FORTRESS INVESTMENT GROUP LLC

Moderator: Gordon Runté
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10:00 a.m. ET

Operator: Good morning. My name is Stephanie and I will be your conference operator today. At this time, I would like to welcome everyone to the Fortress Investment Group Second Quarter Earnings conference call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. If you'd like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you'd like to withdraw your question, please press the pound key. Thank you.

I would now like to turn the call over to Gordon Runté, Head of Investor Relations.

Gordon Runté: Thank you, Stephanie. Good morning, everyone, and welcome to the Fortress Investment Group Second Quarter 2014 Earnings conference call.

We will begin our call today with opening remarks from Fortress Chief Executive Officer, Randy Nardone, and Chief Financial Officer, Dan Bass. And after these remarks, we will save most of our time for your questions.

Joining us for that portion of our call, with us in New York, we have Co-Chairman and Head of Private Equity, Wes Edens; Principal and Head of Liquid Markets, Mike Novogratz; and we have Co-Chairman and Co-CIO of Credit, Pete Briger, and Co-CIO of Credit, Dean Dakolias calling in from Europe.

Just let me cover a few housekeeping items before we begin. I'll remind you that statements made today that are not historical facts may be forward-looking statements, and these statements are by their nature uncertain and may differ materially from actual results.

We encourage you to read the forward-looking statement disclaimer in today's earnings release in addition to the risk factors described in our quarterly and annual filings. And with that, let me hand off to Randy.

Randy Nardone: Thank you, Gordon, and thanks, everyone, for joining us.

We had a terrific second quarter. Pre-tax distributable earnings were $172 million, or $0.39 per share, our second highest quarter ever. AUM increased to an all-time high of $63.8 billion. Net cash and investments on our balance sheet grew to over $3 per share and we announced a second quarter dividend of $0.26 per share, including a top up of $0.18 based on balance sheet realizations. That's our largest ever quarterly distribution.

The distribution is the first under a new dividend policy approved by our Board. Some key points: of course, subject to the usual considerations, we will continue to make regular quarterly dividends based on net management fees. We also expect to make quarterly top up distributions primarily funded by balance sheet realizations, as you saw today. And at year-end, our quarterly distribution will also take into account net incentive income. In aggregate, we expect to distribute substantially all of our DE in any given year.

A big part of the story for the quarter was PE realization activity. These sales generated $91 million in investment gains recognized in DE, they funded our top up dividend and they returned meaningful money to our LPs.

Balance sheet investments stood at $1.1 billion at the end of the quarter. That includes over $540 million in embedded gains that would become DE if we liquidated at our current marks. We're actively working to make these assets worth more as we prepare to monetize them.

We expect that realizations and corresponding top up dividends – subject to Board approval – will continue to trend up in the next few years.

Unrecognized incentive income increased to over $1 billion.

Capital raising has been strong and broad-based. We had $1.8 billion in commitments to alternative strategies including the permanent capital vehicles during the quarter. And at Logan Circle, we had $1.7 billion in net inflows.

Dry powder grew to $7.4 billion, which would be added to fee earning AUM as invested.

So a lot of metrics pointing to potential earnings upside and increased liquidity.

Let me give you the highlights by business:

In Private Equity, we had a very busy and a very constructive quarter. In our main funds, valuations increased by nearly 3%. Fund management DE increased to $39 million, up 30% over last year.

Coupled with the investment gains from the sales of GAGFAH and Brookdale, Private Equity activities accounted for a total of $131 million in DE.

At the same time, capital formation was strong carrying through July.

We mentioned on our last call that we reopened the Transportation and Infrastructure fund[1], and I'm happy to report that we're closing the fund today with expected commitments of about $950 million. We're working towards an IPO as early as year-end.

We also raised over $170 million in equity for New Residential in Q2. Investment performance in this business was exceptional, leading to incentive income of nearly $20 million in the quarter.

[1] Also referred to as TAI

And we announced our intent to spin out the senior living business from Newcastle. The business has total invested capital of over $700 million and is in good shape for a potential IPO later this year.

Including TAI, we've raised nearly $3 billion in the permanent capital vehicles since the beginning of 2012, bringing AUM and dry powder to about $4.6 billion today. We've grown from two vehicles to an expected six by year-end. With enormous addressable markets and strong and experienced management teams, we're positioned for significant growth from here.

The economics to FIG are powerful. As a hypothetical, on each incremental $1 billion in AUM with a 1.5% management fee on equity and a 25 over 10% incentive fee, we'd generate $27.5 million on 15% net returns and $40 million on 20% net returns.

