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 March 31, 2020

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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 o

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 o

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	x	Accelerated filer	☐
Non-accelerated filer	o	Smaller reporting company	☐
		Emerging growth company	☐

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

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 May 7, 2020, there were 98,677,040 Class A units and 61,394,265 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: the outcome of any legal proceedings that may be instituted against OCG or its unitholders or directors in connection with the merger between an affiliate of Brookfield Asset Management Inc. and OCG that closed on September 30, 2019; business disruptions resulting from the completion of the merger that will harm OCG's business, including current plans and operations; potential adverse reactions or changes to business relationships resulting from the completion of the merger; certain legal or regulatory restrictions resulting from the completion of the merger that may impact OCG's ability to pursue certain business opportunities or strategic transactions; the ability of OCG to retain and hire key personnel; the continued availability of capital and financing following the merger; 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 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, 2019 (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.

“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 assets Oaktree manages and equals the NAV (as defined below) of the assets Oaktree manages, the leverage on which management fees are charged, the undrawn capital that Oaktree is entitled to call from investors in the funds pursuant to their capital commitments, investment proceeds held in trust for use in investment activities and Oaktree’s pro rata portion of AUM managed by DoubleLine Capital LP and it’s affiliates (“DoubleLine”), in which Oaktree holds a minority ownership interest. For Oaktree’s collateralized loan obligation vehicles (“CLOs”), AUM represents the aggregate par value of collateral assets and principal cash, and for Oaktree’s BDCs, gross assets (including assets acquired with leverage), net of cash, for Oaktree’s special purpose acquisition companies, 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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	As of	
	March 31, 2020	December 31, 2019
Assets		
Cash and cash-equivalents	$ 236,865	$ 323,550
U.S. Treasury and other securities	8,611	9,232
Corporate investments (includes $29,736 and $34,934 measured at fair value as of March 31, 2020 and December 31, 2019, respectively)	633,852	709,137
Due from affiliates	49,083	164,189
Deferred tax assets	1,996	3,096
Right-of-use assets	37,105	39,702
Other assets	38,263	41,198
Assets of consolidated funds:		
Cash and cash-equivalents	646,570	518,243
Investments, at fair value	6,754,146	7,358,409
Dividends and interest receivable	26,957	25,058
Due from brokers	8,221	—
Receivable for securities sold	138,966	58,622
Derivative assets, at fair value	8,618	6,890
Other assets, net	23,708	7,436
Total assets	$ 8,612,961	$ 9,264,762
Liabilities and Unitholders' Capital		
Liabilities:		
Accrued compensation expense	$ 79,331	$ 130,818
Accounts payable, accrued expenses and other liabilities	13,285	11,316
Due to affiliates	62,032	87,063
Debt obligations (Note 10)	—	—
Operating lease liabilities	42,864	45,793
Liabilities of consolidated funds:		
Accounts payable, accrued expenses and other liabilities	92,263	89,937
Payables for securities purchased	369,162	367,983
Derivative liabilities, at fair value	27,475	2,551
Distributions payable	355	34,434
Borrowings under credit facilities	262,022	158,477
Debt obligations of CLOs	5,230,605	5,767,999
Total liabilities	6,179,394	6,696,371
Commitments and contingencies (Note 17)		
Non-controlling redeemable interests in consolidated funds	1,023,496	866,222
Unitholders' capital:		
Series A preferred units, 7,200,000 units issued and outstanding as of March 31, 2020 and December 31, 2019	173,669	173,669
Series B preferred units, 9,400,000 units issued and outstanding as of March 31, 2020 and December 31, 2019	226,915	226,915
Class A units, no par value, unlimited units authorized, 98,677,040 and 97,967,255 units issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	—	—
Class B units, no par value, unlimited units authorized, 61,106,900 and 61,793,286 units issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	—	—
Paid-in capital	777,157	750,299
Retained earnings (accumulated deficit)	(137,859)	51,534
Accumulated other comprehensive loss	(8,534)	(3,501)
Unitholders' capital attributable to Oaktree Capital Group, LLC	1,031,348	1,198,916
Non-controlling interests in consolidated subsidiaries	378,723	503,253
Total unitholders' capital	1,410,071	1,702,169
Total liabilities and unitholders' capital	$ 8,612,961	$ 9,264,762

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 March 31,	
	2020	2019
Revenues:		
Management fees	$ 41,524	$ 169,934
Incentive income	2,395	96,481
Total revenues	43,919	266,415
Expenses:		
Compensation and benefits	(32,459)	(114,523)
Equity-based compensation	(5,365)	(14,329)
Incentive income compensation	(426)	(52,300)
Total compensation and benefits expense	(38,250)	(181,152)
General and administrative	(6,506)	(47,603)
Depreciation and amortization	(452)	(6,564)
Consolidated fund expenses	(13,881)	(2,155)
Total expenses	(59,089)	(237,474)
Other income (loss):		
Interest expense	(44,612)	(45,765)
Interest and dividend income	93,799	92,252
Net realized loss on consolidated funds’ investments	(39,247)	(5,819)
Net change in unrealized appreciation (depreciation) on consolidated funds’ investments	(326,067)	57,117
Investment income (loss)	(109,673)	62,150
Other income, net	52	22
Total other income (loss)	(425,748)	159,957
Income (loss) before income taxes	(440,918)	188,898
Income taxes	(1,798)	(4,498)
Net income (loss)	(442,716)	184,400
Less:		
Net (income) loss attributable to non-controlling interests in consolidated funds	176,100	(64,202)
Net (income) loss attributable to non-controlling interests in consolidated subsidiaries	105,717	(66,115)
Net income (loss) attributable to Oaktree Capital Group, LLC	(160,899)	54,083
Net income attributable to preferred unitholders	(6,829)	(6,829)
Net income (loss) attributable to Oaktree Capital Group, LLC Class A unitholders	$ (167,728)	$ 47,254
Distributions declared per Class A unit	$ 0.22	$ 0.75
Net income (loss) per Class A unit (basic and diluted):		
Net income (loss) per Class A unit	$ (1.71)	$ 0.66
Weighted average number of Class A units outstanding	98,014	71,632

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 March 31,	
	2020	2019
Net income (loss)	$ (442,716)	$ 184,400
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(8,149)	3,708
Other comprehensive income (loss), net of tax	(8,149)	3,708
Total comprehensive income (loss)	(450,865)	188,108
Less:		
Comprehensive (income) loss attributable to non-controlling interests in consolidated funds	176,100	(64,202)
Comprehensive (income) loss attributable to non-controlling interests in consolidated subsidiaries	108,833	(68,112)
Comprehensive income (loss) attributable to OCG	(165,932)	55,794
Comprehensive income attributable to preferred unitholders	(6,829)	(6,829)
Comprehensive income (loss) attributable to OCG Class A unitholders	$ (172,761)	$ 48,965

Please see accompanying notes to condensed consolidated financial statements.

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

	Three months ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net income (loss)	$ (442,716)	$ 184,400
Adjustments to reconcile net income to net cash used in operating activities:		
Investment (income) loss	109,673	(62,150)
Depreciation and amortization	452	6,564
Equity-based compensation	5,365	14,329
Net realized and unrealized (gain) loss from consolidated funds’ investments	365,314	(51,298)
Amortization (accretion) of original issue and market discount of consolidated funds’ investments, net	(7,828)	(1,841)
Income distributions from corporate investments in funds and companies	2,401	45,392
Other non-cash items	46	1,420
Cash flows due to changes in operating assets and liabilities:		
Decrease in deferred tax assets	1,100	—
(Increase) decrease in other assets	4,231	(1,453)
Decrease in net due from affiliates	95,323	82,452
Decrease in accrued compensation expense	(51,773)	(192,471)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(1,286)	24,218
Cash flows due to changes in operating assets and liabilities of consolidated funds:		
(Increase) decrease in dividends and interest receivable	1,014	(2,060)
(Increase) decrease in due from brokers	(8,221)	10,736
Increase in receivables for securities sold	(77,436)	(22,573)
(Increase) decrease in other assets	(4,619)	266
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(25,195)	3,979
Increase in payables for securities purchased	5,017	51,123
Purchases of securities	(1,353,014)	(694,115)
Proceeds from maturities and sales of securities	981,572	546,571
Net cash used in operating activities	(400,580)	(56,511)
Cash flows from investing activities:		
Purchases of U.S. Treasury and other securities	(7,221)	(342,672)
Proceeds from maturities and sales of U.S. Treasury and other securities	7,141	431,573
Corporate investments in funds and companies	(37,919)	(8,593)
Distributions and proceeds from corporate investments in funds and companies	6,237	74,540
Purchases of fixed assets	(84)	(3,094)
Net cash (used in) provided by investing activities	(31,846)	151,754

(continued)

Please see accompanying notes to condensed consolidated financial statements.

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

	Three months ended March 31,	
	2020	2019
Cash flows from financing activities:		
Capital contributions	$ 19,817	$ —
Repurchase and cancellation of units	—	(9,925)
Distributions to Class A unitholders	(21,445)	(53,738)
Distributions to preferred unitholders	(6,829)	(6,829)
Distributions to OCGH unitholders	(13,599)	(68,366)
Distributions to non-controlling interests	—	(1,189)
Cash flows from financing activities of consolidated funds:		
Contributions from non-controlling interests	463,547	80,653
Distributions to non-controlling interests	(127,267)	(62,641)
Proceeds from debt obligations issued by CLOs	186,085	75,947
Payment of debt issuance costs	(1,168)	(768)
Repayment on debt obligations issued by CLOs	(42,263)	(65,198)
Borrowings on credit facilities	75,380	372,000
Repayments on credit facilities	(48,490)	(372,000)
Net cash provided by (used in) financing activities	483,768	(112,054)
Effect of exchange rate changes on cash	(9,936)	(1,384)
Net increase (decrease) in cash and cash-equivalents	41,406	(18,195)
Initial consolidation of funds	236	—
Cash and cash-equivalents, beginning balance	841,793	831,727
Cash and cash-equivalents, ending balance	$ 883,435	$ 813,532

Reconciliation of cash and cash-equivalents		
Cash and cash-equivalents – Oaktree	$ 236,865	$ 500,208
Cash and cash-equivalents – Consolidated Funds	646,570	313,324
Total cash and cash-equivalents	$ 883,435	$ 813,532

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 December 31, 2019	97,967	61,793	$ 173,669	$ 226,915	$ 750,299	$ 51,534	$ (3,501)	$ 503,253	$ 1,702,169
Activity for the three months ended:									
Adoption of new accounting guidance (ASU 2016-13)	—	—	—	—	—	(220)	—	(136)	(356)
Net issuance of units	—	24	—	—	—	—	—	—	—
Unit exchange	710	(710)	—	—	—	—	—	—	—
Capital contributions	—	—	—	—	19,817	—	—	—	19,817
Equity reallocation between controlling and non-controlling interests	—	—	—	—	3,925	—	—	(3,925)	—
Capital increase related to equity-based compensation	—	—	—	—	3,116	—	—	1,963	5,079
Distributions declared	—	—	(2,981)	(3,848)	—	(21,445)	—	(13,599)	(41,873)
Net income (loss)	—	—	2,981	3,848	—	(167,728)		(105,717)	(266,616)
Foreign currency translation adjustment, net of tax	—	—	—	—	—		(5,033)	(3,116)	(8,149)
Unitholders' capital as of March 31, 2020	98,677	61,107	$ 173,669	$ 226,915	$ 777,157	$ (137,859)	$ (8,534)	$ 378,723	$ 1,410,071
Unitholders' capital as of December 31, 2018	71,662	85,472	$ 173,669	$ 226,915	$ 893,043	$ 100,683	$ 1,053	$ 1,092,354	$ 2,487,717
Activity for the three months ended:									
Issuance of units	1,455	1,020	—	—	—	—	—	—	—
Cancellation of units associated with forfeitures	(20)	—	—	—	—	—	—	—	—
Repurchase and cancellation of units	(169)	(73)	—	—	(7,410)	—	—	(2,515)	(9,925)
Equity reallocation between controlling and non-controlling interests	—	—	—	—	6,125	—	—	(6,125)	—
Capital increase related to equity-based compensation	—	—	—	—	6,024	—	—	7,188	13,212
Distributions declared	—	—	(2,981)	(3,848)	—	(53,738)	—	(69,555)	(130,122)
Net income	—	—	2,981	3,848	—	47,254	—	66,115	120,198
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	1,711	1,997	3,708
Unitholders' capital as of March 31, 2019	72,928	86,419	$ 173,669	$ 226,915	$ 897,782	$ 94,199	$ 2,764	$ 1,089,459	$ 2,484,788

Please see accompanying notes to condensed consolidated financial statements.

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. Prior to the Mergers described below, the Company was owned by (i) its public Class A common unitholders, (ii) its public Series A and Series B preferred unitholders and (iii) Oaktree Capital Group Holdings, L.P. (“OCGH”) who held 100% of the Company’s Class B common units which did 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”). The Class A units held by the public unitholders were entitled to one vote per unit and the Class B units held by OCGH were entitled to ten votes per unit. The number of Class B units held by OCGH increased or decreased in response to corresponding changes in OCGH’s economic interest in the Oaktree Operating Group; consequently, the OCGH unitholders’ economic interest in the Oaktree Operating Group is reflected within non-controlling interests in consolidated subsidiaries in the accompanying condensed consolidated financial statements.

Subsequent to the Mergers, (i) all of the Company’s Class A units, which are no longer publicly traded, are held by an affiliate of Brookfield Asset Management, Inc. (“Brookfield”), (ii) the Company’s public preferred unitholders continue to hold the Series A and Series B preferred units listed on the NYSE and (iii) OCGH continues to hold all of the Company’s Class B units. 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 continue to be entitled to one vote per unit and the Class B units continue to be entitled to ten votes per unit, voting together as a single class.

Additionally, prior to the Restructuring as described below, the Company’s operations were conducted through a group of six operating entities collectively referred to as the “Oaktree Operating Group,” and the Company had an indirect economic interest in each of the members of the Oaktree Operating Group. However, after the Restructuring, the Company has an indirect economic interest in only two of the six Oaktree Operating Group members. OCGH has a direct economic interest in all six of the Oaktree Operating Group members. 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.

