Fortress Investment Group LLC
Form 10-Q
November 14, 2007

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

FORM 10-Q

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

For the quarterly period ended September 30, 2007

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: 001-33294

Fortress Investment Group LLC

(Exact name of registrant as specified in its charter)

Delaware

20-5837959 (State or other jurisdiction of
incorporation or organization) (I.R.S. Employer
Identification No.) 1345 Avenue of the Americas, New York, NY 10105 (Address of principal executive offices)
(Zip Code)
(212) 798-6100
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of ''accelerated filer and large accelerated filer'' in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

Class A Shares: 94,597,646 outstanding as of November 13, 2007.

Class B Shares: 312,071,550 outstanding as of November 13, 2007.

FORTRESS INVESTMENT GROUP LLC

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DEFINED TERMS

As used in this Quarterly Report on Form 10-Q, unless the context otherwise requires:

‘‘Assets Under Management,’’ or ‘‘AUM,’’ refers to the assets we manage, including capital we have the right to call from our investors pursuant to their capital commitments to various funds. Our AUM equals the sum of:

(i) the net asset value, or ‘‘NAV,’’ of our private equity funds and hedge funds plus the capital that we are entitled to call from investors pursuant to the terms of their capital commitments to those funds;

(ii) the NAV of managed accounts; and

(iii) the market capitalization of the common stock of each of our publicly traded alternative investment vehicles, which we refer to as our ‘‘Castles’’.

We earn management fees pursuant to management agreements on a basis which varies from Fortress Fund to Fortress Fund (e.g., any of ‘‘net asset value’’, ‘‘capital commitments’’, ‘‘invested equity’’ or ‘‘gross equity,’’ each as defined in the applicable management agreement, may form the basis for a management fee calculation). Our calculation of AUM may differ from the calculations of other asset managers and, as a result, this measure may not be comparable to similar measures presented by other asset managers. Our AUM measure includes, for instance, assets under management for which we charge either no or nominal fees, generally related to our principal investments in funds as well as investments in funds by our principals, directors and employees. Our definition of AUM is not based on any definition of assets under management contained in our operating agreement or in any of our Fortress Fund management agreements.

‘‘Fortress,’’ ‘‘we,’’ ‘‘us,’’ ‘‘our,’’ and the ‘‘company’’ refer, (i) following the consummation of the reorganization and the Nor transaction, collectively, to Fortress Investment Group LLC and its subsidiaries, including the Fortress Operating Group and all of its subsidiaries, and (ii) prior to the consummation of the reorganization and the Nomura transaction on January 17, 2007, to the Fortress Operating Group and all of its subsidiaries, in each case not including funds that, prior to March 31, 2007, were consolidated funds, except with respect to our historical financial statements and discussion thereof unless otherwise specified. Effective March 31, 2007, all of our previously consolidated funds were deconsolidated. The financial statements contained herein represent consolidated financial statements of Fortress Investment Group LLC subsequent to the reorganization and combined financial statements of Fortress Operating Group, considered the predecessor, prior to the reorganization. See Part I, Item 1, ‘‘Financial Statements.’’

‘‘Fortress Funds’’ and ‘‘our funds’’ refers to the private investment funds and alternative asset companies that are managed by the Fortress Operating Group.

‘‘Fortress Operating Group’’ refers to the combined entities, which were wholly-owned by the principals prior to the Nomura transaction and in each of which Fortress Investment Group LLC acquired an indirect controlling interest upon completion of the Nomura transaction (described below).

‘‘principals’’ or ‘‘Principals’’ refers to Peter Briger, Wesley Edens, Robert Kauffman, Randal Nardone and Michael Novogratz, collectively, who prior to the completion of our initial public offering and the Nomura transaction directly owned 100% of the Fortress Operating Group units and following completion of our initial public offering and the Nomura transaction own a majority of the Fortress Operating Group units and all of the Class B shares, representing a majority of the total combined voting power of all of our outstanding Class A and Class B shares. The principals' ownership percentage is subject to change based on, among other things, equity offerings by Fortress and dispositions by the principals.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under Part I, Item 2, ‘‘Management’s Discussion and Analysis of Financial Condition and Results of Operations,’’ Part I, Item 3, ‘‘Quantitative and Qualitative Disclosures About Market Risk,’’ Part II, Item 1A, ‘‘Risk Factors,’’ and elsewhere in this Quarterly Report on Form 10-Q may contain forward-looking statements which reflect our current views with respect to, among other things, future events and financial performance. Readers can identify these forward-looking statements by the use of forward-looking words such as ‘‘outlook,’’ ‘‘believes,’’ ‘‘expects,’’ ‘‘potential,’’ ‘‘continues,’’ ‘‘may,’’ ‘‘will,’’ ‘‘should,’’ ‘‘seeks,’’ ‘‘approximately,’’ ‘‘predicts,’’ ‘‘intends,’’ ‘‘plans,’’ ‘‘estima negative version of those words or other comparable words. Any forward-looking statements contained in this report are based upon the historical performance of us and our subsidiaries and on our current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from those indicated in these statements. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. We do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FORTRESS INVESTMENT GROUP LLC
(PRIOR TO JANUARY 17, 2007, FORTRESS OPERATING GROUP — NOTE 1)
CONSOLIDATED AND COMBINED BALANCE SHEETS
(dollars in thousands, except share data)

