FORTRESS INVESTMENT GROUP LLC

Moderator: Gordon Runté
February 26, 2015
10:00 a.m. ET

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the Fortress fourth quarter and year-end 2014 earnings 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. At that time if you would like to ask a question you will need to press star one on your touchtone telephone. To withdraw your question press the pound key.

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

Gordon Runté : OK. Thank you, Victoria, and good morning, everyone, and welcome to the Fortress Investment Group fourth quarter and full-year 2014 earnings conference call. We will begin our call today with opening remarks from Chief Executive Officer, Randy Nardone, and Chief Financial Officer, Dan Bass. We will save most of our time this morning for your questions.

And joining us for that portion of our call, we have with us Co-Chairman and Head of Credit, Pete Briger; Co-Chairman and Head of Private Equity, Wes Edens; Principal and Head of Liquid Markets, Mike Novogratz; Co-President of Liquid Markets, Stu Bohart; along with other members of our management team.

So let me cover the usual housekeeping items before we begin. First, 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.

I also remind you that statements are made as of today, February 26, 2015, and will not be updated subsequent to the call. So we certainly have a lot to cover this morning and, if you have any follow-up questions after the call, please contact me directly at the number on the press release.

With that, let me hand off to Randy.

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

We had a very strong fourth quarter, capping off a terrific year for Fortress. AUM grew to an all-time high of $67.5 billion. We had our best ever fourth quarter of pre-tax DE per share at $0.28. Full-year DE of $0.99 a share was our strongest year since our very first as a public company.

We closed 2014 with substantial liquidity and are putting it to good use. This morning, we announced a top-up dividend of $0.30 a share, in addition to our regular $0.08 quarterly dividend. That brings total dividends for the year to $0.80 or 100 percent of full year after-tax DE. 100 percent reflects a pretty emphatic commitment to and alignment with our shareholders.

For both DE and distributions, we see meaningful potential upside from here.

The embedded value that we have addressed on past calls remains substantial. Unrealized incentive income, which isn't included in DE, was $1 billion at year-end. Net cash and investments on our balance sheet exceeded $1.4 billion at year-end. These components of embedded value summed to more than half of our share price today on a net basis.

We closed a terrific full year with a very optimistic view of prospects ahead. So let me give you some color by business.

In Private Equity, we generated over $220 million in full-year DE. That is up 60 percent over 2013 and represents our strongest year of Private Equity DE since 2007.

A couple of key points… With our GAGFAH and Brookdale sales in the second quarter, we saw the significant impact that PE realizations can have on both DE and distributions. Sales generated DE of over $90 million and funded our second-quarter top-up dividend. With $1.1 billion in balance sheet investments remaining, we expect more to come.

In our main PE Funds, valuations were up 4 percent in 2014, following appreciation of about 15 percent and 25 percent in the prior two years.

We also continued to diversify and grow out our permanent capital vehicles, which have become a significant business in their own right. Some highlights here… We completed the spinouts of New Senior and New Media from Newcastle. We filed for the IPO of our $1 billion Transportation and Infrastructure Fund, FTAI. We raised $1.1 billion in equity and FTAI commitments, bringing AUM for the Permanent Capital Vehicles to about $5 billion. And just this Monday, New Residential announced its agreement to acquire HLSS.

So a lot of activity. Great progress and great prospects for Private Equity and Permanent Capital. And Wes is here to talk more about that.

Moving to Credit, once again, exceptional investment performance drove substantial realized and embedded value. Record incentive income across our Credit Funds contributed to full-year DE of nearly $210 million. Our credit hedge fund, DBSO, finished the year up about 10 percent net. Our flagship Credit PE Funds closed 2014 with net IRRs ranging from 18 percent to 31 percent. This performance led to nearly $380 million of realized incentive income on the year.

At the same time, unrecognized incentive income was over $900 million across our Credit Funds at year-end.

Of course, strong investment performance tends to drive LP demand. We raised $2.2 billion in our Credit strategies in 2014, including $900 million in the fourth quarter.