As of October 1, 2019, Oaktree Capital Management, L.P. (“OCM”), a former indirect subsidiary 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”).

Brookfield Merger

On March 13, 2019, Oaktree, Brookfield, Berlin Merger Sub, LLC, a Delaware limited liability company ("Merger Sub") and a wholly-owned subsidiary of Brookfield, Oslo Holdings LLC, a Delaware limited liability company ("SellerCo") and a wholly-owned subsidiary of OCGH, and Oslo Holdings Merger Sub LLC, a Delaware limited liability company and a wholly-owned subsidiary of Oaktree ("Seller MergerCo") entered into an Agreement and Plan of Merger (the "Merger Agreement"). Pursuant to the terms and conditions set forth in the Merger Agreement, on September 30, 2019, (i) Merger Sub merged with and into Oaktree (the "Merger"), with Oaktree continuing as the surviving entity, and (ii) immediately following the Merger, SellerCo merged with and into Seller MergerCo (the "Subsequent Merger" and together with the Merger, the "Mergers"), with Seller MergerCo continuing as the surviving entity.

Upon the completion of the Mergers on September 30, 2019, Brookfield acquired 61.2% of Oaktree's business in a stock and cash transaction. The remaining 38.8% of the business continued to be owned by OCGH, whose unitholders consist primarily of Oaktree's founders and certain other members of management and current and former employees. As part of the Merger, Brookfield acquired all outstanding vested OCG Class A units for, at the election of OCG Class A unitholders, either $49.00 in cash or 1.0770 Class A shares of Brookfield per OCG Class A unit (subject to pro-ration to ensure that no more than fifty percent (50%) of the aggregate merger consideration is paid in the form of cash or stock), in each case, without interest and subject to any applicable withholding taxes. In addition, as part of the Subsequent Merger the founders, senior management, and current and former employee-unitholders of OCGH sold 20% of their OCGH units to Brookfield for the same consideration as the OCG Class A unitholders received in the merger.

The aggregate amount of cash payable to Class A unitholders and OCGH unitholders in the transaction was approximately $2.4 billion and approximately 52.8 million Brookfield Class A shares were issued in the Mergers. In connection with the closing of the Merger, Oaktree Class A units were delisted from the New York Stock Exchange.

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 became subject to the terms and conditions of the OCGH limited partnership agreement. The Converted OCGH Units will (i) be subject to the same vesting terms that were applicable to such units prior to the completion of the Merger, (ii) be 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. Please see note 15 for more information.

Restructuring Transaction

On the closing date of the Mergers, the Company and certain other entities entered into a Restructuring Agreement (the "Restructuring") pursuant to which the Company's direct and indirect ownership of general partner and limited partner interests in certain Oaktree Operating Group entities were transferred to newly-formed, indirect subsidiaries of Brookfield as of October 1, 2019. As a result, as of October 1, 2019, four of the six Oaktree Operating Group entities are no longer indirect subsidiaries of the Company. Accordingly, the Company's condensed consolidated financial statements reflect its indirect economic interest in only two of the Oaktree Operating Group entities: (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. As of October 1, 2019, the Company's condensed consolidated financial statements no longer reflects any economic interests in the remaining four Oaktree Operating Group entities: (i) Oaktree Capital II, L.P. ("Oaktree Capital II"), which acts as or controls the general partner of certain Oaktree funds and which includes Oaktree's investments in certain funds and other businesses, including Oaktree's investment in DoubleLine Capital, L.P., (ii) OCM, an entity that serves as the U.S. registered investment adviser to most of the Oaktree funds, (iii) Oaktree Investment Holdings, L.P. ("Oaktree Investment Holdings"), which holds certain corporate investments in other entities and (iv) Oaktree AIF Investments, L.P. ("Oaktree AIF"), which primarily holds interests in certain Oaktree fund investments for regulatory and structuring purposes. As a consequence, the assets of Oaktree Capital II, OCM, Oaktree Investment Holdings and Oaktree AIF will no longer directly support the Company's operations.

As a result of the Restructuring of the Company's business, references to "Oaktree" in these financial statements will generally refer to the collective business of the Oaktree Operating Group, of which the Company is a component.

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.

The Restructuring was a transfer of assets among entities under common control, since both the transferring and receiving entities are under control of OCGH. Accordingly, the assets and liabilities were removed at book value and the transfer did not result in a gain or loss to the Company. The deconsolidation of the Oaktree Operating Group entities whose interests were transferred in the Restructuring was accounted for prospectively and did not require a recast of the Company's historical financial information. On October 1, 2019, the deconsolidation of entities whose interests were transferred in the Restructuring resulted in decreases in total assets of $1.7 billion, total liabilities of $1.2 billion, and total unitholders capital of $0.5 billion. Additionally, as a result of the Restructuring, our consolidated results of operations for the three months ended March 31, 2020 reflect the activities for Oaktree Capital I and OCM Cayman, including their related funds and investment vehicles, and do not include the activities for the remaining four Oaktree Operating Group entities, including their related funds and investment vehicles. As a result of the Restructuring, our consolidated results of operations for the three months ended March 31, 2020 are not directly comparable to the three months ended March 31, 2019, which included the activities of all six Oaktree Operating Group entities.

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, 2019 included in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on March 2, 2020.

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.

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

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

Non-controlling Interests in Consolidated Funds

Non-controlling interests in consolidated funds represent the equity interests held by third-party investors in CLOs that had not yet priced as of the respective period end. All non-controlling interests in those CLOs are attributed a share of income or loss arising from the respective CLO based on the relative ownership interests of third-party investors after consideration of contractual arrangements that govern allocations of income or loss. Investors in those CLOs are generally unable to redeem their interests until the 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 13 for more information.

Acquisitions

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

Transactions that do not meet the definition of a business are accounted for as asset acquisitions. The cost of an asset acquisition is allocated to the individual assets acquired and liabilities assumed on a relative fair value basis. Transaction costs are included in the cost of the acquisition and no goodwill is recognized.

Goodwill and Intangibles

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

The Company’s acquired identifiable intangible assets primarily relate to contractual rights to earn future management fees and incentive income. Finite-lived intangible assets are amortized over their estimated useful

lives, which range from seven to 25 years, and are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the asset may not be recoverable.

In connection with the Restructuring, the Company's indirect subsidiaries that held most of the goodwill and all of the acquired intangibles were deconsolidated, and these assets are no longer reflected on the statement of financial condition subsequent to September 30, 2019.

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

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 10 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.

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.

Derivatives that are designated as hedging instruments are classified as either a hedge of (a) a recognized asset or liability ("fair-value hedge"), (b) a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash-flow hedge"), or (c) a net investment in a foreign operation. For a fair-value hedge, the Company records changes in the fair value of the derivative and, to the extent that it is highly effective, changes in the fair value of the hedged asset or liability attributable to the hedged risk in current-period earnings in the same caption in the condensed consolidated statements of operations as the hedged item. Changes in the fair value of a derivative that is highly effective and is designated and qualifies as a cash-flow hedge, to the extent that the hedge is effective, are recorded in other comprehensive income (loss) until earnings are affected by the variability of cash flows of the hedged transaction. Any hedge ineffectiveness is recorded in current-period earnings. Changes in the fair value of derivatives designated as hedging instruments that are caused by factors other than changes in the risk being hedged are excluded from the assessment of hedge effectiveness and recognized in current-period earnings. For freestanding derivatives, changes in fair value are recorded in current-period earnings.

The Company formally documents at inception the hedge relationship, including identification of the hedging instrument and the hedged item, as well as the risk management objectives, the strategy for undertaking the hedge transaction, and the evaluation of effectiveness of the hedged transaction. On a quarterly basis, the Company formally assesses whether the derivative it designated in each hedging relationship has been and is expected to

remain highly effective in offsetting changes in the estimated fair value or cash flow of the hedged items. If it is determined that a derivative is not highly effective at hedging the designated exposure, hedge accounting is discontinued and the balance remaining in other comprehensive income (loss) is released to earnings.

Cash and Cash-equivalents

Cash and cash-equivalents include demand deposit accounts, money market funds and 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, time deposit securities and commercial paper with maturities greater than three months at the date of acquisition. These securities are classified as available-for-sale and recorded at fair value with changes in fair value included in other comprehensive income (loss). Changes in fair value were not material for all years presented.

Corporate Investments

Corporate investments consist of investments in funds and companies in which the Company does not have a controlling financial interest. 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 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.

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 the investment funds are generally considered to be the customers 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 contractual terms of management fees generally vary by fund structure. For most closed-end funds, the management fee rate is applied against committed capital during the fund's investment period and the lesser of total funded capital or cost basis of assets in the liquidation period. Certain closed-end funds pay management fees during the investment period based on drawn capital or cost basis. Additionally, for closed-end funds that pay

management fees based on committed capital, the Company 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 drawn capital, and in certain cases outstanding borrowings under a fund-level credit facility made in lieu of drawing capital, until the Company elects to start the fund's investment period. The Company'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, the Company 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. The Company 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 the Company'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. This amount relates to the gross-up of reimbursable costs incurred on behalf of Oaktree funds in which the Company has determined it is the principal. Such costs are presented in compensation and benefits and general and administrative expenses.

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. 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 of 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.

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 and phantom equity awards. 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. Prior to the Merger, the remeasurement was based on changes in the Company's Class A unit trading price. After the Merger, the remeasurement is based on changes in the value of Converted OCGH Units or other OCGH units, as applicable. Subsequent to the Restructuring, 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 Class A units, OCGH units, OCGH equity value units ("EVUs"), deferred equity units and other performance-based units, and is calculated based on the grant-date fair value of the unit award. A contemporaneous valuation report is utilized in determining fair value at the date of grant for OCGH unit awards. Prior to the Merger, each valuation report was based on the market price of the Class A units as well as other pertinent factors. A discount was then applied to the Class A unit market price to reflect the lack of marketability for equity-classified awards, if applicable. The determination of an appropriate discount for lack of marketability was based on a review of discounts on the sale of restricted shares of publicly-traded companies and multi-period put-based quantitative methods. Factors that influenced the size of the discount for lack of marketability applicable to OCGH units included (a) the estimated time it would take for an OCGH unitholder to exchange units into Class A units, (b) the volatility of the Company's business and (c) thin trading of the Class A units. Each of these factors is subject to significant judgment. After the Merger, OCGH unit grants are valued based on a formula as described in note 15 under "Restated Exchange Agreement—Valuation" and reflect a discount for lack of marketability due to the post-vesting restrictions described in note 15. Factors that influence the formula-based valuation include the estimated time it would take for an OCGH unitholder to exchange units for value pursuant to the Restated Exchange Agreement and estimates of the Company's future results, which are inputs to the valuation formula. Each of these factors is subject to significant judgment.

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 in connection with accounting guidance adopted in the first quarter of 2017 on a modified retrospective basis. 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") that the Company grants to its investment professionals associated with the particular fund 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, including income from consolidated funds that is eliminated in consolidation, to specified investment professionals responsible for the management of the fund. 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. 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 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.

Depreciation and Amortization

Depreciation and amortization expense includes costs associated with the purchase of furniture and equipment, capitalized software, office leasehold improvements, corporate aircraft 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, 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. Corporate aircraft are depreciated using the straight-line method over their estimated useful life. Acquired intangibles primarily relate to contractual rights and are amortized over their estimated useful lives on a straight-line basis, which range from seven to 25 years.

In connection with the Restructuring, the Company's indirect subsidiaries that held the acquired intangibles and corporate aircraft were deconsolidated, and these assets are no longer reflected on the statement of financial condition after September 30, 2019.

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).

Prior to the Restructuring on October 1, 2019, Oaktree Holdings, Inc. and Oaktree AIF Holdings, Inc., which were two of the Company’s Intermediate Holding Companies and wholly-owned corporate subsidiaries, were subject to U.S. federal and state income taxes. The remainder of the Company’s income was generally not subject to U.S. corporate-level taxation.

Upon the Restructuring, Oaktree Holdings, Inc. and Oaktree AIF Holdings, Inc. merged with and into newly formed, indirect subsidiaries of Brookfield, with those subsidiaries surviving the mergers. As a result, as of October 1, 2019, Oaktree Holdings, Inc. and Oaktree AIF Holdings, Inc. ceased to exist and the Company no longer includes on our financial statements economic interests in Oaktree Capital II, Oaktree Investment Holdings, OCM, and Oaktree AIF. All deferred tax balances related to these entities were deconsolidated as part of the Restructuring effective October 1, 2019.

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, and unrealized gains and losses on cash-flow hedges.

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.

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.

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.

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 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 August 2018, the Financial Accounting Standards Board (“FASB”) issued guidance that changes the fair value measurement disclosure requirements. The amendments remove or modify certain disclosures, while adding others. The guidance was effective for the Company in the first quarter of 2020. The Company adopted this guidance and it did not have a material impact on the condensed consolidated financial statements.

In January 2017, the FASB issued guidance to simplify the accounting for goodwill impairments by eliminating step 2 of the goodwill impairment test. This step currently requires an entity to perform a hypothetical purchase price allocation to derive the implied fair value of goodwill. Under the new guidance, an impairment loss is recognized if the carrying value of a reporting unit exceeds its fair value. The impairment loss would equal the amount of that excess, limited to the total amount of goodwill. All other goodwill impairment guidance remains largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The guidance was effective for the Company in the first quarter of 2020 on a prospective basis. The Company adopted this guidance and it did not have a material impact on the condensed consolidated financial statements.

In June 2016, the FASB issued guidance that significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The revised credit loss guidance will replace the existing “incurred loss” model with an “expected loss” model for instruments measured at amortized cost, and require entities to record allowances for available-for-sale debt securities rather than reduce the carrying amount, as is required with the current other-than-temporary impairment credit loss model. It also simplifies the accounting model for purchased credit-impaired debt securities and loans. The Company reviewed its condensed consolidated financial statements and determined that the amounts in scope were primarily related to short term receivables from Oaktree funds. The guidance was effective for the Company in the first quarter of 2020 and was adopted through a cumulative-effect adjustment to retained earnings as of January 1, 2020. The adoption of this guidance in the first quarter of 2020 did not have a material impact on the Company’s condensed consolidated financial statements. Upon adoption the Company recorded a cumulative-effect adjustment to retained earnings of $0.4 million in its condensed consolidated financial statements.