	September 30, 2007 (Unaudited)	December 31, 2006
Assets		
Cash and cash equivalents	$ 169,492	$ 61,120
Cash held at consolidated subsidiaries and restricted cash	—	564,085
Due from affiliates	39,872	635,748
Receivables from brokers and counterparties	—	109,463
Investment company holdings, at fair value		
Loans and securities	—	6,874,748
Investments in affiliates	—	14,985,578
Derivatives	—	84,270
Other investments		
Loans and securities	11,327	317
Equity method investees	990,441	37,250
Options in affiliates	48,351	139,266
Deferred tax asset	489,801	2,808
Other assets	58,298	187,920
	$ 1,807,582	$ 23,682,573
Liabilities and Shareholders' Equity		
Liabilities		
Due to affiliates	$ 409,652	$ 15,112
Due to brokers and counterparties	—	187,495
Accrued compensation and benefits	192,589	159,931
Dividends payable	21,285	—
Other liabilities	70,577	152,604
Deferred incentive income	177,450	1,648,782
Securities sold not yet purchased, at fair value	—	97,717
Derivative liabilities, at fair value	5,132	123,907
Investment company debt obligations payable	—	2,619,456
Other debt obligations payable	425,000	687,153
	1,301,685	5,692,157
Commitments and Contingencies		
Principals' and Others' Interests in Equity of Consolidated Subsidiaries	338,387	17,868,895
Shareholders' Equity		
Class A shares, no par value, 1,000,000,000 shares authorized, 94,597,646 shares issued and outstanding	—	—
Class B shares, no par value, 750,000,000 shares authorized, 312,071,550 shares issued and outstanding	—	—
Paid-in capital	332,992	—
Retained earnings (accumulated deficit)	(163,942)	—
Fortress Operating Group members' equity	—	119,561
Accumulated other comprehensive income (loss)	(1,540)	1,960
	167,510	121,521
	$ 1,807,582	$ 23,682,573

See notes to consolidated and combined financial statements

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FORTRESS INVESTMENT GROUP LLC
(PRIOR TO JANUARY 17, 2007, FORTRESS OPERATING GROUP — NOTE 1)
CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS (Unaudited)
(dollars in thousands, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenues				
Management fees from affiliates	$ 124,991	$ 32,339	$ 286,956	$ 106,883
Incentive income from affiliates	106,690	18,620	283,879	94,391
Other revenues	15,601	18,244	51,866	53,743
Interest and dividend income – investment company holdings				
Interest income	—	219,336	243,713	596,149
Interest income from controlled affiliate investments	—	17,072	4,707	45,418
Dividend income	—	7,435	7,436	11,747
Dividend income from controlled affiliate investments	—	22,122	53,174	125,137
	247,282	335,168	931,731	1,033,468
Expenses				
Interest expense				
Investment company holdings	—	145,152	132,620	390,842
Other	7,285	17,011	26,016	36,206
Compensation and benefits	101,703	85,833	507,003	269,278
Principals agreement compensation	232,048	—	612,981	—
General, administrative and other	17,412	21,385	80,320	71,670
Depreciation and amortization	2,230	1,716	6,423	4,902
	360,678	271,097	1,365,363	772,898
Other Income				
Gains (losses) from investments				
Investment company holdings				
Net realized gains (losses)	—	(200,640)	86,264	(127,792)
Net realized gains from controlled affiliate investments	—	59,888	715,024	582,348
Net unrealized gains (losses)	—	271,390	(19,928)	48,227
Net unrealized gains (losses) from controlled affiliate investments	—	1,133,791	(1,428,837)	2,178,971
Other investments				
Net realized gains (losses)	777	(4,117)	831	(4,231)
Net realized gains (losses) from affiliate investments	(2,475)	804	143,017	804
Net unrealized gains (losses)	(1,921)	6,970	(2,597)	4,029
Net unrealized gains (losses) from affiliate investments	(54,579)	36,242	(221,745)	94,271
Earnings (losses) from equity method investees	(30,716)	992	(23,289)	3,412
	(88,914)	1,305,320	(751,260)	2,780,039
Income (Loss) Before Deferred Incentive Income, Principals' and Others' Interests in Income of Consolidated Subsidiaries and Income Taxes	(202,310)	1,369,391	(1,184,892)	3,040,609
Deferred incentive income	—	(214,248)	307,034	(475,655)
Principals' and others' interests in loss (income) of consolidated subsidiaries	152,534	(1,088,810)	854,550	(2,403,346)
Income (Loss) Before Income Taxes	(49,776)	66,333	(23,308)	161,608
Income tax benefit (expense)	12,219	(1,628)	(7,237)	(8,898)
Net Income (Loss)	$ (37,557)	$ 64,705	$ (30,545)	$ 152,710
Dividends declared per Class A share	$ 0.2250		$ 0.6174	

