obligations outstanding that bear interest at a fixed rate. As of September 30, 2022, the Company and its operating subsidiaries are jointly and severally liable for \$1.1 billion debt obligations outstanding under the senior notes issuances and no amounts outstanding under the revolving credit facilities. The senior notes issuances bear interest at a fixed rate. The revolving credit facilities bear interest at a variable rate.

Of the \$126.6 million of aggregate cash and U.S. Treasury and other securities as of September 30, 2022, we estimate that the Company and its operating subsidiaries would generate an additional \$1.3 million in interest income on an annualized basis as a result of a 100-basis point increase in interest rates.

Our consolidated funds have debt obligations, most of which accrue interest at variable rates. Changes in these rates would affect the amount of interest payments that our funds would have to make, impacting future earnings and cash flows. As of September 30, 2022, the consolidated funds had \$7.4 billion of principal or par value, as applicable, outstanding under these debt obligations. We estimate that interest expense relating to variable-rate debt would increase on an annualized basis by \$73.8 million in the event interest rates were to increase by 100 basis points.

As credit-oriented investors, we are also subject to interest-rate risk through the securities we hold in our consolidated funds. A 100-basis point increase in interest rates would be expected to negatively affect prices of securities that accrue interest income at fixed rates and therefore negatively impact the net change in unrealized appreciation (depreciation) on consolidated funds' investments. The actual impact is dependent on the average duration of such holdings. Conversely, securities that accrue interest at variable rates would be expected to benefit from a 100-basis point increase in interest rates because these securities would generate higher levels of current income and therefore positively impact interest and dividend income. In cases where our funds pay management fees based on NAV, we would expect our management fees to experience a change in direction and magnitude corresponding to that experienced by the underlying portfolios.

#### **Item 4. Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives.

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

##### **Changes in Internal Control Over Financial Reporting**

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

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

For a discussion of legal proceedings, please see the section entitled “Legal Actions” in note 15 to our condensed consolidated financial statements included elsewhere in this quarterly report, which section is incorporated herein by reference. Also, please see “Item 1A. Risk Factors—Risks Related to Our Business—Extensive regulation in the United States and abroad affects our activities and creates the potential for significant liabilities and penalties that could adversely affect our business and results of operations” in our annual report.

### Item 1A. Risk Factors

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

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

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

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

None.

### Item 5. Other Information

#### Investment in 17Capital

On July 15, 2022, an indirect subsidiary of the Company completed its acquisition of a majority interest in 17Capital, a London-based investment management firm that specializes in providing financing to private equity management companies, funds, and institutional investors through various transaction structures such as preferred equity investments and NAV-based financing.

**Item 6. Exhibits**

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



**SIGNATURE**

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

Date: November 10, 2022

**Oaktree Capital Group, LLC**

By: \_\_\_\_\_ /s/ Daniel D. Levin

Name: Daniel D. Levin

Title: Chief Financial Officer and Authorized Signatory

## EXHIBITS INDEX

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
<a href="#">3.1</a>	<a href="#">Restated Certificate of Formation of the registrant (incorporated by reference to Exhibit 3.1 to the registrant's Registration Statement on Form S-1, filed with the SEC on June 17, 2011).</a>
<a href="#">3.2</a>	<a href="#">Fifth Amended and Restated Operating Agreement of the registrant dated as of September 30, 2019 and effective as of October 1, 2019 (including Unit Designation, dated as of November 16, 2015, Unit Designation with respect to the Series A Preferred Units, dated May 17, 2018, and Unit Designation with respect to the Series B Preferred Units, dated August 9, 2018) (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated October 4, 2019, filed with the SEC on October 4, 2019).</a>
<a href="#">31.1</a>	<a href="#">Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a> †
<a href="#">31.2</a>	<a href="#">Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a> †
<a href="#">32.1</a>	<a href="#">Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.</a> †
<a href="#">32.2</a>	<a href="#">Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.</a> †
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

† Furnished herewith

## CERTIFICATION

I, Jay S. Wintrob, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 of Oaktree Capital Group, LLC;
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: November 10, 2022

*/s/ Jay S. Wintrob*

Jay S. Wintrob

*Chief Executive Officer*

*(Principal Executive Officer)*

## CERTIFICATION

I, Daniel D. Levin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 of Oaktree Capital Group, LLC;
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: November 10, 2022

/s/ Daniel D. Levin

Daniel D. Levin

Chief Financial Officer

(Principal Financial Officer)

**Certification Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Oaktree Capital Group, LLC (the "Company") for the quarter ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jay S. Wintrob, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods presented.

Date: November 10, 2022

*/s/ Jay S. Wintrob*

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Jay S. Wintrob

*Chief Executive Officer*

*(Principal Executive Officer)*

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.

**Certification Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Oaktree Capital Group, LLC (the "Company") for the quarter ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel D. Levin, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods presented.

Date: November 10, 2022

/s/ Daniel D. Levin

Daniel D. Levin

*Chief Financial Officer*

*(Principal Financial Officer)*

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.