3. REVENUES

The Company provides investment management services through 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. As a result of the Restructuring, which was effective October 1, 2019, sub-advisory fees are no longer eliminated in the consolidated operating results of the Company while management fees earned by OCM are no longer included in the Company's consolidated operating results.

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 months ended March 31, 2020 and 2019, the Company recognized incentive income of $2.4 million and $96.5 million, respectively, substantially all of which related to closed-end funds. Management fees separated by fund structure and sub-advisory fees are set forth below.

	Three months ended March 31,	
	2020	2019
Management Fees		
Closed-end	$ 316	$ 109,375
Open-end	1,820	31,541
Evergreen	—	29,018
Sub-advisory fees	39,388	—
Total	$ 41,524	$ 169,934

Contract Balances

The Company receives management fees monthly or quarterly in accordance with its contracts with customers. Incentive income is received when the fund makes a distribution. 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	
	March 31, 2020	December 31, 2019
Receivables	$ 28,107	$ 65,346
Contract assets [1]	11,297	73,907

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

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 March 31, 2020, the Company consolidated 21 VIEs for which it was the primary beneficiary, including 9 funds managed by Oaktree, 12 CLOs for which Oaktree serves as collateral manager. Two of the consolidated funds, Oaktree Enhanced Income Retention Holdings III, LLC and Oaktree CLO RR Holder, LLC, were formed to satisfy risk retention requirements under Section 15G of the Exchange Act. As of December 31, 2019, the Company consolidated 22 VIEs.

As of March 31, 2020, the assets and liabilities of the 21 consolidated VIEs representing funds and CLOs amounted to $7.0 billion and $5.9 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 March 31, 2020, the Company's investments in consolidated VIEs had a carrying value of $471.6 million, 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 10 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	
	March 31, 2020	December 31, 2019
Corporate investments	$ 611,210	$ 693,090
Due from affiliates	4,840	87,524
Maximum exposure to loss	$ 616,050	$ 780,614

5. INVESTMENTS

Corporate Investments

Corporate investments consist of investments in funds and companies in which the Company does not have a controlling financial interest. 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:

Corporate Investments	As of March 31, 2020	As of December 31, 2019
Equity-method investments:		
Funds	$ 600,133	$ 670,348
Companies	3,983	3,855
Other investments, at fair value	29,736	34,934
Total corporate investments	$ 633,852	$ 709,137

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

Investment (Loss) Income	Three months ended March 31, 2020	Three months ended March 31, 2019
Equity-method investments:		
Funds	$ (105,634)	$ 39,320
Companies	128	17,111
Other investments, at fair value	(4,167)	5,719
Total investment (loss) income	$ (109,673)	$ 62,150

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 three months ended March 31, 2020, no individual equity-method investment met the significance criteria.

Summarized financial information of the Company's equity-method investments is set forth below.

	Three months ended March 31,	
Statements of Operations	**2020**	**2019**
Revenues / investment income	$ 197,281	$ 891,961
Interest expense	(16,170)	(70,857)
Other expenses	(120,974)	(361,900)
Net realized and unrealized gain (loss) on investments	(3,633,708)	1,005,147
Net income (loss)	$ (3,573,571)	$ 1,464,351

Other Investments, at Fair Value

Other investments, at fair value primarily consist of (a) investments in certain Oaktree and non-Oaktree funds for which the fair value option of accounting has been elected and (b) derivatives utilized to 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:

	Three months ended March 31,	
	2020	**2019**
Realized gain	$ 87	$ —
Net change in unrealized gain (loss)	(4,254)	5,719
Total gain (loss)	$ (4,167)	$ 5,719

Investments of Consolidated Funds

Investments, at Fair Value

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

	Fair Value as of		Fair Value as a Percentage of Investments of Consolidated Funds as of	
Investments	**March 31, 2020**	**December 31, 2019**	**March 31, 2020**	**December 31, 2019**
United States:				
Debt securities:				
Communication services	$ 414,411	$ 464,356	6.1 %	6.4 %
Consumer discretionary	395,933	508,701	5.9	6.9
Consumer staples	83,805	92,102	1.2	1.3
Energy	139,358	223,671	2.1	3.0
Financials	322,200	355,113	4.8	4.8
Health care	408,204	512,864	6.0	7.0
Industrials	515,056	563,920	7.6	7.7
Information technology	435,559	524,390	6.4	7.1
Materials	245,224	294,300	3.6	4.0
Real estate	188,440	204,933	2.8	2.8
Utilities	195,365	216,053	2.9	2.9
Total debt securities (cost: $3,898,370 and $3,981,956 as of March 31, 2020 and December 31, 2019, respectively)	3,343,555	3,960,403	49.4	53.9
Equity securities:				
Communication services	96	312	0.0	0.0
Consumer discretionary	399	658	0.0	0.0
Energy	164	256	0.0	0.0
Financials	9	—	0.0	0.0
Utilities	99,856	130,671	1.5	1.8
Total equity securities (cost: $138,387 and $137,149 as of March 31, 2020 and December 31, 2019, respectively)	100,524	131,897	1.5	1.8
Real estate:				
Real estate	269,404	230,741	4.0	3.1
Financials	3,048	—	0.0	0.0
Total real estate securities (cost: $272,433 and $230,741 as of March 31, 2020 and December 31, 2019, respectively)	272,452	230,741	4.0	3.1

Investments	Fair Value as of		Fair Value as a Percentage of Investments of Consolidated Funds as of	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Europe:				
Debt securities:				
Communication services	$ 438,481	$ 469,822	6.5 %	6.4 %
Consumer discretionary	541,908	659,001	8.0	9.0
Consumer staples	175,128	178,609	2.6	2.4
Energy	5,764	11,316	0.1	0.2
Financials	95,392	101,933	1.4	1.4
Health care	522,664	579,765	7.7	7.9
Industrials	313,784	362,120	4.6	4.9
Information technology	212,444	177,152	3.1	2.4
Materials	210,159	230,289	3.1	3.1
Real estate	97,655	96,315	1.4	1.3
Utilities	4,545	3,852	0.1	0.1
Total debt securities (cost: $3,051,994 and $2,876,531 as of March 31, 2020 and December 31, 2019, respectively)	2,617,924	2,870,174	38.6	39.0
Equity securities:				
Consumer discretionary	46,181	94	0.7	0.0
Consumer staples	337	—	0.0	0.0
Health care	1,676	—	0.0	0.0
Industrials	189,717	—	2.8	0.0
Real estate	26,602	—	0.4	0.0
Total equity securities (cost: $264,908 and $1,227 as of March 31, 2020 and December 31, 2019, respectively)	264,513	94	3.9	0.0
Asia and other:				
Debt securities:				
Communication services	17,061	15,750	0.3	0.2
Consumer discretionary	31,759	40,073	0.5	0.5
Consumer staples	12,859	11,545	0.2	0.2
Energy	16,802	13,471	0.2	0.1
Financials	8,423	10,313	0.1	0.1
Government	—	917	0.0	0.0
Health care	6,342	8,923	0.1	0.1
Industrials	41,045	31,814	0.6	0.4
Information technology	2,532	5,639	0.0	0.1
Materials	5,219	5,604	0.1	0.1
Real estate	738	751	0.0	0.0
Utilities	12,398	20,300	0.2	0.3
Total debt securities (cost: $186,212 and $164,650 as of March 31, 2020 and December 31, 2019, respectively)	155,178	165,100	2.3	2.2
Total debt securities	6,116,657	6,995,677	90.6	95.1
Total equity securities	365,037	131,991	5.4	1.8
Total real estate	272,452	230,741	4.0	3.1
Total investments, at fair value	$ 6,754,146	$ 7,358,409	100.0 %	100.0 %

As of March 31, 2020 and December 31, 2019, no single issuer or investment had a fair value that exceeded 5% of Oaktree's total consolidated net assets.

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 March 31,			
	2020		2019	
	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	$ (27,274)	$ (895,927)	$ (7,945)	$ 129,670
CLO liabilities [(1)]	—	593,054	—	(72,083)
Foreign-currency forward contracts [(2)]	(12,077)	(23,073)	2,126	(470)
Options and futures [(2)]	104	(121)	—	—
Total	$ (39,247)	$ (326,067)	$ (5,819)	$ 57,117

(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.

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 10 and 18 for the fair value of the Company's outstanding debt obligations and amounts due from/to affiliates, respectively.

	As of March 31, 2020				As of December 31, 2019			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Assets								
U.S. Treasury and other securities [1]	$ 8,611	$ —	$ —	$ 8,611	$ 9,232	$ —	$ —	$ 9,232
Corporate investments	—	3,066	25,683	28,749	—	4,717	30,311	35,028
Foreign-currency forward contracts [2]	—	3,295	—	3,295	—	—	—	—
Total assets	$ 8,611	$ 6,361	$ 25,683	$ 40,655	$ 9,232	$ 4,717	$ 30,311	$ 44,260
Liabilities								
Foreign-currency forward contracts [3]	$ —	$ —	$ —	$ —	$ —	$ (1,703)	$ —	$ (1,703)

(1) Carrying value approximates fair value due to the short-term nature.
(2) Amounts are included in other assets in the condensed consolidated statements of financial condition.
(3) Amounts are included in accounts payable, accrued expenses and other liabilities in the condensed consolidated statements of financial condition, except for $94 as of December 31, 2019, which is included within corporate investments in the condensed consolidated statements of financial condition.

The table below sets forth a summary of changes in the fair value of Level III financial instruments:

	Three months ended March 31,			
	2020		2019	
	Corporate Investments	Contingent Liability	Corporate Investments	Contingent Liability
Beginning balance	$ 30,311	$ —	$ 45,426	$ (6,657)
Contributions or additions	1,790	—	—	—
Distributions	(2,459)	—	—	—
Net gain (loss) included in earnings	(3,959)	—	2,997	81
Ending balance	$ 25,683	$ —	$ 48,423	$ (6,576)
Net change in unrealized gains (losses) attributable to financial instruments still held at end of period	$ (3,959)	$ —	$ 2,997	$ 81

The table below sets forth a summary of the valuation techniques and quantitative information utilized in determining the fair value of the Company's Level III financial instruments:

	Fair Value as of					
Financial Instrument	March 31, 2020	December 31, 2019	Valuation Technique	Significant Unobservable Input	Range	Weighted Average
Corporate investment – Limited partnership interests	$ 25,683	$ 30,311	Market approach (value of underlying assets)	Not applicable	Not applicable	Not applicable

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 March 31, 2020				As of December 31, 2019			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Assets								
Investments:								
Corporate debt – bank debt	$ —	$ 4,893,169	$ 199,795	$ 5,092,964	$ —	$ 5,911,523	$ 149,642	$ 6,061,165
Corporate debt – all other	—	881,413	142,280	1,023,693	—	903,246	31,266	934,512
Equities – common stock	379	96	364,231	364,706	552	345	130,437	131,334
Equities – preferred stock		—	331	331	—	—	657	657
Real estate	—	3,048	269,404	272,452	—	—	230,741	230,741
Total investments	379	5,777,726	976,041	6,754,146	552	6,815,114	542,743	7,358,409
Derivatives:								
Foreign-currency forward contracts	—	7,892	—	7,892	27	6,863	—	6,890
Options and futures	—	726	—	726	—	—	—	—
Total derivatives [(1)]	—	8,618	—	8,618	27	6,863	—	6,890
Total assets	$ 379	$ 5,786,344	$ 976,041	$ 6,762,764	$ 579	$ 6,821,977	$ 542,743	$ 7,365,299
Liabilities								
CLO debt obligations:								
Senior secured notes	$ —	$ (5,126,069)	$ —	$ (5,126,069)	$ —	$ (5,613,846)	$ —	$ (5,613,846)
Subordinated notes	—	(104,536)	—	(104,536)	—	(154,153)	—	(154,153)
Total CLO debt obligations [(2)]	—	(5,230,605)	—	(5,230,605)	—	(5,767,999)	—	(5,767,999)
Derivatives:								
Foreign-currency forward contracts	—	(27,353)	—	(27,353)	(202)	(2,349)	—	(2,551)
Options and futures	(122)	—	—	(122)	—	—	—	—
Total derivatives [(3)]	(122)	(27,353)	—	(27,475)	(202)	(2,349)	—	(2,551)
Total liabilities	$ (122)	$ (5,257,958)	$ —	$ (5,258,080)	$ (202)	$ (5,770,348)	$ —	$ (5,770,550)

(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 10 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

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
Three months ended March 31, 2020						
Beginning balance	$ 77,736	$ 103,172	$ 130,437	$ 657	$ 230,741	$ 542,743
Transfers into Level III	117,176	53,522	33	—	—	170,731
Transfers out of Level III	(1,127)	(12,093)	—	—	—	(13,220)
Purchases	37,421	12,858	264,909	—	38,663	353,851
Sales	(174)	(3,014)	—	—	—	(3,188)
Realized losses, net	(3)	(58)	—	—	—	(61)
Unrealized depreciation, net	(31,234)	(12,107)	(31,148)	(326)	—	(74,815)
Ending balance	$ 199,795	$ 142,280	$ 364,231	$ 331	$ 269,404	$ 976,041
Net change in unrealized appreciation (depreciation) attributable to assets still held at end of period	$ (23,552)	$ (7,325)	$ (3,868)	$ (312)	$ 9,941	$ (25,116)
Three months ended March 31, 2019						
Beginning balance	$ 136,055	$ 185,378	$ 3,063	$ 1,426	$ —	$ 325,922
Transfers into Level III	17,510	8,754	5,410	—	—	31,674
Transfers out of Level III	(33,820)	(6,280)	—	—	—	(40,100)
Purchases	7,097	17,158	—	—	—	24,255
Sales	(10,017)	(6,801)	(127)	—	—	(16,945)
Realized gains (losses), net	(9)	(361)	26	—	—	(344)
Unrealized appreciation (depreciation), net	(1,871)	3,353	(948)	56	—	590
Ending balance	$ 114,945	$ 201,201	$ 7,424	$ 1,482	$ —	$ 325,052
Net change in unrealized appreciation (depreciation) attributable to assets still held at end of period	$ (3,758)	$ 2,761	$ (948)	$ 56	$ —	$ (1,889)