We mentioned on our last call that we are raising a fourth Global Opportunities Fund. We are a bit limited in what we can say today, but we expect to raise exactly what we targeted: approximately $5 billion in new commitments. We are also raising a second real estate fund and a third Japan fund. Japan fund is at an $800 million first close in the fourth quarter.

So another great year for Credit and very strong outlook for both capital formation and performance-driven upside. Pete and Dean are with us to provide more color.

In our Liquid Markets business, our two largest funds, Macro and Asia Macro, had strong fourth quarters to finish the year down only slightly. Absent meaningful incentive fees in the business, DE was $22 million. That is nearly $100 million lower than last year when we saw the tremendous performance-given upside this business can provide.

After a challenging start in January, the main Macro Fund is partially recovered from its low and, as of last Friday, was down about 5.8 percent year to date. Following the January decline, we received about $400 million in redemption notices, but that is on a base of $3.2 billion in AUM at year-end.

I can assure you that Mike and the team remain laser focused on delivering positive results for our dedicated investors.

At the business level, we will continue to evolve into a more diversified group of liquid strategies over time. We are seeing great interest in Centaurus, the event-driven fund we launched last year. And in January, we completed the spinoff of Asia Macro to Graticule Asset Management in which we will retain a minority stake. At $3.5 billion in AUM, it is a great first business for our affiliated manager platform.

Both Graticule and Centaurus have had strong starts in 2015 and are well-positioned for growth from here. Mike and Stu are both with us to give you more color on the business.

At Logan Circle, 2014 was a year marked by strong investment performance, exceptional client demand, and continued growth in AUM. Logan closed the year with a record $32.5 billion under management, up 27 percent over last year.

From the beginning, we strongly believed in the opportunity in the institutional fixed income space. To that end, we've decided to refocus Logan 100 percent on its core fixed income business. We have closed out the growth equities platform, which has not met our targets for performance or growth. And, as a result, I am pleased to say that, today, Logan is all-in run-rate profitable. The brand is strong, performance is top tier, and we see potential to grow Logan substantially from here.

Altogether, 2014 was a great year for Fortress. Distributable earnings reached its highest level since 2007. We had a record year of incentive income in both our Credit Funds and our Permanent Capital business. Our full-year distribution of $0.80 a share or 100 percent of DE underscores our alignment with and commitment to our shareholders. Including share repurchases, we paid out over 110 percent of DE over the past three years.

Looking ahead, we've seen strong LP demand for our strategies, major positive developments in some of our largest portfolio investments, and we continue to amass tremendous embedded value, both in our funds and on our balance sheet. It gives us great visibility and great optimism about the value we can create and distribute in the coming years.

So thanks, and, with that, let me hand it off to Dan.

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

From a financial perspective, we had a great quarter, a great year, and we carried significant momentum into 2015. Let me touch on some of the highlights.

Pre-tax DE for the fourth quarter was $123 million, or $0.28 per share, compared to $0.24 per share last year. That represents year-to-year EPS growth of 17 percent. And, again, this was our largest fourth quarter of EPS since going public just over eight years ago. The strong quarter brought our pre-tax DE for the full year to $446 million, or $0.99 per share compared to

$0.88 per share last year. This represents annual growth of 13 percent and makes it the third consecutive year of double-digit EPS growth.

Let me now discuss some of the drivers of our results. Total revenues were $344 million in the fourth quarter, our second highest quarter on record. This strong result pushes the five-year CAGR for revenues to over 16 percent. Within the overall revenue number, management fees had a small uptick in the fourth quarter and grew 11 percent for the full year. Even as management fees continue to grow, incentive income was the primary driver of our strong fourth quarter results. Incentive income of $191 million in the fourth quarter was the third highest quarter ever for incentive income.

Significant Credit PE realizations were the primary catalyst of this result. The $134 million of incentive income in our Credit PE Funds in the quarter is more than any other full year in that business, but for one.