We also receive options at each capital raise. At the end of the second quarter, the intrinsic value of our options was a net $77 million.

So a great deal of growth momentum in our permanent capital group, which should have significant valuation implications for Fortress.

Moving to Credit, once again, it's a story of strong, consistent returns. Our Credit Hedge Fund is up close to 6% net through June, and our Credit Private Equity funds maintained top-tier IRRs of 19% to 28%.[2]

We had a solid quarter of capital formation. New commitments totaled over $800 million, including over $550 million in hedge fund strategies and over $250 million for our second global Real Estate fund.

Credit had a dramatic increase in gross unrecognized incentive income, now nearly $920 million. With this embedded value I mentioned, and over $15 billion in NAV above incentive thresholds, we feel very good about prospects for strong results in the quarters ahead.

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[2] Also net through June

In Liquid Markets, we remain focused on generating solid full-year performance for our LPs and getting back to high water marks.
Macro returns were roughly flat in the second quarter, but the guys have had an extremely strong July through last Friday, up nearly 3% net month-to-date. In the Asia Macro Fund, it's a similar story of good progress in July with more work ahead. With five months left in the year, we remain optimistic about prospects for getting back into incentive territory.

At Logan Circle, investment performance remained strong, with all 16 fixed income strategies once again outperforming their benchmarks.

Logan AUM reached an all-time high of over $29 billion backed by investment gains and $1.7 billion in client inflows. That's an increase of over 35% in the past year.

Altogether, it was a great quarter for Fortress. We've talked about our ability to generate strong results across a range of environments, our capacity to generate strong cash earnings based in part on increased realizations, and we've talked about how these factors can contribute to higher dividends with distributions not necessarily waiting until the end of the year. On all these fronts we delivered in the second quarter.

We have great momentum going into the second half of the year and see substantial upside in every one of our businesses.

And with that, let me hand it off to Dan.

Dan Bass: Thanks, Randy. Good morning, everyone.

As Randy mentioned, we had a great second quarter. The quarter was anchored by record DE, including significant investment income from our balance sheet; continued growth in our key financial metrics; substantial capital formation activity in all businesses; and a record quarterly dividend of $0.26 per share. With that in mind, let me start with our financial results.

Earnings growth at Fortress has been visible and apparent for many quarters. Over the last twelve months, we have recorded pre-tax DE of $455 million and at our current share count of $442 million, that equates to over $1 per share. And for the first six months of 2014, we have recorded pre-tax earnings per share of $0.59, representing an earnings growth of 16% over the same time last year. Supporting this growth is a 15% increase in management fees when compared to the same six-month period in 2013.

In addition to the management fees, multiple sources of incentive income have contributed to our earnings growth as well. In fact, during the first six months, we have received incentive income from 30 different sources across all of our businesses.

And with the planned spin-off of our senior living business in the second half of the year, we could have yet another vehicle potentially generating incentive income going forward.

So we've seen strong growth in our two key revenue streams with an outlook for future growth ahead.

However, what made this quarter truly exceptional were earnings derived from our balance sheet. Sales of Brookdale and GAGFAH in our PE funds generated around $130 million of balance sheet proceeds for Fortress. We also recognized over $90 million, or about $0.20 per share, of DE from these sales as well. These sales drove our strong second quarter results and also funded our top up dividend.

Let me now move to our key performance metrics.

AUM finished the second quarter at a record high $63.8 billion. This is a 2% growth from the first quarter and 17% from the same time last year. The growth in AUM came after returning over $2 billion of capital to our limited partners in the quarter. Nearly $1.5 billion of that capital came from the Brookdale and GAGFAH transactions alone.

Contributing to AUM growth in the quarter was nearly $700 million of hedge fund inflows, over $1.7 billion of Logan Circle net inflows, and fund performance of $1.1 billion.

Moving to capital formation, over the last year and a half, we now have raised nearly $10 billion of alternative capital. In addition, we have had nearly $6 billion of net inflows into Logan Circle. About 40% of the alternative capital came from Private Equity funds and permanent capital vehicles, another 40% came from Liquid funds, and the final 20% was raised in Credit strategies. The key point here is that we are actively raising capital and we are positioned for future growth in every one of our businesses.