Earnings Per Unit – Fortress Operating Group		January 1 through January 16	
Net income per Fortress Operating Group unit	$ 0.18	$ 0.36	$ 0.42
Weighted average number of Fortress Operating Group units outstanding	367,143,000	367,143,000	367,143,000

Earnings Per Class A share – Fortress Investment Group	January 17 through September 30	
Net income (loss) per Class A share, basic	$ (0.41)	$ (1.83)
Net income (loss) per Class A share, diluted	$ (0.52)	$ (1.83)
Weighted average number of Class A shares outstanding, basic	94,894,636	91,255,519
Weighted average number of Class A shares outstanding, diluted	406,966,186	91,255,519

See notes to consolidated and combined financial statements

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FORTRESS INVESTMENT GROUP LLC
(PRIOR TO JANUARY 17, 2007, FORTRESS OPERATING GROUP — NOTE 1)
CONSOLIDATED AND COMBINED STATEMENT OF MEMBERS' AND SHAREHOLDERS' EQUITY (Unaudited)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
(dollars in thousands)

	Class A Shares	Class B Shares	Paid-In Capital	Retained Earnings (Accumulated Deficit) (Subsequent to January 16, 2007)	Fortress Operating Group Members' Equity (Prior to January 17, 2007)	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' / Members' Equity
Fortress Operating Group Members' equity – December 31, 2006	—	—	$ —	$ —	$ 119,561	$ 1,960	$ 121,521
Distributions declared by Fortress Operating Group prior to January 17, 2007	—	—	—	—	(415,876)	—	(415,876)
Reorganization and issuance of shares to Nomura	55,071,450	312,071,550	888,000	—	—	—	888,000
Dilution impact of Nomura transaction	—	—	(912,437)	—	162,918	—	(749,519)
Dividends declared after January 16, 2007 but prior to initial public offering	—	—	(2,474)	—	—	—	(2,474)
Initial public offering of Class A shares	39,428,900	—	652,669	—	—	—	652,669
Dilution impact of initial public offering	—	—	(490,648)	—	—	—	(490,648)
Deferred tax effects resulting from acquisition of Fortress Operating Group units	—	—	89,026	—	—	—	89,026
Director restricted share grant	97,296	—	89	—	—	—	89
Dividends declared subsequent to initial public offering	—	—	(54,159)	—	—	—	(54,159)
Capital increase related to equity-based compensation	—	—	165,952	—	—	—	165,952
Dividend equivalents accrued in connection with equity-based compensation	—	—	(3,026)	—	—	—	(3,026)
Comprehensive income							
Net income (loss)	—	—	—	(163,942)	133,397	—	(30,545)
Foreign currency translation	—	—	—		—	(24)	(24)
Net unrealized (loss) on derivatives designated as cash flow hedges	—	—	—	—	—	(8)	(8)
Net unrealized gain on securities available for sale	—	—	—	—			

— 749 749 Comprehensive income (loss) from equity method investees — — — — — (9,299) (9,299) Allocation to Principals’ and others’ interests in equity of consolidated subsidiaries — — — — — 5,082 5,082 Total comprehensive income (34,045) Shareholders’ equity – September 30, 2007 94,597,646 312,071,550 $ 332,992 $ (163,942) $ — $ (1,540) $ 167,510