Additionally, incentive income from our Permanent Capital vehicles continued to be a solid contributor to earnings as well. During the fourth quarter, we recorded another $25 million of incentive income, mostly from New Residential.

Let me now discuss some of the metrics that helped drive these results... First, on AUM and capital formation, which are two of our primary growth indicators, AUM grew another 2 percent in the fourth quarter and finished the year at $67.5 billion. This is year-to-year growth of nearly $6 billion, or 9 percent. This annual growth is inclusive of returning over $5.6 billion of capital our LPs, along with paying out $1.8 billion in redemptions.

For the full year, we deployed $2.7 billion of capital, including over 40 percent, or about $1.2 billion, in the fourth quarter alone. And at year-end, we still had $7.8 billion of dry powder in our funds.

During 2014, we raised almost $6.4 billion of capital, including $1.8 billion in the fourth quarter.

As we begin 2015, we have vehicles in place to raise additional capital across all of our businesses. This includes three Credit PE Funds that Randy mentioned, our evergreen Credit and Liquid Hedge Funds, as well as our Permanent Capital Vehicles.

Let me now turn to undistributed incentive income and incentive eligible NAV, both indicators of future incentive income. As of year-end, we still had $1 billion of gross undistributed incentive income across our funds. This value is up 14 percent for the year, even after recognizing over $280 million from this pool during the year. This means that across these funds, we created over $400 million of value during the year. Again, this $1 billion of gross value has not been included in any of our previously reported earnings or on our current balance sheet.

Also at year-end, we had over $21 billion of NAV that is eligible to generate incentive income. This value was up nearly $3 billion, or 15 percent, in the fourth quarter alone.

On the balance sheet, first, the value of our balance sheet as represented by net cash investments continues to be significant at $3.25 per share. Second, simply based on the profile and vintage of our investments, we continue to see the potential for large realizations in the near future. This should ultimately help future DE and distributions as it did this past year.

In fact, as of year-end, about 65 percent of our balance sheet investments were in funds with vintages of 2007 or earlier. This includes our four largest PE Fund investments, Florida, Springleaf, Holiday, and Nationstar, which in aggregate constitute over 50 percent of our total $1.1 billion of balance sheet investments.

And, finally, the value of these balance sheet investments exceeded our cost basis by over $550 million at year-end. This value represents future DE that would be recognized if we sell the underlying investments at their year-end marks.

On taxes, for the full-year 2014, our DE tax rate was 19 percent. Looking ahead to 2015, we expect our tax rate to be a percentage in the high teens to low 20s percent, with actual results varying if our expected mix of business results changes significantly. As always, we will provide updates throughout the year on the goings on, on our tax rate.

Finally, a few points on the dividends... As you heard, our fourth quarter dividend of $0.38 per share we paid out 100 percent of our after-tax DE in 2014. Looking back over the last three years, we have now used over $1.1 billion of cash to complete two strategic stock buybacks and pay substantial cash dividends to our shareholders. In aggregate, this equates to a three-year DE payout ratio of about 113 percent.

In conclusion, my optimism for continued DE growth is grounded in a few key factors. One, capital raising continues at a brisk pace. We had another strong year of capital formation in 2014 and continue to have active capital raising efforts across all of our businesses. Two, incentive income potential remains very high. At the end of the year, we had nearly $1 billion of embedded incentive income and over $21 billion of capital immediately eligible to generate incentive income. Three, the strength of our balance sheet. The absolute value remains robust, and it should continue to be a significant contributor to both earnings and distributions as it did last year.

And, finally, our dividends. Our recent action should make it clear that we remain committed to using our cash in a matter that will provide the greatest economic benefit to our shareholders.

Before taking your questions, I want to comment on the consolidation rules that were recently issued by the FASB. We intend to move quickly to comply with these rules, and we expect to adopt them with the release of our first-quarter earnings. These new rules will eliminate the cumbersome consolidation of certain Permanent Capital Vehicles in our GAAP financial statements and related disclosures. This adoption should give our shareholders a more transparent view of our financial health and performance going forward.