On embedded incentive income, during the second quarter, this gross value grew to over $1 billion, or nearly $2.34 per share. This represents 11% growth in the quarter and 18% since year-end. The $1 billion of value is comprised of $937 million embedded in our funds and $95 million from the gross value of our options in permanent capital vehicles. Importantly, of the value embedded in our funds, nearly 70% resides in funds or vehicles that are outside of their investment period.

A few points on our balance sheet. While in the second quarter realizations were substantial in size, they represent only around 10% of our total investment value at the end of the quarter. That still leaves nearly $1.2 billion in investments at our current marks. And we see significant potential for our investments to appreciate further in value before they are realized as well. Investment realizations will be varied from quarter-to-quarter, but based on the maturity profile of the underlying investments, we expect to harvest a significant portion of that value in the next few years.

As you saw in the second quarter, the implications here for both DE and potential top of distributions are significant.

A few comments on the quarterly dividend. Today’s dividend announcement of $0.26 per share is comprised of an $0.08 quarterly base dividend, plus a top up cash dividend of $0.18 based upon balance sheet realizations.

With this, we now have distributed $0.34 to our shareholders in the first half of this year. This implies a dividend yield for the full year of around 7% as of yesterday's close, and this is before any assumption for additional top distributions throughout the remainder of the year, which could push the yield even higher.

Lastly, a point on taxes. For the full year, we still expect our DE tax rate to be a percentage in the mid-teens.

In closing, a few final thoughts. We had a strong second quarter of business performance, with PE realizations driving a truly exceptional bottom line result. All of our key financial metrics are strong and positioned for future improvement. We have the greatest diversity and total number of revenue drivers than we have had at any point in our history. And, as you saw this quarter, the substantial value that we have built on our balance sheet can power outsized DE and distributions to our shareholders. We are very optimistic about prospects for value creation in the quarters and years ahead.

Thank you. We will now take your questions.

Operator: Thank you. At this time, ladies and gentlemen, we will now conduct the question and answer session. If you'd like to ask a question, please press star, followed by the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of Craig Siegenthaler with Credit Suisse. Your line is open.

Craig Siegenthaler: Thanks. Good morning, everyone.

Randy Nardone: Good morning.

Craig Siegenthaler: I know you're probably a little limited here on what you can talk about, but on the corporate Private Equity side, excluding what's going on with the senior living REIT and also TAI, what shall we think about from the capital raising perspective here?

Wes Edens: This is Wes. I'll take that. We are limited in what we can talk about because the majority of those vehicles are public companies. So we're not in a position to talk about specific needs.

I'd say that we're in the process of reporting earnings both today and next week in a number of the vehicles and I think on balance we had an extremely good quarter and there's a lot of good news to talk about.

The investment environment across the board is pretty challenging. It's hard to find compelling things to do and it's a good time to be careful. We have added to portfolios generally speaking and so we've raised a little bit of capital this year.

As Randy mentioned, we will complete as of tomorrow[3] the private fund raise for our transportation fund and I think we'll end up, as he said, at $950 million, maybe up to $1 billion there.

So we've raised good capital for it. We've found some very interesting things in that sector and I am optimistic in the longer term that there will be lots of capital to deploy in those strategies and other ones because the markets are a gigantic addressable market.

We feel great about that, but I can't really give any color as to where we are in the short-term.

Craig Siegenthaler: Got it. And a follow up on Logan Circle, I was wondering if you'd just provide an update on the equity business there and let us know if you have any plans to add additional maybe loan-only teams outside of U.S. growth?

Randy Nardone: On Logan – it's Randy – I'll answer the question. The run rate on the fixed income business right now is positive. So hooray for that. We're projecting positive DE for the year. The guys have had terrific performance and the pipeline is really strong.

[3] Closing occurred on July 31, 2014

The equities side has been slower than we'd like, but the performance on what they've invested has been good, and I think we see good reasons to be patient with that business right now.

Craig Siegenthaler: Got it. Thanks for taking my questions.

Randy Nardone: Thanks, Craig.

Operator: Your next question comes from the line of Chris Kotowski with Oppenheimer. Your line is open.

Chris Kotowski: Yes, first of all I wanted to hearken back to Dan's comments about 70% of the embedded gains are outside of the investment period and, I mean, thus far your realizations certainly in the Credit business have been very methodical. It seems like it's, you know, $30, $40, $50 million a quarter, but Pete has been sounding very bearish for about 18 months now and the credit markets have gotten frothier as time has gone on.

Does this set up for us for a period in which we should expect accelerated disposition of those positions, possibly greater gains and depleting the backlog of the unrealized gains?