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 March 31, 2020:

Investment Type	Fair Value	Valuation Technique	Significant Unobservable Inputs [1][2]	Range	Weighted Average [3]
Credit-oriented investments:					
Consumer discretionary:	$ 15,395	Recent market information [5]	Quoted prices	Not applicable	Not applicable
Financials:	118,178	Recent market information [5]	Quoted prices	Not applicable	Not applicable
Health care:	24,000	Recent market information [5]	Quoted prices	Not applicable	Not applicable
Real estate:	56,043	Recent market information [5]	Quoted prices	Not applicable	Not applicable
	78,835	Recent transaction price [8]	Quoted prices	Not applicable	Not applicable
Other:	49,624	Recent market information [5]	Quoted prices	Not applicable	Not applicable
Equity investments:					
	99,630	Discounted cash flow [4]	Discount rate	6% – 8%	7%
	218,356	Recent transaction price [8]	Quoted prices	Not applicable	Not applicable
	46,576	Market approach (comparable companies) [6]	Earnings multiple [7]	5x - 7x	6x
Real estate investments:					
	269,404	Recent transaction price [8]	Quoted prices	Not applicable	Not applicable
Total Level III investments	$ 976,041				

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, 2019:

Investment Type	Fair Value	Valuation Technique	Significant Unobservable Inputs [1][2]	Range	Weighted Average [3]
Credit-oriented investments:					
Consumer discretionary:	$ 16,836	Recent market information [5]	Quoted prices	Not applicable	Not applicable
Financials:	17,274	Recent market information [5]	Quoted prices	Not applicable	Not applicable
Health care:	26,863	Recent market information [5]	Quoted prices	Not applicable	Not applicable
Real estate:	16,755	Recent market information [5]	Quoted prices	Not applicable	Not applicable
	71,906	Recent transaction price [4]	Quoted prices	Not applicable	Not applicable
Other:	31,274	Recent market information [5]	Quoted prices	Not applicable	Not applicable
Equity investments:					
	130,341	Discounted cash flow [4]	Discount rate	6% – 8%	7%
	753	Recent market information [5]	Quoted prices	Not applicable	Not applicable
Real estate-oriented:					
	230,741	Recent transaction price [5]	Quoted prices	Not applicable	Not applicable
Total Level III investments	$ 542,743				

(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.
(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) 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.
(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 market approach is generally used to value distressed investments and investments in which the consolidated funds have a controlling interest in the underlying issuer.
(7) 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.
(8) 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.

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.

During the three months ended March 31, 2020, the valuation technique for two Level III credit-oriented investment changed from a discounted cash flow to a market approach based on comparable companies due to the performance of the portfolio company. There were no changes in the valuation techniques for Level III securities for the three months ended March 31, 2019.

7. DERIVATIVES AND HEDGING

The fair value of freestanding derivatives consisted of the following:

	Assets		Liabilities	
	Notional	Fair Value	Notional	Fair Value
As of March 31, 2020				
Foreign-currency forward contracts	$ 303,158	$ 3,295	$ —	$ —
As of December 31, 2019				
Foreign-currency forward contracts	$ —	$ —	$ (156,281)	$ (1,703)

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

	Three months ended March 31,	
	2020	2019
Investment income	$ 1,356	$ 1,729
General and administrative expense [1]	4,317	2,104
Total	$ 5,673	$ 3,833

(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 March 31, 2020 and December 31, 2019. Additionally, the Company had not designated any derivatives as fair-value hedges or hedges of net investments in foreign operations as of March 31, 2020 and December 31, 2019.

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
As of March 31, 2020				
Foreign-currency forward contracts	$ 298,233	$ 8,618	$ (416,251)	$ (27,353)
Options and futures	—	—	(5,509)	(122)
Total	$ 298,233	$ 8,618	$ (421,760)	$ (27,475)
As of December 31, 2019				
Foreign-currency forward contracts	$ 166,917	$ 6,890	$ (140,276)	$ (2,551)

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

	Three months ended March 31,			
	2020		2019	
	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	$ (12,077)	$ (23,073)	$ 2,126	$ (470)
Options and futures	104	(121)	—	—
Total	$ (11,973)	$ (23,194)	$ 2,126	$ (470)

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.

As of March 31, 2020	Gross and Net Amounts of Assets (Liabilities) Presented	Gross Amounts Not Offset in Statements of Financial Condition		Net Amount
		Derivative Assets (Liabilities)	Cash Collateral Received (Pledged)	
Derivative Assets:				
Foreign-currency forward contracts	$ 3,295	$ —	$ —	$ 3,295
Derivative assets of consolidated funds:				
Foreign-currency forward contracts	8,618	—	—	8,618
Total	$ 11,913	$ —	$ —	$ 11,913
Derivative Liabilities:				
Derivative liabilities of consolidated funds:				
Foreign-currency forward contracts	$ (27,353)	$ —	$ —	$ (27,353)
Options and futures	(122)	—	—	(122)
Total	$ (27,475)	$ —	$ —	$ (27,475)

As of December 31, 2019	Gross and Net Amounts of Assets (Liabilities) Presented	Gross Amounts Not Offset in Statements of Financial Condition		Net Amount
		Derivative Assets (Liabilities)	Cash Collateral Received (Pledged)	
Derivative Assets:				
Derivative assets of consolidated funds:				
Foreign-currency forward contracts	$ 6,890	$ —	$ —	$ 6,890
Total	$ 6,890	$ —	$ —	$ 6,890
Derivative Liabilities:				
Foreign-currency forward contracts	$ (1,703)	$ —	$ —	$ (1,703)
Derivative liabilities of consolidated funds:				
Foreign-currency forward contracts	(2,551)	—	—	(2,551)
Total	$ (4,254)	$ —	$ —	$ (4,254)

8. FIXED ASSETS

Fixed assets, which consist of furniture and equipment, capitalized software, office leasehold improvements, and prior to the Restructuring, company-owned aircraft, are included in other assets in the condensed consolidated statements of financial position.

The following table sets forth the Company's fixed assets and accumulated depreciation:

	As of	
	March 31, 2020	December 31, 2019
Furniture, equipment and capitalized software	$ 9,312	$ 9,608
Leasehold improvements	24,597	25,764
Other	892	937
Fixed assets	34,801	36,309
Accumulated depreciation	(21,783)	(22,227)
Fixed assets, net	$ 13,018	$ 14,082

9. GOODWILL AND INTANGIBLES

Goodwill represents the excess of cost over the fair value of identifiable net assets of acquired businesses. Goodwill has an indefinite useful life and is not amortized, but instead is tested for impairment annually in the fourth quarter of each fiscal year, or more frequently if events or circumstances indicate that impairment may have occurred. As of March 31, 2020, the Company had determined there was no goodwill impairment. The carrying value of goodwill was $18.4 million as of March 31, 2020 and December 31, 2019.

As a result of the Restructuring, goodwill and intangible assets of $50.9 million and $301.7 million, respectively, were transferred as part of the deconsolidation of entities effective October 1, 2019. Amortization expense associated with the Company’s intangible assets was $0 and $4.2 million for the three months ended March 31, 2020 and 2019, respectively. As of March 31, 2020 and December 31, 2019, there were no outstanding intangible asset balances.

Goodwill is included in other assets in the condensed consolidated statements of financial position.

10. DEBT OBLIGATIONS AND CREDIT FACILITIES

Prior to the Restructuring, the Company's financial statements reflected debt and debt service of the entire Oaktree Operating Group. 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. OCM has 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. In connection with the Restructuring, debt obligations with a net carrying amount of $746.3 million related to OCM were transferred as part of the deconsolidation of entities effective October 1, 2019. Accordingly, the Company's financial statements after the Restructuring 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 or issues notes under such arrangements.

As of March 31, 2020, 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 $750 million. The Company's maximum exposure to these debt obligations is set forth below:

	As of	
	March 31, 2020	December 31, 2019
$250,000, 3.78%, issued in December 2017, payable on December 18, 2032	$ 250,000	$ 250,000
Credit facility, issued in March 2014, variable rate obligations payable on December 13, 2024 [1]	150,000	150,000
$50,000, 3.91%, issued in September 2014, payable on September 3, 2024	50,000	50,000
$100,000, 4.01%, issued in September 2014, payable on September 3, 2026	100,000	100,000
$100,000, 4.21%, issued in September 2014, payable on September 3, 2029	100,000	100,000
$100,000, 3.69%, issued in July 2016, payable on July 12, 2031	100,000	100,000
Total remaining principal	$ 750,000	$ 750,000

[1] On December 13, 2019, the credit facility was amended to among other things, increase the revolving loan commitment from $500 million to $650 million, provide for the refinancing of the then-outstanding $150 million term loan with revolving loans, extend the maturity date from March 29, 2023 to December 13, 2024, favorably update the commitment fee and interest rate in the corporate ratings-based pricing grid and increase the asset under management covenant threshold from $60 billion to $65 billion. Borrowings 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 0.88% per annum and the commitment fee on the unused portions of the revolving credit facility is 0.08% per annum. The credit agreement contains customary financial covenants and restrictions, including ones regarding a maximum leverage ratio and a minimum required level of assets under management (as defined in the credit agreement, as amended above). As of March 31, 2020, OCM had $150 million outstanding under the revolving credit facility and the Company 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 March 31, 2020 and December 31, 2019, respectively.

Credit Facilities 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:

	Outstanding Amount as of						
Credit Agreement	March 31, 2020	December 31, 2019	Facility Capacity	Weighted Average Interest Rate	Weighted Average Remaining Maturity (years)	Commitment Fee Rate	L/C Fee
Revolving credit facility	$ 75,961	$ —	€ 120,000	1.99%	2.8	0.20%	1.50%
Senior variable rate notes	187,311	159,411	$ 187,311	2.77	7.1	N/A	N/A
Less: Debt issuance costs	(1,250)	(934)					
Total debt obligations, net	$ 262,022	$ 158,477					

As of March 31, 2020 and December 31, 2019, the consolidated funds had debt obligations with an aggregate outstanding principal balance of $263.3 million and $159.4 million, respectively. The fair value of the senior variable rate notes is a Level III valuation and aggregated $263.3 million and $159.1 million as of March 31, 2020 and December 31, 2019, respectively, using prices obtained from pricing vendors. 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.

As a result of the Restructuring, senior variable rate notes and debt issuance costs of $870.7 million and $4.6 million, respectively, were transferred as part of the deconsolidation of entities effective October 1, 2019.

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 March 31, 2020			As of December 31, 2019		
	Fair Value (1)	Weighted Average Interest Rate	Weighted Average Remaining Maturity (years)	Fair Value (1)	Weighted Average Interest Rate	Weighted Average Remaining Maturity (years)
Senior secured notes	$ 5,126,069	2.74%	10.5	$ 5,613,846	2.85%	8.6
Subordinated notes (2)	104,536	N/A	10.7	154,153	N/A	10.4
Total CLO debt obligations	$ 5,230,605			$ 5,767,999		

(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. Please see notes 2 and 6 for more information.
(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 March 31, 2020 and December 31, 2019, the fair value of CLO assets was $5.7 billion and $6.4 billion, respectively, and consisted of cash, corporate loans, corporate bonds and other securities.

As of March 31, 2020, future scheduled principal or par value payments with respect to the debt obligations of CLOs were as follows:

Remainder of 2020	$ 83,739
2021	—
2022	—
2023	—
2024	—
Thereafter	5,979,053
Total	$ 6,062,792

11. 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 March 31, 2020, 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 March 31, 2020
Operating lease cost	$ 1,669
Sublease income	(97)
Total lease cost	$ 1,572

Supplemental cash flow information related to leases was as follows:

	Three months ended March 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows used for operating leases	$ 1,542
Weighted average remaining lease term for operating leases (in years)	10.4
Weighted average discount rate for operating leases	4.4 %

As of March 31, 2020, maturities of operating lease liabilities were as follows:

Remainder of 2020	$ 4,545
2021	5,903
2022	5,276
2023	4,576
2024	3,998
Thereafter	27,238
Total lease payments	51,536
Less: imputed interest	(8,672)
Total operating lease liabilities	$ 42,864

12. 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.

	Three months ended March 31,	
	2020	2019
Beginning balance	$ 866,222	$ 961,622
Initial consolidation of a fund	(3,708)	—
Contributions	463,547	80,653
Distributions	(128,811)	(62,641)
Net income	(176,100)	64,202
Change in distributions payable	1,544	2,759
Foreign currency translation and other	802	(5,611)
Ending balance	$ 1,023,496	$ 1,040,984

13. 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 March 31, 2020 and December 31, 2019, OCGH units represented 61,106,900 of the total 159,783,940 Oaktree Operating Group units and 61,793,286 of the total 159,760,541 Oaktree Operating Group units, respectively. Based on total allocable capital of $990,341 and $1,301,066 as of March 31, 2020 and December 31, 2019, respectively, the OCGH non-controlling interest was $378,723 and $503,253. As of March 31, 2020 and December 31, 2019, 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.

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”)). These restrictions are not applicable during the initial distribution period, which is the period from the original issue date to, but excluding, September 15, 2018 and December 15, 2018 in regards to the Series A and Series B preferred units, respectively.

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.