Thank you. We will now take your questions.

Operator: Your first question comes from the line of Craig Siegenthaler with Credit Suisse.

Craig Siegenthaler: First one here for Wes on Fund V. I know the K isn't filed yet, but can you give us a preview for how Fund V's fair value is stacked up on December 31 versus its pref rate, and also, maybe, just a quick update on the monetization side with respect to Springleaf, Florida, and some of the other investments in there.

Wes Edens: Great. Thanks for the question, Craig. Fund V is marked currently at about 1.6 times its cost basis. It is close to its high-water mark. The easiest and most liquid measure that I follow, that we look at, is where it is just simply on Springleaf Holdings. And with a share price at Springleaf in the mid-$40s, you end up being basically at the high-water mark and start to accrue promote.

So obviously, with the performance of that company, I believe now we are very optimistic about what we think the future holds for that, as well as other investments in funds, Florida and others in particular. But it is quite close to being at the line right now, and that is obviously a big factor for us in terms of income generation for the firm.

With respect to its liquidation plans, my goal broadly, just not for Fund V, is on the legacy Private Equity Funds. It is the bulk of those investments, if not all of them, in the next couple of years. So obviously it depends on what the circumstances and where they are in cycles and whatnot, but we are, as Dan said, we are much closer to liquidating those funds, and I am very optimistic about what that pace would be.

Given the Private Equity Funds generated about $4 billion in liquidity, that was the highest year for us. And I think we think that there are definite possibilities for us to meet or exceed that this year.

Craig Siegenthaler: Got it. Thanks, Wes, and a second follow-up here for Pete.

Pete, I can imagine a lot of your higher IRR generating credits of 2008 to 2011 vintages have matured or maybe rolled off by now but maybe not. But as you replace them with 2013 and 2014 vintage credits, should we expect a lower level performance fees if credit spreads remain fairly thin here?

Pete Briger: Yes. The environment for credit is less interesting. The energy sector, we just had a lot of trauma. It is becoming an area that is interesting, but there is still a big amount of capital out there chasing credit opportunities, and the perception of risk and credit is not interesting from a general investment perspective. So I think your insight is right on.

Craig Siegenthaler: And just, Pete, one follow-up. If spreads widen out further in 2015, are there significant liquid investments now in your portfolios that could be forced to mark lower?

Pete Briger: I think that if spreads widen out, we will probably do worse, but we don't have significant exposure to moderate spread widening. I think more of a buying opportunity than a big markdown is the way I would characterize it.

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

Devin Ryan: Congratulations on the really nice result and obviously the full year. So just a couple of questions here.

So first on the comments about the potential for monetizations into the future, I am just trying to get some perspective. Is that a general comment just based on the maturity profile of investments which we know would kind of be ripe, or are you kind of speaking specifically to the backlog of things that you see picking up? Is there specific investments that you feel like are getting pretty close? I am just trying to gauge maybe that outlook today or the potential today relative to where you were heading into 2015.

Randy Nardone: As Wes mentioned and I think Dan touched on it as well, more than $1 billion of balance sheet investments, more than half are in funds that are 2007 or earlier vintages. Concentration in a handful of investments – handful of companies – and we are working hard on each and every one of them.

Our goal, of course, is to optimize the valuation and exit of those things with not a specific view on timing. It is just given where they are and what funds they are in and the maturity of those investments, I think, as Wes mentioned, over a couple year cycle, you would expect a lot of monetization activity to occur, and I think that is kind of where we are.

Devin Ryan: OK. Fair enough. I appreciate that. And then, just with respect to the Florida investment, maybe coming back to that, I know you guys gave some nice detail last quarter. And so just as we are moving into 2015, what are some of the things we should be looking for to potentially drive revaluations in any part of that kind of complex investments – investment, and then any opportunities within that to maybe monetize pieces this year?