Pete Briger: This is Pete. You know, as I've said before, I think that the market from a value investor's perspective is not interesting in credit and we'd like to sell as quickly as we can, but lots of positions have their time and place when they're best sold, and so we're selling things when it's appropriate to sell.

And so as I've said in the last couple of conference calls, I think, those gains could come sooner rather than later, but certainly there's no science to it, you know?

Opportunistically, we're looking to sell things when they're most appropriate to sell.

Chris Kotowski: OK. And I guess for Wes, I don't know if you can comment, but is there a thought of another general purpose Private Equity fund, and the status on that?

Wes Edens: There is actually. We are about ready to have our first closing for outside investors into the next generation of fund. It'll be a small start to the capital process. We've made a handful of investments and some things I'm excited about, so I think it's a good start to it.

The form of that fund is going to be made in a bit of a different structure and something that I think could prospectively have a public listing to it. So without going through the details of that, it's something that I think we've given a lot of thought to and I think of it as a next generation of Private Equity fund and one that fits well the nature of our activities.

Chris Kotowski: OK. Thank you. That's it for me.

Operator: Your next question comes from the line of Robert Lee with KBW. Your line is open.

Robert Lee: Thanks. And thanks for taking my question. I have a question on the Liquid hedge funds. I mean, you had some decent new capital raises and then at the same time in the release you could talk about getting, you know, I guess, a pickup in redemption?

So can you maybe talk a little bit about which funds, you know, was it – maybe the new strategy that you're seeing some of those inflows into? Was it Asia or was it, you know – where are you seeing the inflows? I'm assuming most of the outflows are coming from the main Liquid fund.

Mike Novogratz: I'll take it. Sure. It's Mike Novogratz. Year-to-date, roughly two-thirds of the inflows came into the Asia fund as we topped that up and took in new capital. The other one-third roughly into the macro fund and managed accounts that, you know, run *pari pasu* with that. We haven't started a capital raise for our new event-driven fund, but would expect to sometime soon.

Robert Lee: OK. And in addition to the new fund you're starting up, could you talk a little bit about how you're thinking about adding additional strategies or do you have currently active conversations with other teams, or are there some things you're seeing?

Mike Novogratz: Yes – I would say slowly and methodically, you know? This is a business in which returns drive a lot of good things. And so our primary focus is on the funds we have, making sure our returns get back into the positive and we generate value for our shareholders and investing returns for our LPs.

The Fortress Centaurus Fund, which we will kick off in London, is our first priority and after that, we will do a global equity fund based in New York. And that's kind of what's on the agenda.

But listen, we certainly are always looking at other opportunities, but I feel like the plate is pretty full with those four funds and hopefully in twelve months we'll report robust capital raise and robust returns on those vehicles and go forward from there.

Robert Lee: Great. And just to follow-up on Logan Circle, and I think, Randy, maybe you had mentioned it, so I want to make sure I understood that, it's currently your expectation that that can start generating a little bit of DE by end of this year? Did I hear that correctly?

Randy Nardone: On the fixed income side, that's right. And it's a very scalable business. They've grown quite a bit over the last twelve months. Pipeline's strong. So we're plenty optimistic.

Robert Lee: OK. That was it. Thanks for taking my questions.

Randy Nardone: Thank you.

Operator: Your next question comes from the line of Devin Ryan with JMP Securities. Your line is open.

Devin Ryan: Thank you. Good morning. Congratulations on the strong quarter and first top off distribution.

Randy Nardone: Thanks.

Devin Ryan: With respect to just the balance sheet cash of $3, and then the additional dollar or so of netted embedded incentive income that should be hitting the P&L

over time, and now that we're starting to actually see this capital return process – how should we be thinking about how much capital is appropriate for you guys to run the business today and really remain opportunistic and do all the things that you want to do, you know? Is it half of where we are today or can you put any additional context around it now that, you know, it seems like things are changing where you actually are starting to return capital?

Randy Nardone: Hey, it's Randy. I'll take a start and the other guys can chime in. We've said in the past that the balance sheet doesn't really need to be as big as it is to run the business we're running. And so as you saw this quarter, we had some liquidations and those liquidations drove the top up dividend.

There's actually a bunch of DE embedded in the balance sheet and our plan would essentially be to return that DE as the balance sheet is monetized. A lot of the balance sheet is in, as I think we mentioned earlier, funds and direct investments that have pretty mature vintages and we're working actively towards realizing gains there because we saw a good quarter of that and we're making some good progress on setting things up for monetization going forward.