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 March 31,	
	2020	2019
Weighted average Oaktree Operating Group units outstanding (in thousands):		
OCGH non-controlling interest	61,770	85,474
Class A unitholders	98,014	71,632
Total weighted average units outstanding	159,784	157,106
Oaktree Operating Group net income (loss):		
Net income attributable to preferred unitholders [(1)]	$ 6,829	$ 6,829
Net income (loss) attributable to OCGH non-controlling interest	(105,717)	65,472
Net income (loss) attributable to OCG Class A unitholders	(167,062)	54,866
Oaktree Operating Group net income (loss) [(2)]	$ (265,950)	$ 127,167
Net income (loss) attributable to OCG Class A unitholders:		
Oaktree Operating Group net income (loss) attributable to OCG Class A unitholders	$ (167,062)	$ 54,866
Non-Operating Group (expense)	(666)	(3,644)
Income tax benefit (expense) of Intermediate Holding Companies	—	(3,968)
Net income (loss) attributable to OCG Class A unitholders	$ (167,728)	$ 47,254

(1) Represents distributions declared, if any, on the preferred units.
(2) Oaktree Operating Group net income does not include amounts attributable to other non-controlling interests, which amounted to $0 and $642 for the three ended March 31, 2020 and 2019, respectively.

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

	Three months ended March 31,	
	2020	2019
Net income (loss) attributable to OCG Class A unitholders	$ (167,728)	$ 47,254
Equity reallocation between controlling and non-controlling interests	3,925	6,125
Change from net income attributable to OCG Class A unitholders and transfers from non-controlling interests	$ (163,803)	$ 53,379

Please see notes 14, 15 and 16 for additional information regarding transactions that impacted unitholders' capital.

14. EARNINGS PER UNIT

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

	Three months ended March 31,	
	2020	2019
	(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	$ (167,728)	$ 47,254
Weighted average number of Class A units outstanding (basic and diluted)	98,014	71,632
Basic and diluted net income (loss) per Class A unit	$ (1.71)	$ 0.66

Prior to the Mergers, OCGH units could be exchanged on a one-for-one basis into Class A units, subject to certain restrictions. The exchange of these units would have proportionally increased the Company's interest in the Oaktree Operating Group. However, as the restrictions set forth in the then-current exchange agreement were in place for each applicable reporting period, those units were not included in the computation of diluted earnings per unit for the three months ended March 31, 2020 and 2019. Subsequent to the Mergers, OCGH units are no longer exchangeable into Class A units.

A deferred equity unit represents a special unit award that, when vested, will be settled with an unvested OCGH unit on a one-for-one basis. The number of deferred equity units that will vest is based on the achievement of certain performance targets through June 2024. Once a performance target has been met, the applicable number of OCGH units will be issued and begin to vest over periods of up to 10.0 years. The holder of a deferred equity unit is not entitled to any distributions until the issuance of an OCGH unit in settlement of a deferred equity unit. As of or for the three months ended March 31, 2020 and 2019, no OCGH units were considered issuable under the terms of the arrangement; consequently, no contingently issuable units were included in the computation of diluted earnings per unit for those periods. Please see note 16 for more information.

Certain compensation arrangements include performance-based awards that could result in the issuance of OCGH units, which would vest over periods of four to ten years from date of issuance. As of and for the three months ended March 31, 2020 and 2019, no OCGH units were considered issuable under the terms of these arrangements; consequently, no contingently issuable units were included in the computation of diluted earnings per unit for those periods.

The Company had a contingent consideration liability that was payable in cash and fully-vested OCGH units. In May 2018, the contingent consideration arrangement was modified in respect of certain performance targets and payment terms. The new arrangement provided for contingent consideration payable in cash and Class A units. No Class A units or OCGH units were considered issuable under the terms of the arrangement as of or for the three months ended March 31, 2020 and 2019; consequently, no contingently issuable units were included in the computation of diluted earnings per unit for those periods. Please see note 18 for more information.

15. EQUITY-BASED 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 three months ended March 31, 2020, the Company granted LTIP awards valued at $28.1 million to employees, partners and directors of the Company and its subsidiaries, subject to annual vesting over a weighted average period of approximately 4.5 years. As of March 31, 2020, the Company expected to recognize compensation expense on its unvested LTIP awards of $28.0 million, subject to adjustment based on future performance, over a weighted average period of 4.5 years. During the three months ended March 31, 2020, the Company recognized $0.1 million of compensation expense related to the LTIP, which was included in compensation and benefits expense in the condensed consolidated statement of operations.

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 March 31, 2020, a maximum of 23,983,692 units have been authorized to be awarded pursuant to the 2011 Plan, and 15,616,054 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 159,783,940 as of March 31, 2020.

Restated Exchange Agreement

At the closing of the Mergers, Oaktree entered into a Third Amended and Restated Exchange Agreement that will, among other things, allow 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 will entitle 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 Mergers, OCGH Units issued after the closing of the Mergers 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. The form of the consideration in an Exchange is generally in the discretion of Brookfield, subject to certain limitations.

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

Valuation

Except as described below, each OCGH Unit will be 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 will be 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 will be 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 will be valued using the same methodology applied to all other OCGH Units.

Annual Limits

Exchanges of OCGH Units, other than Converted OCGH Units and Phantom Units, will be subject to certain annual caps and limitations as follows:

- Messrs. Howard Marks, Bruce Karsh, Jay Wintrob, John Frank, Sheldon Stone, Richard Masson and Larry Keele can, for the Open Period beginning in 2022, exchange up to 20% of the OCGH Units held by them collectively at the closing of the Mergers (or issued pursuant to agreements in place on March 19, 2019, or as agreed to by Brookfield). For each year thereafter, they will be able to exchange an additional 20% of such OCGH Units (subject to yearly caps and inclusive of any prior exchanges), such that they will be entitled to exchange 100% of their OCGH Units beginning during the Open Period in 2026 (subject to yearly caps and inclusive of any prior exchanges).
- Current employees other than those included in the group named in the preceding bullet can, for the Open Period beginning in 2022, sell up to 12.5% of the OCGH Units held by them collectively at the closing (or issued pursuant to agreements in place on March 13, 2019, or as agreed to by Brookfield). For each year thereafter, they will be able to exchange an additional 12.5% of such OCGH Units (subject to yearly caps and inclusive of any prior exchanges). They will be entitled to exchange 100% of their OCGH Units beginning during the Open Period in 2029 (subject to yearly caps).
- Brookfield is not obligated to permit Exchanges that, in the aggregate together with Exchanges requested by all other OCGH limited partners, exceed certain maximum amounts per year. These maximum amounts are: 20% of the exchangeable OCGH Units in calendar year 2022, 25% in 2023, 30% in 2024, and 35% in 2025 and each year thereafter.
- In the event that OCGH limited partners wish to sell or exchange units in excess of the maximum amount for a given year, OCGH will reallocate the exchangeable units among the OCGH limited partners in its sole discretion so that the amount exchanged does not exceed the maximum amount for such year.

With respect to Exchanges of Converted OCGH Units and Phantom Units, OCGH limited partners will not be entitled to exchange such units to the extent the aggregate exchange consideration payable in respect thereof, in

any given Exchange, would exceed an amount equal to (i) the amount of exchange consideration that would have been payable in respect of Converted OCGH Units and Phantom Units that were eligible for participation in the applicable Open Period in accordance with their original vesting schedule as of the date the notice for such Exchange was delivered plus (ii) $20 million; and in the event that OCGH limited partners deliver election notices that would result in such excess, OCGH will reallocate such units among the OCGH limited partners in its sole discretion.

In the event that OCGH limited partners would, following an Exchange, beneficially own less than 1% of the equity of the Oaktree Operating Group (as defined in the operating agreement of the Company, as amended from time to time), Brookfield can require that all remaining OCGH Units be exchanged on 36-months' notice. In addition, following the 8th anniversary of the closing date of the Mergers, Brookfield can discontinue the Exchange rights on 36-months' notice. In the event that OCGH limited partners would, following the final Exchange pursuant to a discontinuation notice, beneficially own less than 5% of the equity of the Oaktree Operating Group, Brookfield can require that all remaining OCGH Units be exchanged in such final Exchange. As a result of the foregoing, the earliest the exchange rights can be terminated is the 11th anniversary of the closing date of the Mergers. Following the delivery of a discontinuation notice, the caps and limits set forth above will cease to be in effect.

Revisions to the terms of the exchange agreement governing post-vesting restrictions and exchange consideration described above and to the terms of the operating agreement of the Company and the partnership agreement of OCGH resulted in a Type I modification of unvested Class A and OCGH units. There was no incremental compensation cost resulting from the modifications.

OCGH Unit Awards

The Company did not grant any OCGH units during the three months ended March 31, 2020. As of March 31, 2020, the Company expected to recognize compensation expense on its unvested OCGH unit awards of $30.5 million over a weighted average period of 3.2 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.

The Company utilizes a contemporaneous valuation report in determining fair value at the date of grant for OCGH unit awards. Prior to the Merger, each valuation report was based on the market price of Oaktree's Class A units. A discount was then applied to the Class A unit market price to reflect the lack of marketability for the OCGH units. The determination of an appropriate discount for lack of marketability was based on a review of discounts on the sale of restricted shares of publicly traded companies and multi-period put-based quantitative methods. Factors that influenced the size of the discount for lack of marketability include (a) the estimated time it would take for an OCGH unitholder to exchange units into Class A units, (b) the volatility of the Company's business and (c) thin trading of the Class A units. Each of these factors is subject to significant judgment.

The estimated time-to-liquidity assumption ranged between 5.8 years in 2017 to 7.0 years in March 2018 and 6.4 years in the most recent valuation in 2019. The estimated time to liquidity was influenced primarily by the need, prior to the Merger, for (a) the general partner of OCGH to elect in its discretion to declare an open period during which an OCGH unitholder could exchange his or her unrestricted vested OCGH units for, at the option of the Company's board of directors, Class A units on a one-for-one basis, an equivalent amount of cash based on then-prevailing market prices, other consideration of equal value or any combination of the foregoing, and (b) the approval of the Company's board of directors to exchange such OCGH units into any of the foregoing. Board approval was based primarily on the objective of maintaining an orderly market for Oaktree's units, but may have taken into account any other factors that the board deemed appropriate in its sole discretion. Volatility was estimated from historical and implied volatilities of the Company and five other comparable public alternative asset management companies.

In valuing employee OCGH unit grants, the discount percentage applied to the then-prevailing Class A unit trading price was 20% for all OCGH units granted in 2017 through the first three quarters of 2018 and 17.5% for the fourth quarter of 2018 through September 30, 2019.

After the Merger, OCGH unit grants are valued based on a formula as described above under “Restated Exchange Agreement - Valuation” and reflect a discount for lack of marketability due to the post-vesting restrictions described above. Factors that influence the formula-based valuation include the estimated time it would take for an OCGH unitholder to exchange units for value pursuant to the Restated Exchange Agreement and estimates of the Company’s future results, which are inputs to the valuation formula. Each of these factors is subject to significant judgment.

Through December 31, 2021, Converted OCGH Units will be valued at $49.00 per unit, less the amount of any capital distributions received upon vesting. Thereafter, any such Converted OCGH Units will be valued using the same methodology applied to all other OCGH units.

With respect to forfeitures, the Company made an accounting policy election to account for forfeitures when they occur in connection with accounting guidance adopted in the first quarter of 2017 on a modified retrospective basis as discussed in note 2. Accordingly, no forfeitures have been assumed in the calculation of compensation expense effective January 1, 2017.

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 (1)		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, 2019 (2)	731,241	$ 45.99	621,406	$ 39.49
Granted	—	—	—	—
Vested	(243,717)	45.48	(209,194)	39.27
Forfeited	—	—	—	—
Balance as of March 31, 2020	487,524	$ 46.24	412,212	$ 39.60

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(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. However, in 2020 and 2021, Converted OCGH Units will be valued at $49.00 per unit, less the amount of any capital distributions received upon vesting.

(2) Effective with the Restructuring, compensation related to unvested equity awards granted for service provided by employees of OCM is no longer included in these condensed consolidated financial statements.

Equity Value Units

OCGH equity value units (“EVUs”) represent special limited partnership units in OCGH that entitle the holder the right to receive special distributions that will be settled in OCGH units, based on value created during a specified period in excess of a fixed “Base Value.” The value created is measured on a per unit basis, based on the appreciation of the OCGH units (before the Merger, the Class A units) and certain components of quarterly distributions with respect to OCGH units over the period beginning on January 1, 2015 and ending on each of December 31, 2019, December 31, 2020 and December 31, 2021, with one-third of the EVUs recapitalizing on each such date. As of March 31, 2020, the value created did not exceed the Base Value. EVUs also give the holder the right, subject to service vesting and Oaktree performance relative to the accreting Base Value, to receive certain quarterly distributions from OCGH. EVUs do not entitle the holder to any voting rights.

The value received under the EVUs will be reduced by (i) distributions received by the holder on 225,000 OCGH units granted to the holder on April 26, 2017, (ii) the value of the portion of profit sharing payments received by the holder attributable to the net incentive income received from certain funds, and (iii) the full value of the OCGH units granted to the holder on April 26, 2017. To the extent that the reduction relates to the value of any such OCGH units that are unvested at the time of the reduction, such OCGH units will vest at that time.

Certain EVUs provide the holder with liquidity rights in respect of the special distributions, if any, that will be settled in OCGH units. As of March 31, 2020, there were 2,000,000 vested EVUs outstanding. The fair value of EVUs was determined using a Monte Carlo simulation model. The fair value is affected by the Class A unit trading price and assumptions regarding certain complex and subjective variables, including the expected Class A unit trading price volatility, distributions and exercise timing, and the risk-free interest rate.

All of the outstanding EVUs were granted to an employee of OCM, accordingly, subsequent to the Restructuring, compensation expense related to these awards is no longer included in these condensed consolidated financial statements.

Deferred Equity Units

A deferred equity unit represents a special unit award that, when vested, will be settled with an unvested OCGH unit on a one-for-one basis. The number of deferred equity units that will vest is based on the achievement of certain performance targets measured through June 2024. Once a performance target has been met, the applicable number of OCGH units will be issued and begin to vest over periods of up to 10.0 years. The holder of a deferred equity unit is not entitled to any distributions until settled by the issuance of an OCGH unit. As of March 31, 2020, there were 767,498 deferred equity units outstanding, none of which were expected to vest. All of the outstanding deferred equity units were granted to employees of OCM, accordingly, subsequent to the Restructuring, compensation expense related to these awards is no longer included in these condensed consolidated financial statements.

16. 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).