See notes to consolidated and combined financial statements

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FORTRESS INVESTMENT GROUP LLC
(PRIOR TO JANUARY 17, 2007, FORTRESS OPERATING GROUP — NOTE 1)
CONSOLIDATED AND COMBINED STATEMENT OF CASH FLOWS (Unaudited)
SEPTEMBER 30, 2007
(dollars in thousands)

Nine Months Ended September 30,	2007	2006
Cash Flows From Operating Activities		
Net income (loss)	$ (30,545)	$ 152,710
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation and amortization	6,423	4,902
Other amortization and accretion	1,876	4,211
(Earnings) losses from equity method investees	23,289	(3,412)
Distributions of earnings from equity method investees	9,765	7,057
(Gains) losses from investments	727,971	(2,776,627)
Deferred incentive income	(355,381)	475,655
Principals' and others' interests in income (loss) of consolidated subsidiaries	(854,550)	2,403,346
Deferred tax expense	(16,775)	751
Options received from affiliates	(2,006)	(18,692)
Assignments of options to employees	4,627	7,577
Equity-based compensation	713,850	—
Cash flows due to changes in		
Cash held at consolidated subsidiaries and restricted cash	(166,199)	(285,058)
Due from affiliates	562,731	(160,906)
Receivables from brokers and counterparties and other assets	(23,024)	(28,070)
Due to affiliates	(6,392)	(45,795)
Accrued compensation and benefits	48,174	71,194
Due to brokers and counterparties and other liabilities	118,098	(34,844)
Investment company holdings		
Purchases of investments	(5,105,865)	(10,223,969)
Proceeds from sale of investments	3,398,739	6,992,398
Net cash used in operating activities	(945,194)	(3,457,572)
Cash Flows From Investing Activities		
Purchase of other loan and security investments	(10,578)	(351,852)
Proceeds from sale of other loan and security investments	317	320,644
Contributions to equity method investees	(560,272)	(828)
Proceeds from sale of equity method investments	29,071	—
Distributions of capital from equity method investees	115,190	572
Cash received on settlement of derivatives	132	(454)
Purchase of fixed assets	(8,907)	(10,814)
Proceeds from disposal of fixed assets	2,532	—
Net cash used in investing activities	(432,515)	(42,732)
Cash Flows From Financing Activities		
Borrowings under debt obligations	1,999,070	3,901,047
Repayments of debt obligations	(2,010,025)	(3,034,196)
Payment of deferred financing costs	(6,813)	(27,487)
Issuance of Class A shares to Nomura	888,000	—
Issuance of Class A shares in initial public offering	729,435	—
Costs related to initial public offering	(76,766)	—
Dividends and dividend equivalents paid	(43,237)	—
Fortress Operating Group capital distributions to Principals	(415,876)	(350,106)
Purchase of Fortress Operating Group units from Principals	(888,000)	—
Principals' and others' interests in equity of consolidated subsidiaries – contributions	3,249,847	4,078,527
Principals' and others' interests in equity of consolidated subsidiaries – distributions	(1,939,554)	(1,072,117)
Net cash provided by financing activities	1,486,081	3,495,668
Net Increase (Decrease) in Cash and Cash Equivalents	108,372	(4,636)
Cash and Cash Equivalents, Beginning of Period	61,120	36,229
Cash and Cash Equivalents, End of Period	$ 169,492	$ 31,593
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest (excluding interest paid by master funds while such funds were consolidated of $85.1 million and $257.9 million, respectively)	$ 70,003	$ 121,717
Cash paid during the period for income taxes	$ 30,158	$ 1,912
Supplemental Schedule of Non-cash Investing and Financing Activities		
Investment of amounts payable to employees into Fortress Funds	$ 15,102	$ 24,019
Dividends, dividend equivalents and Fortress Operating Group unit distributions declared but not yet paid	$ 43,009	$ —

See Note 1 regarding the non-cash deconsolidation transaction

See notes to consolidated and combined financial statements

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FORTRESS INVESTMENT GROUP LLC
(PRIOR TO JANUARY 17, 2007, FORTRESS OPERATING GROUP – NOTE 1)
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Unaudited)
SEPTEMBER 30, 2007
(dollars in tables in thousands, except share data)

1. ORGANIZATION AND BASIS OF PRESENTATION

Fortress Investment Group LLC (the ‘‘Registrant,’’ or, together with its subsidiaries, ‘‘Fortress’’) is a global alternative asset management firm whose predecessor was founded in 1998. Its primary business is to sponsor the formation of, and provide investment management services for, various investment funds and companies (the ‘‘Fortress Funds’’). Fortress generally makes principal investments in these funds.