So I think we've said our balance sheet doesn't need to be as big as it is and unless we see some compelling opportunity, our plan would continue to return a portion of the balance sheet as it's monetized.

Devin Ryan: OK. Great. Appreciate the color. And then just with respect to the mix and size of the balance sheet investments, I'm not sure if you can give any more color or characterize the sales that you had this quarter – were they lumpier maybe than some of the others that are in the backlog that could be monetized in the quarters ahead? Are the other investments similar size or how should we think about that?

Dan Bass: No, I don't think they were lumpier. I think they were probably average size in what makes up our balance sheet. Even though the line items may be small, they're invested in funds and those funds have a number of investments. So I wouldn't say that they were lumpy. They're average size.

Devin Ryan: OK. OK. Great. And then just lastly, with respect to the tax rate and modeling the tax rate, just given the balance sheet sales and incentive earnings that have been at a good level – should we still think about a mid-teens tax rate for the year or is there any change to that view?

Dan Bass: No, the mid-teens tax rate is our expectation for the year and it's largely driven by the mix of income.

Devin Ryan: OK. Great.

Dan Bass: So I would stick with it.

Devin Ryan: Thanks for taking my – got it. Thank you.

Dan Bass: Thank you.

Operator: Again, if you would like to ask a question, please press star, then the number one on your telephone keypad. Your next question comes from the line of Bulent Ozcan with Royal Bank of Canada. Your line is open.

Randy Nardone: Bulent?

Operator: Bulent, your line is open.

Gordon Runté: OK. Can we move to the next question, operator? We'll try Bulent again in a bit.

Operator: Your next question comes from the line of Marc Irizarry with Goldman Sachs. Your line is open.

Marc Irizarry: Oh, great. Thanks. I just wanted to put the Private Equity business and also the permanent capital opportunities in context as you think about growing that business over time.

How should we think about the – you know, sort of the raise-ups for permanent capital vehicles relative to broadening out what you're doing in Private Equity? Thanks.

Wes Edens: Well, the permanent capital vehicles – you know, once the spin is done, our senior housing will have six vehicles,[4] about $5 billion in capital[5], in markets where if you took the largest participant in each one of those sectors and grossed them all up, the opportunity would be many, many, many times that.

With the senior housing business, for example, we've deployed about three-quarters of a billion dollars, and the largest REITs in that sector are north of $20 billion. The transportation business, which will have $1 billion in capital, you know, that's a $400 or $500 billion addressable market. So these are vehicles that we think can be much larger. And I've said before that our aspirations for the permanent capital vehicles are to go from $5 billion to $10 billion to $20 billion and obviously, it's all a function of what the investment opportunities are in making money for investors. But I think that the markets that they traffic in are very large. And I do think that one of the things we talked about ourselves internally is, now that the business is large enough, to break that section out and provide visibility to you all in terms of the economics of those businesses.

We think both the stability of them and the nature of the capital, i.e. its permanence, is one that should get a much higher multiple and we think given visibility of that is something that we're going to be very focused on.

And those activities are all separate and apart from the Private Equity activities. As I said, we formed a new fund that is structured a little bit differently. As I said with my "next generation" comment, it's something that lends itself to a public listing if that's something we chose to do at some point.

And, as Pete has said, there are more limited opportunities on the investment side, in terms of you need to be cautious at this point in the market, but there are still interesting sectors.

We've got healthcare investments, we've got infrastructure investments, energy investments, things in sectors that we think do have lots of

[4] Also includes potential TAI vehicle.

[5] Includes $3.7 billion as of June 30, 2014 and expected capital for TAI

opportunities. So the scale of those businesses historically has been substantial.

I think in the future you'll see more of the same in the Private Equity side.

Marc Irizarry: OK. Great. Thanks.

Operator: Your next question comes from the line of Bulent Ozcan with Royal Bank of Canada. Your line is open.

Bulent Ozcan: Yes. Good morning. Yes, sorry about that. I dropped off. But I just had a quick question on the fee earning AUM. So how should we think about that?

On the one hand, it seems like we're getting to the phase where you'll have increased realizations from here on. On the other hand, you are still raising capital and you could have more, I guess, permanent capital vehicles out there.

How are you thinking about that internally in terms of realizations, how you approach realizations?

Randy Nardone: We're not trying to manage to an AUM number. This is Randy. Thanks for the question. Obviously, from an LP perspective, our goal is to make as much money as possible on realizations and that has the benefit to FIG end shareholders as well.