Prior to the Restructuring on October 1, 2019, Oaktree Holdings, Inc. and Oaktree AIF Holdings, Inc., two of its Intermediate Holding Companies, were wholly-owned corporate subsidiaries. Income earned by these corporate subsidiaries were subject to U.S. federal and state income taxes during 2019. Income earned by non-corporate subsidiaries was not subject to U.S. federal corporate income tax and was allocated to the Oaktree Operating Group’s unitholders.

Upon the Restructuring, Oaktree Holdings, Inc. and Oaktree AIF Holdings, Inc. merged with and into newly formed, indirect subsidiaries of Brookfield, with those subsidiaries surviving the mergers. As a result, as of October 1, 2019, Oaktree Holdings, Inc. and Oaktree AIF Holdings, Inc. ceased to exist and the Company no longer includes on its financial statements economic interests in Oaktree Capital II, L.P., Oaktree Investment Holdings, L.P., Oaktree Capital Management, L.P., and Oaktree AIF Investments, L.P. All deferred tax balances related to these entities were deconsolidated as part of the Restructuring effective October 1, 2019.

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 2016. The Company believes that it has adequately provided for any reasonably foreseeable outcomes related to its tax examinations and that any settlements related thereto will not have a material adverse effect on the Company’s condensed consolidated financial statements; however, there can be no assurances as to the ultimate outcomes.

Exchange Agreement and Tax Receivable Agreement

Under the terms of an exchange agreement in effect prior to the Merger, each OCGH unitholder, subject to certain restrictions, including the approval of our board of directors, had the right to (or could have been required to) exchange his or her OCGH units for, at the option of the Company's board of directors, Class A units, an equivalent amount of cash based on then-prevailing market prices, other consideration of equal value or any combination of the foregoing. These exchanges resulted in, increases in the tax basis of the tangible and intangible assets of the Oaktree Operating Group. These increases in tax basis have increased and will increase (for tax purposes) depreciation and amortization deductions and reduce gain on sales of assets, and therefore reduced the taxes of two Intermediate Holding Companies, Oaktree Holdings, Inc. and Oaktree AIF Holdings, Inc., that were our subsidiaries prior to the Merger.

Prior to the Merger, Oaktree Holdings, Inc. and Oaktree AIF Holdings, Inc. entered into a tax receivable agreement with the OCGH (the "Original TRA") unitholders that provided for the payment by Oaktree Holdings, Inc. and Oaktree AIF Holdings, Inc. to the OCGH unitholders of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that Oaktree Holdings, Inc. or Oaktree AIF Holdings, Inc. actually realizes (or is deemed to realize in the case of an early termination payment by Oaktree Holdings, Inc. or Oaktree AIF Holdings, Inc. or a change of control, as discussed below) as a result of these increases in tax basis and of certain other tax benefits related to our entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. These payment obligations were obligations of Oaktree Holdings, Inc. and Oaktree AIF Holdings, Inc. and not of the Oaktree Operating Group.

At the closing of the Merger, Oaktree entered into a Third Amended and Restated Tax Receivable Agreement (the "TRA Amendment"), which amended and restated the Original TRA. Pursuant to the TRA Amendment, the Original TRA no longer applies and no Tax Benefit Payments (as defined in the Original TRA) will be made with respect to any exchanges of OCGH units that occur on or after March 13, 2019. With respect to any exchanges of OCGH units that occurred prior to March 13, 2019, the TRA Amendment provides that Tax Benefit Payments (as defined in the Original TRA) will continue to be made with respect to such exchanges in accordance with the Original TRA (as amended in certain respects, including that such payments will be calculated without taking into account any tax attributes of Brookfield). Note that upon closing of the Merger, all of the obligation for future Tax Benefit Payments were transferred to the entities that were deconsolidated as part of the Restructuring effective October 1, 2019.

17. 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 March 31, 2020 and December 31, 2019, respectively, the aggregate of such amounts recorded at the fund level in excess

of incentive income recognized by the Company was $627,398 and $864,900, for which related direct incentive income compensation expense was estimated to be $334,720 and $462,684.

Contingent Liabilities

The Company had a contingent consideration obligation of up to $60.0 million related to the Highstar acquisition that was payable in cash and fully-vested OCGH units. The amount of contingent consideration was based on the achievement of certain performance targets over a period of up to seven years from the acquisition date of August 2014. In May 2018, the contingent consideration arrangement was modified in respect of certain performance targets and payment terms. The new arrangement provides for contingent consideration of up to $36.1 million, payable in cash and Class A units. The modification resulted in a $7.1 million reduction in the contingent consideration liability. As of March 31, 2020 and December 31, 2019, the fair value of the contingent liability was $0, while at March 31, 2019 the fair value of the contingent liability was $6.6 million. Changes in this liability resulted in a loss of $0.1 million for the three months ended March 31, 2019.

For periods prior to the Restructuring, the contingent consideration liability is included in accounts payable, accrued expenses and other liabilities in the condensed consolidated statements of financial condition and changes in the liability are recorded in general and administrative expense in the condensed consolidated statements of operations.

Commitments to Funds

As of March 31, 2020 and December 31, 2019, the Company, generally in its capacity as general partner, had undrawn capital commitments of $266.6 million and $237.3 million, respectively, including commitments to both unconsolidated and consolidated funds.

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 March 31, 2020 and December 31, 2019, the consolidated funds had potential aggregate commitments of $1.3 million and $2.3 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 March 31, 2020 and December 31, 2019, 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 three months ended March 31, 2020, the consolidated funds did not provide any financial support to portfolio companies.

18. 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	
	March 31, 2020	December 31, 2019
Due from affiliates:		
Loans	$ 2,596	$ 2,596
Amounts due from unconsolidated funds	5,910	2,415
Management fees and incentive income due from unconsolidated funds	39,404	88,043
Payments made on behalf of unconsolidated entities	760	71,051
Non-interest bearing advances made to certain non-controlling interest holders and employees	413	84
Total due from affiliates	$ 49,083	$ 164,189
Due to affiliates:		
Amounts due to unconsolidated entities	62,032	86,575
Amounts due to senior executives, certain non-controlling interest holders and employees	—	488
Total due to affiliates	$ 62,032	$ 87,063

Loans

Loans primarily consist of interest-bearing loans made to certain non-controlling interest holders, primarily certain employees, to meet tax obligations related to vesting of equity awards. The 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 and generated interest income of $3 and $23 for the three months ended March 31, 2020 and 2019, respectively.

Due From Oaktree Funds and Portfolio Companies

In the normal course of business, the Company advances certain expenses on behalf of Oaktree funds. Amounts advanced on behalf of consolidated funds are eliminated in consolidation. Certain expenses 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.

Revenues Earned From Oaktree Funds

Management fees and incentive income earned from unconsolidated Oaktree funds totaled $3.3 million and $242.8 million for the three months ended March 31, 2020 and 2019, 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 pay the particular fund's full management fee but not its incentive allocation. To facilitate the funding of capital calls by funds in which employees are invested, the Company periodically advances on a short-term basis the capital calls on certain employees' behalf. These advances are 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.

Administrative Services

Effective October 1, 2019, 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.

For the three months ended March 31, 2020, the Company incurred administrative expenses of $0.2 million, which was included in "Due to affiliates" in the condensed consolidated statements of financial condition, reflecting the unpaid portion of administrative expenses and other reimbursable expenses payable to OCM. As of March 31, 2020 and December 31, 2019, $0.4 million and $0.2 million, respectively were included in "Due to affiliates" in the condensed consolidated statements of financial condition. No amount was incurred by the Company for the three months ended March 31, 2019.

Leases

OCM leases certain office space from affiliates of Brookfield. Rent expense associated with these leases was $1.4 million for the three months ended March 31, 2019. Effective with the Restructuring, OCM's lease expense and obligations are no longer included in these condensed consolidated financial statements.

19. 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.

20. SUBSEQUENT EVENTS

Global Pandemic

The outbreak of infections caused by a novel coronavirus ("COVID-19") has emerged as a serious threat to the health and economic wellbeing of the worldwide population and the overall economy. On March 11, 2020, the World Health Organization announced that infections of COVID-19 had become a global pandemic. As of May 11, 2020, the direct and indirect impacts that the COVID-19 pandemic and recent market volatility may have on the Company's condensed consolidated financial statements are uncertain. The Company is unaware of any material risk to the stability of its condensed consolidated financial statements caused by these uncertainties or the materiality of any effect they may have on the Company's business and operations.

Preferred Unit Distributions

A distribution of $0.414063 per Series A preferred unit will be paid on June 15, 2020 to Series A preferred unitholders of record at the close of business on June 1, 2020.

A distribution of $0.409375 per Series B preferred unit will be paid on June 15, 2020 to Series B preferred unitholders of record at the close of business on June 1, 2020.

Private Placement Notes

On May 1, 2020, OCM received commitments from certain accredited investors to purchase $250 million of senior unsecured notes that bear a blended 3.68% fixed rate of interest and a weighted average maturity of 2031. The notes are guaranteed by Oaktree Capital I, a consolidated subsidiary of the Company, along with Oaktree Capital II and Oaktree AIF, as co-obligors. 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. The offering of such senior notes is subject to the execution of definitive documents and is expected to close on or before July 22, 2020.

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 investment manager specializing in alternative investments, with expertise in credit strategies. 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 investments in credit, private equity, real assets and listed equities. 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.

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 distressed debt. 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.

The outbreak of infections caused by a novel coronavirus ("COVID-19") has emerged as a serious threat to the health and economic wellbeing of the worldwide population and the overall economy. On March 11, 2020, the World Health Organization announced that infections of COVID-19 had become a pandemic and on March 13, 2020 the President of the United States announced a national emergency relating to the disease. Actions intended to mitigate the spread of COVID-19 have caused a dramatic increase in unemployment and economic instability in the United States and in certain other regions in which Oaktree operates and created significant uncertainty and volatility in Oaktree's business and its funds' and their respective portfolio companies' businesses.

Prolonged difficult market and economic conditions 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 the 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 these uncertainties or the materiality of any effect they may have on our business and operations. Please see "Item 1A. Risk Factors—The

outbreak of a novel strain of coronavirus disease ("COVID-19") has significantly disrupted economic conditions and is adversely affecting our operations, business, financial performance and operating results and may continue to do so" in this quarterly report.

Brookfield Merger

On March 13, 2019, Oaktree, Brookfield Asset Management Inc., a corporation incorporated under the laws of the Province of Ontario ("Brookfield"), Berlin Merger Sub, LLC, a Delaware limited liability company ("Merger Sub") and a wholly-owned subsidiary of Brookfield, Oslo Holdings LLC, a Delaware limited liability company ("SellerCo") and a wholly-owned subsidiary of Oaktree Capital Group Holdings, L.P. ("OCGH"), and Oslo Holdings Merger Sub LLC, a Delaware limited liability company and a wholly-owned subsidiary of Oaktree ("Seller MergerCo") entered into an agreement and plan of merger (the "Merger Agreement"). Pursuant to the terms and conditions set forth in the Merger Agreement, effective on September 30, 2019, (i) Merger Sub merged with and into Oaktree (the "Merger"), with Oaktree continuing as the surviving entity, and (ii) immediately following the Merger, SellerCo merged with and into Seller MergerCo (the "Subsequent Merger" and together with the Merger, the "Mergers"), with Seller MergerCo continuing as the surviving entity.

Upon the completion of the Mergers on September 30, 2019, Brookfield acquired 61.2% of Oaktree's business in a stock and cash transaction. The remaining 38.8% of the business continued to be owned by OCGH, whose unitholders consist primarily of Oaktree's founders and certain other members of management and current and former employees. As part of the Merger, Brookfield acquired all outstanding vested OCG Class A units for, at the election of OCG Class A unitholders, either $49.00 in cash or 1.0770 Class A shares of Brookfield per OCG Class A unit (subject to pro-ration to ensure that no more than fifty percent (50%) of the aggregate merger consideration is paid in the form of cash or stock), in each case, without interest and subject to any applicable withholding taxes. In addition, as part of the Subsequent Merger the founders, senior management, and current and former employee-unitholders of OCGH sold 20% of their OCGH units to Brookfield for the same consideration as the OCG Class A unitholders received in the merger.

Restructuring Transaction

On the closing date of the Mergers, we and certain other entities entered into a Restructuring Agreement (the "Restructuring") pursuant to which our direct and indirect ownership of general partner and limited partner interests in certain Oaktree Operating Group entities were transferred to newly-formed, indirect subsidiaries of Brookfield as of October 1, 2019. As a result, as of October 1, 2019, four of the six Oaktree Operating Group entities are no longer our indirect subsidiaries. Accordingly, our condensed consolidated financial statements will reflect our indirect economic interest in only two of the Oaktree Operating Group entities: (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. As of October 1, 2019, our condensed consolidated financial statements will no longer reflect any economic interests in the remaining four Oaktree Operating Group entities: (i) Oaktree Capital II, L.P. ("Oaktree Capital II"), which acts as or controls the general partner of certain Oaktree funds and which includes Oaktree's investments in certain funds and other businesses, including Oaktree's investment in DoubleLine, (ii) Oaktree Capital Management, L.P. ("OCM"), an entity that serves as the U.S. registered investment adviser to most of the Oaktree funds, (iii) Oaktree Investment Holdings, L.P. ("Oaktree Investment Holdings"), which holds certain corporate investments in other entities and (iv) Oaktree AIF Investments, L.P. ("Oaktree AIF"), which primarily holds interests in certain Oaktree fund investments for regulatory and structuring purposes. As a consequence, the assets of Oaktree Capital II, OCM, Oaktree Investment Holdings and Oaktree AIF will no longer support our operations. Please see "Business—Organizational Structure" in our annual report for a diagram of our organizational structure after the Restructuring.

On October 1, 2019, the deconsolidation of entities whose interests were transferred in the Restructuring resulted in decreases in total assets of $1.7 billion, total liabilities of $1.2 billion, and total unitholders capital of $0.5 billion. Additionally, as a result of the Restructuring, our consolidated results of operations for the three months ended March 31, 2020 reflect the activities for only Oaktree Capital I and OCM Cayman, including their related funds and investment vehicles, and do not include the activities for the remaining four Oaktree Operating Group entities, including their related funds and investment vehicles. Accordingly, our consolidated results of operations for the three months ended March 31, 2020 are not directly comparable to the three months ended March 31, 2019, which included the activities of all six Oaktree Operating Group entities.