Wes Edens: Well, the Florida investment, you can think of it in kind of three parts. There is the freight railway, which has had a terrific number of years. We think that the prospects for that business organically are terrific. And, obviously, the whole Cuba situation is a wildcard, but it is a wildcard that could have nothing but upside. So that is a very, very good asset for us.

The passenger railway, which is our most aspirational aspect of it, we have made great progress on that. We have started construction in the South. We have got one more piece of financing to do there, but that is something that has really met our timing expectations and very much down the track.

And the last part is the real estate we have built. I think north of 3 million square feet of primarily industrial space in South Florida in the last number of years, and that has been a very profitable business for us. And we have a lot of cash still. I think that at one point we were the largest owner of industrial land in those South Florida counties, and I think we may still well be and are very much in the throes of that.

Also, with respect to the passenger trains and that we expect several million square feet of transit-oriented development, that is very profitable. People like to be close to railway stations for obvious reasons. So there is a lot that is going on there.

I would say, in terms of things to keep in focus, the last piece of financing, which we expect to complete this spring, would be one part of it. But, other than that, there are so many different pieces of business in that series of companies that there is not any one seminal thing that we really look to in order to generate the value.

Devin Ryan: Yes. But, just purely from a marking perspective, like the financing, would that drive kind of a revaluation on any portion? I am just trying to look at, is there anything that would be kind of an event that would say, OK, now we need to take an additional maybe positive revaluation?

Wes Edens: Yes. I think it does, obviously. I mean we would have to see what the circumstances are at the time, but that is the one event in the near term that I think should have a material impact.

Devin Ryan: OK. Fantastic. And then, just lastly, with respect to the Liquid Markets business, appreciate the detail on performance and also the flows quarter to date. So just, can you give any more detail around where those flows are coming in, whether it is the main Macro or Asia or anywhere else, at least thus far this quarter?

And then, the operating expenses look to step up a little bit in the fourth quarter. Just trying to understand what drove that. Thank you.

Mike Novogratz: Listen, the two businesses – or the Asia Macro Fund, which is now Graticule Asset Management, is off to a decent start this year and is experiencing some inflows. We are a minority partner in that at this point, but still a fairly large equity stake. And so that will help drive earnings.

Centaurus, our event-driven fund, is early in its cycle, but lots of good prospects for fundraising there. And it is off to an up 4.5 percent, 5 percent start on the year after a good year last year.

The Macro Fund, as we have said, has received about $400 million worth of redemptions on a $3.2 billion base. We have been out to all our investors, have been with them kind of step by step and feel pretty confident that the nadir has been put in. This business is pretty straightforward. Our investors are going to want to see performance – us to dig out of a hole. If we do it, I think inflows will start coming back into the main funds. And if we don't, you could expect to see flat to declining assets. The wonderful thing about the hedge fund business is it is pretty straightforward.

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

Robert Lee: I had a question on the dry powder. Most of the almost $5 billion of the $7.8 billion sits in the Credit PE Funds. So how will the – assuming you close on the next $5 billion ops fund, how does that affect dry powder? I am assuming that is just not another $5 billion of dry powder. Is that kind of –is some of the existing dry powder kind of, from legacy funds, kind of go away? I'm just trying to get a sense of what that means from a dry powder perspective.

Dan Bass: Yes. I mean it will be additive. As we are, as Pete talked about the investing prospects, but all the new money will be added, as it is raised, to dry powder.

Robert Lee: So that means – I guess the way I thinking, that is not going to go from $5 billion to $10 billion in Credit PE, or is there some amount of that $5 billion that is …?

Dan Bass: That is the way to think about it, generally.

Robert Lee: OK. All right. Great. Next question I had was – I was just curious – I mean, I saw that you took on some debt at the end of the year. Just kind of curious to know why the $75 million drawdown from the credit facility?

Dan Bass: The debt has been outstanding since February last year when we closed the Nomura strategic buyback. So it wasn't a year-end event. It has been on our balance sheet since the first quarter last year.