As those assets are monetized, at the same time we're in the markets raising capital for things that we think are interesting. So it's a balance to optimize returns and to optimize resources and to optimize, you know, what we think are out there in terms of opportunities.

Bulent Ozcan: Maybe another question on the non-performing loan market in Italy. It seems like that UniCredit is in the market offering some of its non-performing loans. What do you see right now in terms of pricing – how rational is pricing? And also in the whole process, how does it help to have Italfondiario or owning that mortgage servicer?

Wes Edens: It's Wes. I mean, we – look, we've had an investment business in Italy for about 14 years. So we've been in those markets. There have been a number of different periods of large-scale NPL sales and we've participated in all of them.

The current environment is the largest of any of these periods that we have seen prospectively. We have invested in a number of small pools and UniCredit is one of the folks that are in the market.

There are a number of other people that are out there and those are active processes, so we can't really speak to the specifics of it at all. With respect to Italfondiario, it's actually broader than that. It's not just the asset management company, but also people that have worked for us for over a decade there are very, very capable, very confident and we think we've got a tremendous competitive advantage versus other new entrants in the market over there.

Italy is a non-transparent and challenging market. There are big opportunities and we've been there for a long time. So we feel good about it and we'll have to see how that translates into returns.

We've got a number of different vehicles in which we'd prospectively invest in both Private Equity in the permanent capital and the Credit side. So we have a lot of capital that's available for it and we just need to find the opportunities that we think make sense.

Bulent Ozcan: OK. How would you impact the size of that potential in Italy? How large is that? How much money could you be deploying?

Wes Edens: Well, I think that the total amount of NPLs is estimated to be between EUR150 and EUR200 billion. So that's on the banks' balance sheets. And in past periods, you've had, you know, 20-30% of the assets on balance sheets ending up coming into the marketplace. So I think that that gives you some sense of the gross markets. So it was 150 times 20. That's $30 billion in assets and at a price of, you know, $0.20 or $0.30 or $0.40 depending on what the nature of the asset is, that gives you some sense of the context that exists over there and then it's just a question of how much we can do.

I think there is virtually unlimited capital available for good opportunities these days, but it's hard to translate that into investments. So we've got a couple of big things we're working on and we'll hope for a good summer and fall.

Bulent Ozcan: Great. And thank you very much for taking my questions. Congratulations on a great quarter. Thank you.

Randy Nardone: Thanks, Bulent.

Operator: Again, if you would like to ask a question, please press star, then the number one on your telephone keypad. Your next question comes from the line of Robert Lee with KBW. Your line is open.

Robert Lee: Thank you and thanks for taking my follow-up questions. I know there's a limit – going back to an earlier question on fund raising – as to what you can or can't say, but maybe just kind of go a little bit through a list of some of the initiatives you've had to kind of see where they stand.

Can you maybe just update us on – the Italian fund, you know, is up pretty much at its closing and kind of to the extent you can talk about a real goal for the second Real Estate fund. Just trying to get a little bit of a – almost like a list, so to speak, of closed-end type structures that you're fundraising and where they stand?

Randy Nardone: I'll take a start and others can add. You asked about the Italian NPL fund. I think we're at around EUR 800 million and we're close to being done there. With TAI we're between $950 and $1 billion dollars. That will be closed and our goal would be to take that fund public at some point.

Wes mentioned the start of a new general fund initiative. You mentioned the Japan fund and things in Pete's world. I don't know, Pete and Dean, if you want to comment on that.

Pete Briger: Well, we're somewhat limited as to what we can say. In the world of Credit, we're not actively raising capital at this point. If we do, it will probably be for closed-end Private Equity-like funds where we can draw down the capital when the opportunity arises as opposed to being constantly invested in a hedge fund-like structure. Our Real Estate business has done a great job and I would assume that over time they will raise a significant amount of capital. And that's true both in the U.S. and Europe, as well as in what is being a particularly strong performing series of funds in Japan and non-Japan Asia.

Robert Lee: Great. Thanks for taking my follow-up.

Randy Nardone: Thank you.

Operator: And I'm showing that we have no further questions in our cue at this time. I turn the call back over to the presenters.

Randy Nardone: Great. Thanks, everyone. Just to sum up, a terrific quarter including our second strongest DE and highest quarterly distribution ever. AUM is at an all-time high, very substantial embedded value and strong fundraising across the businesses.

I feel very good about our prospects for growth and value creation looking ahead. Thanks a lot.

Operator: This concludes today's conference call. You may now disconnect.

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