As a result of the Restructuring of our business, references to “Oaktree” in this quarterly report will generally refer to the collective business of the Oaktree Operating Group, of which we are a component.

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 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

Our 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.

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 Class A units, OCGH units, OCGH equity value units ("EVUs"), 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 Class A unit trading price. 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 Class A units, OCGH units, EVUs, 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") that are granted to Oaktree investment professionals associated with the particular fund 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 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 is eliminated in consolidation, whereas no incentive income compensation expense is eliminated in consolidation, and, in periods prior to the adoption of the new revenue standard on January 1, 2018, the criteria for recognizing income and expense differed and thus may have resulted in timing differences. Subsequent to the Restructuring, our consolidated operating results primarily include incentive income compensation expense related to employees of OCM Cayman.

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 since OCM has 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, our financial statements generally will not reflect debt obligations, interest expense or related liabilities associated with our operating subsidiaries, until such time as Oaktree Capital I, one of our two remaining Oaktree Operating Group entities, directly borrows or issues notes under such arrangements.

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, including income related to amounts received from a legacy Highstar fund for contractually reimbursable costs in connection with the Highstar acquisition.

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).

Prior to the Restructuring on October 1, 2019, Oaktree Holdings, Inc. and Oaktree AIF Holdings, Inc., which were two of the Company's Intermediate Holding Companies and wholly-owned corporate subsidiaries, were subject to U.S. federal and state income taxes. The remainder of the Company's income was generally not subject to U.S. corporate-level taxation.

Upon the Restructuring, Oaktree Holdings, Inc. and Oaktree AIF Holdings, Inc. merged with and into newly formed, indirect subsidiaries of Brookfield, with those subsidiaries surviving the mergers. As a result, as of October 1, 2019, Oaktree Holdings, Inc. and Oaktree AIF Holdings, Inc. ceased to exist and the Company no longer includes on our financial statements economic interests in Oaktree Capital II, Oaktree Investment Holdings, OCM, and Oaktree AIF. All deferred tax balances related to these entities were deconsolidated as part of the Restructuring effective October 1, 2019.

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 13 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 13 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. As a result of the Restructuring, a substantial portion of our revenues will be 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 March 31,	
	2020	2019
	(in thousands, except per unit data)	
Revenues:		
Management fees	$ 41,524	$ 169,934
Incentive income	2,395	96,481
Total revenues	43,919	266,415
Expenses:		
Compensation and benefits	(32,459)	(114,523)
Equity-based compensation	(5,365)	(14,329)
Incentive income compensation	(426)	(52,300)
Total compensation and benefits expense	(38,250)	(181,152)
General and administrative	(6,506)	(47,603)
Depreciation and amortization	(452)	(6,564)
Consolidated fund expenses	(13,881)	(2,155)
Total expenses	(59,089)	(237,474)
Other income (loss):		
Interest expense	(44,612)	(45,765)
Interest and dividend income	93,799	92,252
Net realized gain (loss) on consolidated funds’ investments	(39,247)	(5,819)
Net change in unrealized appreciation (depreciation) on consolidated funds’ investments	(326,067)	57,117
Investment income (loss)	(109,673)	62,150
Other income, net	52	22
Total other income	(425,748)	159,957
Income (loss) before income taxes	(440,918)	188,898
Income taxes	(1,798)	(4,498)
Net income (loss)	(442,716)	184,400
Less:		
Net (income) loss attributable to non-controlling interests in consolidated funds	176,100	(64,202)
Net (income) loss attributable to non-controlling interests in consolidated subsidiaries	105,717	(66,115)
Net (income) loss attributable to OCG	(160,899)	54,083
Net income attributable to preferred unitholders	(6,829)	(6,829)
Net income (loss) attributable to OCG Class A unitholders	$ (167,728)	$ 47,254
Distributions declared per Class A unit	$ 0.22	$ 0.75
Net income (loss) per Class A unit (basic and diluted):		
Net income (loss) per Class A unit	$ (1.71)	$ 0.66
Weighted average number of Class A units outstanding	98,014	71,632

First Quarter Ended March 31, 2020 Compared to the First Quarter Ended March 31, 2019

Revenues

Management Fees

Management fees decreased $128.4 million, or 75.6%, to $41.5 million for the first quarter of 2020, from $169.9 million for the first quarter of 2019. The decrease was primarily attributable to the impact of the Restructuring, which became effective on October 1, 2019.

Incentive Income

Incentive income decreased $94.1 million, or 97.5%, to $2.4 million for the first quarter of 2020, from $96.5 million for the first quarter of 2019. The decline in incentive income was primarily due to lower distributions from closed-end funds that were paying incentive income and the Restructuring. The first quarter of 2019 included $45.0 million from Oaktree Opportunities Fund VIII and $19.0 million from OCM Opportunities Fund VIIb.

Expenses

Compensation and Benefits

Compensation and benefits expense decreased $82.0 million, or 71.6%, to $32.5 million for the first quarter of 2020, from $114.5 million for the first quarter of 2019. The decline in compensation and benefits expense was primarily due to the Restructuring.

Equity-based Compensation

Equity-based compensation expense decreased $8.9 million, or 62.2%, to $5.4 million for the first quarter of 2020, from $14.3 million for the first quarter of 2019, primarily reflecting the impact of the Restructuring.

Incentive Income Compensation

Incentive income compensation expense decreased $51.9 million, or 99.2%, to $0.4 million for the first quarter of 2020, from $52.3 million for the first quarter of 2019, primarily reflecting the decrease in incentive income.

General and Administrative

General and administrative expense decreased $41.1 million, or 86.3%, to $6.5 million for the first quarter of 2020, from $47.6 million for the first quarter of 2019, primarily reflecting the impact of the Restructuring and costs incurred as part of the Mergers during the first quarter of 2019.

Depreciation and Amortization

Depreciation and amortization expense was $0.5 million and $6.6 million for the first quarter of 2020 and 2019, respectively. The decrease primarily reflected the impact of the Restructuring.

Consolidated Fund Expenses

Consolidated fund expenses increased $11.7 million, or 531.8%, to $13.9 million for the first quarter of 2020, from $2.2 million for the first quarter of 2019. The increase reflects the impact of general costs incurred by our consolidated funds during the first quarter of 2020.

Other Income (Loss)

Interest Expense

Interest expense decreased $1.2 million, or 2.6%, to $44.6 million for the first quarter of 2020, from $45.8 million for the first quarter of 2019. The decrease was primarily attributable to a decline in the underlying benchmark interest rates from the comparable 2019 period, offset by increased borrowings related to our CLO investments.

Interest and Dividend Income

Interest and dividend income increased $1.5 million, or 1.6%, to $93.8 million for the first quarter of 2020, from $92.3 million for the first quarter of 2019. 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 $33.4 million, to a loss of $39.2 million for the first quarter of 2020, from a loss of $5.8 million for the first quarter of 2019. The decrease in our net realized gain (loss) reflects our consolidated funds' performance in each period.

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

Net change in unrealized appreciation (depreciation) on consolidated funds' investments decreased $383.2 million, to a loss of $326.1 million for the first quarter of 2020, from a gain of $57.1 million for the first quarter of 2019. 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 $416.6 million, to a net loss of $365.3 million for the first quarter of 2020, from a net gain of $51.3 million for the first quarter of 2019, reflecting our consolidated funds' performance in each period.

Investment Income (Loss)

Investment income decreased $171.9 million, or 276.4%, to a loss of $109.7 million for the first quarter of 2020, from income of $62.2 million for the first quarter of 2019. The decrease primarily reflected lower returns on our Credit and Real Assets investments for the first quarter of 2020.

Income Taxes

Income taxes decreased $2.7 million, or 60.0%, to $1.8 million for the first quarter of 2020, from $4.5 million for the first quarter of 2019. The decrease primarily reflected the deconsolidation of certain corporate taxable entities as part of the Restructuring. 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 (loss) attributable to non-controlling interests in consolidated funds decreased $240.3 million, to a loss of $176.1 million for the first quarter of 2020, from income of $64.2 million for the first quarter of 2019. 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 (loss) attributable to Oaktree Capital Group, LLC Class A unitholders decreased $215.0 million, or 454.5%, to a loss of $167.7 million for the first quarter of 2020, from income of $47.3 million for the first quarter of 2019, primarily reflecting our consolidated funds' performance in each period and the Restructuring.

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 March 31, 2020 and December 31, 2019. The portion of incentive-creating AUM generating incentives at the fund level was $13.4 billion as of March 31, 2020, $16.1 billion as of December 31, 2019 and $21.3 billion as of March 31, 2019. Incentive-creating AUM does not include undrawn capital commitments.

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
Incentive-creating AUM:	(in millions)		
Closed-end funds	$ 19,766	$ 21,530	$ 27,174
Evergreen funds	3,564	3,800	6,633
DoubleLine	—	—	606
Total	$ 23,330	$ 25,330	$ 34,413

First Quarter Ended March 31, 2020

Incentive-creating AUM decreased $2.0 billion, or 7.9%, to $23.3 billion as of March 31, 2020, from $25.3 billion as of December 31, 2019. This decrease reflected an aggregate decline of $3.8 billion attributable to market-value losses, inclusive of the impact of foreign currency fluctuations, partially offset by $1.7 billion of drawdowns and contributions in the first quarter of 2020.

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 March 31,	
	2020	2019
Accrued Incentives (Fund Level):	(in thousands)	
Beginning balance	$ 938,806	$ 1,722,120
Incentives created (fund level):		
Closed-end funds	(230,216)	59,559
Evergreen funds	(4,890)	26,382
DoubleLine	—	2,051
Total incentives created (fund level)	(235,106)	87,992
Less: incentive income recognized by us	(65,002)	(385,208)
Ending balance	$ 638,698	$ 1,424,904
Accrued incentives (fund level), net of associated incentive income compensation expense	$ 299,561	$ 678,517

First Quarter Ended March 31, 2020

As of March 31, 2020 and 2019, the portion of net accrued incentives (fund level) represented by funds that were currently paying incentives was $67.8 million (or 23%) and $201.5 million (or 30%), 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.

Incentives created (fund level) was ($235.1) million for the quarter ended March 31, 2020, primarily reflecting ($138.8) million from Credit funds and ($84.4) million from Private Equity funds.

As of March 31, 2020, $235.5 million, or 78.7%, of the net accrued incentives (fund level) was in evergreen or closed-end funds 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.

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 March 31, 2020			
	Oaktree and Operating Subsidiaries	Consolidated Funds	Eliminations	Consolidated
	(in thousands)			
Assets:				
Cash and cash-equivalents	$ 236,865	$ —	$ —	$ 236,865
U.S. Treasury and other securities	8,611	—	—	8,611
Corporate investments	1,231,932	—	(598,080)	633,852
Deferred tax assets	1,996	—	—	1,996
Operating lease assets	37,105	—	—	37,105
Receivables and other assets	89,706	—	(2,360)	87,346
Assets of consolidated funds	—	7,607,186	—	7,607,186
Total assets	$ 1,606,215	$ 7,607,186	$ (600,440)	$ 8,612,961
Liabilities and Capital:				
Liabilities:				
Accounts payable and accrued expenses	$ 91,248	$ —	$ 1,368	$ 92,616
Due to affiliates	62,032	—	—	62,032
Operating lease liabilities	42,864	—	—	42,864
Liabilities of consolidated funds	—	6,072,430	(90,548)	5,981,882
Total liabilities	196,144	6,072,430	(89,180)	6,179,394
Non-controlling redeemable interests in consolidated funds	—	—	1,023,496	1,023,496
Capital:				
Capital attributable to OCG preferred unitholders	400,584	—	—	400,584
Capital attributable to OCG Class A unitholders	630,764	315,759	(315,759)	630,764
Non-controlling interest in consolidated subsidiaries	378,723	195,501	(195,501)	378,723
Non-controlling interest in consolidated funds	—	1,023,496	(1,023,496)	—
Total capital	1,410,071	1,534,756	(1,534,756)	1,410,071
Total liabilities and capital	$ 1,606,215	$ 7,607,186	$ (600,440)	$ 8,612,961

Corporate Investments

	As of		
	March 31, 2020	December 31, 2019	March 31, 2019
	(in thousands)		
Oaktree funds:			
Credit [1]	$ 717,920	$ 932,445	$ 1,022,038
Private Equity	314,344	241,062	239,285
Real Assets	170,186	172,078	307,128
Listed Equities	19,550	28,846	83,524
Non-Oaktree	9,932	4,147	80,446
Total corporate investments – Oaktree and operating subsidiaries	1,231,932	1,378,578	1,732,421
Eliminations	(598,080)	(669,441)	(575,212)
Total corporate investments – Consolidated	$ 633,852	$ 709,137	$ 1,157,209

(1) Includes CLO investment fair value adjustments for GAAP reporting purposes.

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 and OCGH 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 March 31, 2020, the Company had $245.5 million of cash and U.S. Treasury and other securities and no outstanding debt. See the Future Sources and Uses of Liquidity section for additional details of Oaktree and its indirect subsidiaries financing activities in 2020.

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.

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 three months ended March 31, 2020 and 2019 are discussed below

Operating Activities

Operating activities used $400.6 million and $56.5 million of cash for the first three months of 2020 and 2019, 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 $31.8 million and provided $151.8 million of cash for the first three months of 2020 and 2019, respectively. Net activity from purchases, maturities and sales of U.S. Treasury and other securities included net purchases of $0.1 million and net proceeds of $88.9 million for the first three months of 2020 and 2019, respectively. Corporate investments in funds and companies of $37.9 million and $8.6 million for the first three months of 2020 and 2019, respectively, consisted of the following:

	Three months ended March 31,	
	2020	2019
	(in thousands)	
Funds	$ 192,452	$ 29,216
Eliminated in consolidation	(154,533)	(20,623)
Total investments	$ 37,919	$ 8,593

Distributions and proceeds from corporate investments in funds and companies of $6.2 million and $74.5 million for the three months of 2020 and 2019, respectively, consisted of the following:

	Three months ended March 31,	
	2020	2019
	(in thousands)	
Funds	$ 78,279	$ 106,507
Eliminated in consolidation	(72,042)	(31,967)
Total proceeds	$ 6,237	$ 74,540

Purchases of fixed assets were $0.1 million and $3.1 million for the three months of 2020 and 2019, respectively.