Robert Lee: Sorry about that. I guess I was just looking at the year over year. And then last thing and I know you touched on it a little bit in the liquids business and obviously have the event-driven strategy, which probably still has growth ahead of it, but I guess there were some press reports about getting out of the kind of long/short business. Can you just update us on, in addition to the event driven, what is on the drawing board for expanding that franchise beyond the Macro and the Asia Macro? What you are thinking of the next set of – next series of liquid funds?

Mike Novogratz: Sure. Yes. Well, first of all, to be clear, when we said we were getting out of the long/short business, that was within the macro fund. We are going to have less emphasis on long/short equity as a strategy within the fund.

Fortress, as a firm, still certainly leaves the opportunity set at one point to start or bring in a standalone long/short fund.

Currently, in the liquids space, the primary goal is to re-stabilize the Macro Fund and grow assets there. It is a high-margin business.

At the same time, we are still looking at opportunities in our affiliated manager platform to seed managers, and that is an ongoing process. And when we find good opportunities, we will take advantage of them.

Robert Lee: OK. And, if I could, maybe just one more question. I guess this is for Wes on the next generation PE Fund. I mean you talked about it at some length on the last earnings call. Just I guess a couple of questions here.

Number one, any sense or update of when you may actually be able to start raising third-party money for that fund? And then, I guess, one thing that I don't think was clear to me is how you are down the road, how you are thinking about that when ultimately you can get it public? Are you thinking of that as something that trades based on NAV, like a fund NAV, or something that trades more based on kind of the earnings of the businesses? I mean I am just trying to get some sense of how you are envisioning that down the road.

Wes Edens: Well, the first phase of the development of the fund is done. We raised, internally, a couple hundred million dollars in capital. We have four investments that are currently funded that I am excited for each and every one of them. There is a healthcare investment and logistics investment and energy investment, and the plan would be to have those investments continue to proceed. I think if we generate some visibility in terms of valuation there, that would be the appropriate time to then look to take that vehicle and list it and raise capital.

I think the timing of that is not certain, but my guess would be that, if things go as I expect them to go, the second half of this year is when you could see some visibility from that.

With respect to the valuation of it, I think it is going to trade in some combination of the two parameters we laid out. I think their NAV is obviously a good starting point. And so if you have assets or investments there that have liquid marks, that is a very good place to start. But then, of course, the upside to it is the ability to make new investments and generate incremental returns, and I think people will pay a fair price for that, and probably the easiest way to look at that will be of earnings and earnings growth and factors that we look to future valuations as opposed to just spot one-time valuations.

But we are very excited about that fund, the Equity Partners Fund. Very excited about the Permanent Capital Vehicles. We have got five vehicles out there that are all very productive, have had very, very good years last year, and I think you could see real capital formation that is very, very step-like in function. In other words, we extensively merge[] with or purchase[] other companies that could lead to very large amounts of capital under management, as well as earnings potential.

A good example of that is with what just happened with New Residential announcing the purchase and merger with HLSS. We have got, right now, four other corporate situations that we are involved with, with the different vehicles. So I feel like last year was a very good year in terms of spinning out and getting a number of those vehicles on the ground and operational, and this year we can see growth in assets under management and earnings, which can be very substantial.

Operator: As a reminder ladies and gentlemen if you would like to ask an audio question simply press star then the number one on your telephone keypad. You do have a follow-up question from the line of Craig Siegenthaler with Credit Suisse.

Craig Siegenthaler: Thanks. So a follow-up here on capital management. Of the $1.4 billion of cash investments on balance sheet now, what do you think is the right level or range to have longer-term?

Dan Bass: I think as we have mentioned before, I would say it is in the $300 million to $500 million range would probably be the maintenance balance sheet that would support the capital raising we are doing on an annual basis.

Craig Siegenthaler: Thanks, Dan. And then, I don't think we have had an update on the Logan Circle long-only equities business recently. Can you just let us know how they are doing?