Financing Activities

Financing activities provided $483.8 million and used $112.1 million of cash for the first three months of 2020 and 2019, respectively, and included: (a) net contributions from non-controlling interests of $336.3 million and $16.8 million; (b) distributions to unitholders of $41.9 million and $128.9 million; (c) capital contributions of $19.8 million and net unit purchases of $9.9 million; (d) proceeds from CLO debt obligations of $186.1 million and $75.9 million and repayments of $42.3 million and $65.2 million, and (e) payments of debt issuance costs of $1.2 million and $0.8 million. Additionally, the first three months of 2020 included borrowings of $75.4 million and repayments of $48.5 million 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 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, however, OCM has 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 our operating subsidiaries, until such time as Oaktree Capital I, one of our two remaining Oaktree Operating Group entities, directly borrows or issues notes under such arrangements.

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

On May 1, 2020, OCM received commitments from certain accredited investors to purchase $250 million of senior unsecured notes that bear a blended 3.68% fixed rate of interest and a weighted average maturity of 2031. The notes are guaranteed by Oaktree Capital I, a consolidated subsidiary of the Company, along with Oaktree Capital II and Oaktree AIF, as co-obligors. 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 our financial statements unless an event of default occurs. The offering of such senior notes is subject to the execution of definitive documents and is expected to close on or before July 22, 2020.

In December 2019, our former indirect subsidiaries OCM, Oaktree Capital II, Oaktree AIF, and our indirect subsidiary 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 0.88% per annum and the commitment fee on the unused portions of the Revolver is 0.08% 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). As of March 31, 2020, OCM had $150 million of outstanding borrowings under the $650 million revolving credit facility.

In December 2017, our former indirect subsidiary, 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 our indirect subsidiary, Oaktree Capital I and our former indirect subsidiaries, 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, our former indirect subsidiary, 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 our indirect subsidiary Oaktree Capital I, and our former indirect subsidiaries, 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, our former indirect subsidiary, 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 our indirect subsidiary Oaktree Capital I, and our former indirect subsidiaries, 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. The first distribution was paid on September 17, 2018. 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. The first distribution was paid on December 17, 2018. 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”)). These restrictions are not applicable during the initial distribution period, which is the period from the original issue date to, but excluding, September 15, 2018 and December 15, 2018 in regards to the Series A and Series B preferred units, respectively.

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 March 31, 2020:

	Remainder of 2020	2021-2022	2023-2024	Thereafter	Total
			(in thousands)		
Oaktree and Operating Subsidiaries:					
Operating lease obligations [1]	$ 4,545	$ 11,179	$ 8,574	$ 27,238	$ 51,536
Commitments to Oaktree and third-party funds [4]	266,581	—	—	—	266,581
Subtotal	271,126	11,179	8,574	27,238	318,117
Consolidated Funds:					
Debt obligations payable [2]	75,961	—	61,971	125,340	263,272
Interest obligations on debt [3]	5,026	13,403	9,737	14,218	42,384
Debt obligations of CLOs [2]	83,739	—	—	5,979,053	6,062,792
Interest on debt obligations of CLOs [3]	118,682	314,391	314,391	944,419	1,691,883
Commitments to fund investments [5]	1,257	—	—	—	1,257
Total	$ 284,665	$ 327,794	$ 386,099	$ 7,063,030	$ 8,061,588

(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) Interest obligations include accrued interest on outstanding indebtedness. Where applicable, current interest rates are applied to estimate future interest obligations on variable-rate debt.
(4) These obligations represent commitments by us to provide general partner capital funding to our funds and limited partner capital funding to funds managed by unaffiliated third parties. These amounts are generally due on demand and are therefore presented in the 2020 column. Capital commitments are expected to be called over a period of several years.
(5) These obligations represent commitments by our funds to make investments or fund uncalled contingent commitments. These amounts are generally due either on demand or by various contractual dates that vary by investment and are therefore presented in the 2020 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 March 31, 2020.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements. Please see note 17 to our condensed consolidated financial statements included elsewhere in this quarterly report for information on our commitments and contingencies.

Critical Accounting Policies

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

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 March 31, 2020, we had investments, at fair value of $6.8 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 $675.4 million. Of this decline, approximately $278.5 million would impact net income and $172.2 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 three months ended March 31, 2020 and 2019, NAV-based management fees represented approximately 8% and 38%, respectively, of total management fees. Based on investments held as of March 31, 2020, we estimate that a 10% decline in market values of the investments held in our funds would result in an approximate $0.4 million decrease in the amount of quarterly management fees. These estimated effects are without regard to a number of factors that would be expected to increase or decrease the magnitude of the change to degrees that are not readily quantifiable, such as the use of leverage facilities in certain of our funds or the timing of fund flows.

Impact on 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 March 31, 2020, a 10% decline in fair values of the investments held in our funds and other holdings would result in a $237.4 million decrease in the amount of investment income. The estimated decline of $237.4 million is greater than 10% of the March 31, 2020 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 three months ended March 31, 2020, 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 $4.4 million;
- our operating expenses would have increased by $4.6 million;
- OCGH interest in net income of consolidated subsidiaries would have decreased by $0.8 million; and
- our income tax expense would have decreased by $0.3 million.

These movements would have increased our net income attributable to OCG Class A unitholders by $1.0 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 March 31, 2020, the Company and its operating subsidiaries had no debt obligations outstanding under the three senior notes issuances and revolving credit facility in its condensed consolidated statements of financial condition for which it is jointly and severally liable. Each senior notes issuance accrues interest at a fixed rate. The revolving credit facility accrues interest at a variable rate. Of the $0.2 billion of aggregate cash and U.S. Treasury and other securities as of March 31, 2020, we estimate that the Company and its operating subsidiaries would generate an additional $2.5 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 March 31, 2020, the consolidated funds had $6.3 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 $61.1 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 17 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. Other than the update below, there have been no material changes to the risk factors disclosed in our annual report.

The risks described in our annual report and in this quarterly 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.

The outbreak of a novel strain of coronavirus disease (“COVID-19”) has significantly disrupted economic conditions and is adversely affecting our operations, business, financial performance and operating results and may continue to do so.

The outbreak of infections caused by a novel coronavirus (“COVID-19”) has emerged as a serious threat to the health and economic wellbeing of the worldwide population and the overall economy. On March 11, 2020, the World Health Organization announced that infections of COVID-19 had become a pandemic and on March 13, 2020 the President of the United States announced a national emergency relating to the disease. Since the beginning of the outbreak, many local, state, regional and national governments around the world have taken dramatic action including ordering all non-essential workers to stay home, mandating the closure of schools and non-essential business premises and imposing isolation measures on large portions of their populations. These measures are intended to protect human life but have had serious adverse impacts on domestic and foreign economies, and the severity and duration of these impacts are highly uncertain. The effectiveness of economic stabilization efforts, including proposed government payments to affected citizens and industries, is also uncertain, and many economists are predicting extended local or global recessions.

Actions intended to mitigate the spread of COVID-19 have caused a dramatic increase in unemployment and economic instability in the United States and in certain other regions in which we operate and created significant uncertainty and volatility in our business and our funds’ and their respective portfolio companies’ businesses. Although it is impossible to predict with certainty the potential full magnitude of the business and economic ramifications, COVID-19 has impacted, and may further impact, our and our funds’ business, result of operations and financial condition in various ways, including but not limited to:

- Difficult market and economic conditions may adversely impact the valuations of our and our funds’ investments, particularly if the value of an investment is determined in whole or in part by reference to public equity markets;
- Limitations on travel and social distancing requirements implemented in response to COVID-19 may challenge our ability to market new or successor funds as anticipated prior to COVID-19, resulting in less or delayed revenues. In addition, fund investors may become limited by their asset allocation policies to invest in new or successor funds that we provide, because these policies often restrict the amount that they are permitted to invest in alternative assets like the strategies of our investment funds in light of the recent decline in public equity markets;
- Limitations on travel and social distancing requirements may also impact the investment operations of our funds, as our investment professionals may be unable to visit properties or other physical assets owned by our funds and may be limited in their ability to perform in-person due diligence for new investment opportunities;
- While the market dislocation caused by COVID-19 may present attractive investment opportunities, increased volatility in the financial markets may limit our ability to complete those investments;

- If the impact of COVID-19 continues, we and our funds may have more limited opportunities to successfully exit existing investments, due to, among other reasons, lower valuations, decreased revenues and earnings, lack of potential buyers with financial resources to pursue an acquisition or limited or no ability to conduct initial public offerings in equity capital markets, resulting in a reduced ability to realize value from such investments;
- Our portfolio companies are facing and may face in the future increased credit and liquidity risk due to volatility in financial markets, reduced revenue streams and limited or higher cost of access to preferred sources of funding, which may result in potential impairment of our or our funds' equity investments. Changes in the debt financing markets may impact the ability of our portfolio companies to meet their respective financial obligations. We and our funds may experience similar difficulties, and certain funds have been forced to sell securities acquired with leverage when the value of those securities decreased substantially;
- Borrowers under loans, notes and other credit instruments in our credit funds' portfolio may be unable to meet their principal or interest payment obligations or satisfy financial covenants, and tenants leasing real estate properties owned by our funds may not be able to pay rents in a timely manner or at all, resulting in a decrease in the value of our funds' credit and real estate investments and lower than expected returns. In addition, for variable interest instruments, lower reference rates resulting from government stimulus programs in response to COVID-19 could lead to lower interest income for our credit funds;
- Many of our portfolio companies operate in industries that are materially impacted by COVID-19, including but not limited to the travel, hospitality, energy, finance and real estate industries. Many of these companies are facing operational and financial hardships resulting from the spread of COVID-19 and related governmental measures, such as the closure of company facilities, restrictions on travel, quarantines and stay-at-home orders. If the disruptions caused by COVID-19 continue and the restrictions put in place are not lifted, the businesses of these portfolio companies will suffer, and they could become insolvent, all of which may decrease the value of our funds' investments;
- While we have transitioned substantially all of our employees to a remote work environment in an effort to mitigate the spread of COVID-19, an extended duration for these remote working arrangements and the continued spread of COVID-19 may negatively impact the ability of our and OCM's key personnel to conduct our business and in turn negatively impact the business and operations of our funds;
- Our transition to remote working has also increased our vulnerability to risks related to our computer and communications hardware and software systems and exacerbated certain related risks, including risks of phishing and other cybersecurity attacks. See "Item 1A. Risk Factors—Risks Related to our Business— Failure to maintain the security of our information and technology networks, including personally identifiable and client information, intellectual property and proprietary business information could have a material adverse effect on us." in our annual report; and
- COVID-19 presents a significant threat to our employees' well-being and morale. While we have implemented a business continuity plan to protect the health of our employees and have contingency plans in place for our and OCM's key employees or executive officers who may become sick or otherwise unable to perform their duties for an extended period of time, such plans cannot anticipate all scenarios, and we may experience a loss of productivity or a delay in the rollout of certain strategic plans.

We are continuing to monitor the spread of COVID-19 and related risks, including risks related to efforts to mitigate the disease's spread, although the rapid development and fluidity of the situation precludes any prediction as to its ultimate impact on us. However, if the spread and related mitigation efforts continue, the impact could grow and our business, financial condition, results of operations and cash flows could be materially adversely affected. A prolonged widespread epidemic, or the perception that such an epidemic may continue to reoccur, could adversely impact global economies and financial markets, resulting in an economic downturn that may impact our or our funds' business. See "Item 1A. Risk Factors—Risks Related to Our Business—Our business is materially affected by conditions in the global financial markets and economies, and any disruption or deterioration in these conditions could materially reduce our revenues, earnings and cash flow and adversely affect our overall performance, ability to raise or deploy capital, financial prospects and condition and liquidity position" in our annual report. Already, the COVID-19 outbreak has begun to negatively impact our and our funds' operations and revenue. We expect the effects to become more acute over the next few months. We believe COVID-19's impact on our business, results of operations and financial condition will be significantly driven by a number of factors that we are unable to predict or

control, including, for example: the severity and duration of the pandemic; the pandemic's impact on the U.S. and global economies; the timing, scope and effectiveness of additional governmental responses to the pandemic; the timing and speed of economic recovery, including the availability of a treatment or vaccination for COVID-19; the impact of the pandemic and measures taken in response to it on overall supply and demand, goods and services, investor liquidity and liquidity in the financial markets, consumer confidence and levels of economic activity and the extent of disruption to important global, regional and local supply chains and economic markets; and the negative impact on our fund investors, vendors and other business partners that may indirectly adversely affect us. Any of the foregoing factors, and other cascading effects of the COVID-19 pandemic, could further impact our business, results of operations and financial condition, including by materially increasing our costs. The duration of any such impacts cannot be predicted and such impacts may also have the effect of heightening many of the other risks previously disclosed in our annual report under the heading "Item 1A. Risk Factors".

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

None.

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: May 11, 2020

Oaktree Capital Group, LLC

By: /s/ Daniel D. Levin

Name: **Daniel D. Levin**

Title: **Chief Financial Officer and Authorized Signatory**

EXHIBITS INDEX

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

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† Furnished herewith

Exhibit 31.1

CERTIFICATION

I, Jay S. Wintrob, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 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: May 11, 2020

/s/ Jay S. Wintrob

Jay S. Wintrob
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Daniel D. Levin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 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: May 11, 2020

/s/ Daniel D. Levin

Daniel D. Levin
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Oaktree Capital Group, LLC (the “Company”) for the quarter ended March 31, 2020 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: May 11, 2020

/s/ Jay S. Wintrob
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.

Exhibit 32.2

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 March 31, 2020 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: May 11, 2020

/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.