Randy Nardone: Yes. This is Randy. As I mentioned in my opening remarks, we have actually closed down the equities business. We decided to focus 100 percent of our time in the fixed income space, and we thought the strategy had promise as a good first step to build out a broader traditional capability at Logan. It turned out to be a bit of a distraction. The strategy didn't meet our targets for performance or growth or timing. So we thought, for now, the best approach was to just to wind it down and focus 100 percent of their time on fixed income space.

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

Chris Kotowski: A question for Wes. It is about the nature of incentive income in the Permanent Capital Vehicles. We are used to in the Private Equity business that incentive income is kind of lumpy and driven by gains, and that will vary from quarter to quarter. Am I right in thinking that in principle this should be much more coupon-like driven, that you are not so dependent on gains, and that compared to a traditional Private Equity business, all things being equal, that the quarterly rate of incentive income should be more stable?

Wes Edens: Yes, you are spot on. It really depends on obviously what the company is, but to take New Media as an example, where we have got very substantial run rate earnings and that is generating both management fees and performance fees, the performance fees in that case look very much like the management fees. They really are a coupon clipping exercise to the extent the business continues to perform. As a result, I think you will see a lot more stability, a lot more predictable cash flows, and a lot easier to forecast growth in line with assets under management growth.

And I think the net result of that is we think the valuation of those cash flows should be much at much, much higher – and you can look at other vehicles that are out there that have got characteristics like that that trade at 15, 20, 20-plus times earnings multiples, that is what we think the upside is for the valuations. That is why we are so excited about it.

Chris Kotowski: So it is more like a BDC than a Private Equity Fund?

Wes Edens: Very much so. I mean, you still have the upside of a Private Equity Fund, and then if you do something particularly notable and valuable that generates a large gain, you could get a big, lumpy upside payment from it. But the nature of them is much more steady-state, fully invested, investment things that generate high current returns as well as growth. And I think when you look at Senior Housing or New Media, New Residential, we had a big win over in Europe early this year when we bought the bad bank of UniCredito is that marked under Eurocastle. We have got just a lot of different irons in the fire now.

The transportation fund, which we had talked about before, Dean listed as something that we are very [inaudible] the public market as well. So it gives us really a complement of vehicles that we think could be very, very meaningful in terms of the impact to us.

Chris Kotowski: OK. And then, just as a follow-up to that, to help us think it through, I mean, assuming the New Residential, HLSS, the transactions goes through on the contemplated terms and everything keeps running on a quarterly basis kind of the way it has been. How should we think about the potential impact of that on that incentive and base fees for the Castles business?

Wes Edens: Well, as we have said, it is very important, obviously, to have the capital available to fund that without access to the capital markets because you can't predict where the markets will be by the time that transaction closes.

So we are fully funded as it is, and I think that we will evaluate what the right mix of debt and equity is upon the funding of that. But that company has a $1.3 billion purchase price, and so if you use that as just a good price to start with the valuation of that and layer on the management fees and performance fees, my rule of thumb for it in that business is that every dollar of capital should generate about 3 percent total return between management fees and performance fees when we hit our return hurdles. And so that is the kind of simplistic way to look at it.

There are obviously differences across the different businesses. That is a good place to start. And you can see then, again, that if you have meaningful increases in assets under management, the impact of the bottom line for us is huge.

Operator: As a reminder if you would like to ask an audio question simply press star then the number one on your telephone keypad. Again that is star one to ask a question.

There are currently no further questions in queue. I would like to turn the call back over to presenters for any closing remarks.

Randy Nardone: Great. Thanks, everybody, for your questions. Let's sum up the key highlights. First, 2014 was an exceptional year of financial performance. It drove our strongest DE since 2007, every penny of which was distributed to shareholders. We feel great about the year, and we are excited about the prospects we see ahead.

LP demand is strong. We are raising capital across all our businesses. Embedded value remains substantial and gives good visibility and confidence in future potential upside. We are optimistic about our ability to build on this year's results and to generate and deliver substantial value to shareholders in the coming years.

Thanks, everybody.

Operator: Again, thank you for your participation. This concludes today's call.

END