Fortress has three principal sources of income from the Fortress Funds: management fees, incentive income, and investment income on its principal investments in the funds. The Fortress Funds fall into four primary business segments in which Fortress operates:

1) Private equity funds, which invest in debt and equity securities of public or privately held entities.
2) Liquid hedge funds, which invest in the global fixed income, commodities, currency and equity markets, and their related derivatives.
3) Hybrid hedge funds, which invest in undervalued, distressed and other less liquid investments, as well as investment funds managed by external managers.
4) Publicly traded alternative investment vehicles that Fortress refers to as the ‘‘Castles,’’ which are companies that invest in operating real estate and real estate related loans and securities (debt and equity).

The accompanying consolidated financial statements include the following:

– subsequent to Fortress’s reorganization and the inception of operations of Fortress Investment Group LLC on January 17, 2007, the accounts of Fortress Investment Group LLC and its consolidated subsidiaries, and
– prior to such reorganization and the inception of operations of Fortress Investment Group LLC, the accounts of eight affiliated entities under common control and management (‘‘Fortress Operating Group’’ or the ‘‘predecessor’’) and their respective consolidated subsidiaries. Each of the eight entities was owned either directly or indirectly by its members, Peter Briger, Wesley Edens, Robert Kauffman, Randal Nardone, and Michael Novogratz (the ‘‘Principals’’).

Reorganization of Fortress Operating Group

Fortress Investment Group LLC was formed on November 6, 2006 for the purpose of becoming the general partner of Fortress Operating Group, completing the Nomura Transaction (described below), and effecting a public offering of shares and related transactions (the ‘‘Transactions’’) in order to carry on the business of its predecessor, Fortress Operating Group, as a publicly traded entity. The Registrant completed the Nomura Transaction and commenced its operations on January 17, 2007 and completed its initial public offering on February 8, 2007. As a result of the Transactions, the Registrant acquired control of Fortress Operating Group and held, through two intermediate holding companies (FIG Corp. and FIG Asset Co. LLC), approximately 23.3% of the Fortress Operating Group limited partnership units and all of the general partner interests. The Principals retained the remaining 76.7% of the Fortress Operating Group limited partnership units and a 76.7% voting interest in the Registrant. All of the businesses engaged in by the Registrant continue to be conducted by Fortress Operating Group. The ownership percentages are subject to change based on, among other things, equity offerings by Fortress and dispositions by the Principals. As of September 30, 2007, the Fortress Operating Group units were owned as follows: Registrant 23.3%, Principals 76.7%.

FORTRESS INVESTMENT GROUP LLC
(PRIOR TO JANUARY 17, 2007, FORTRESS OPERATING GROUP – NOTE 1)
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Unaudited)
SEPTEMBER 30, 2007
(dollars in tables in thousands, except share data)

In January 2007, in connection with the Nomura transaction and the initial public offering, Fortress Operating Group was reorganized from eight limited liability companies, each having individual capital accounts for each of the Principals, into four limited partnerships, each having a unitized capital structure. The Principals were issued 367,143,000 non-voting limited partner interests in each of the four limited partnerships and the Registrant, through two intermediate holding companies, was issued the non-economic general partner interest in each of them. The Principals were also issued 367,143,000 non-economic Class B shares of the Registrant, of which 55,071,450 were cancelled in the Nomura transaction (see below). The term ‘‘Fortress Operating Group unit’’ is used to represent one limited partner interest in each limited partnership. A Fortress Operating Group unit is not a legal interest but is the term used to refer to the aggregate of one limited partnership interest in each reorganized Fortress Operating Group entity.

As the Registrant is a newly formed company, Fortress Operating Group is considered its predecessor for accounting purposes, and its combined financial statements have become the Registrant’s historical financial statements. Also, because the Principals controlled Fortress Operating Group before the Transactions and control the Registrant after the Transactions, the Transactions have been accounted for as a reorganization of entities under common control. Accordingly, the Registrant has carried forward unchanged the value of assets and liabilities recognized in Fortress Operating Group’s combined financial statements into its consolidated financial statements. When the Registrant purchased Fortress Operating Group units, from the Principals and directly from the Fortress Operating Group partnerships, it recorded the proportion of Fortress Operating Group net assets acquired at their historical carrying value and proportionately reduced the Principals’ and others’ interests in equity of consolidated subsidiaries. The excess of the amounts paid for the purchase of Fortress Operating Group units over the historical carrying value of the proportion of net assets acquired was charged to paid-in capital and is identified in the statement of members’ and shareholders’ equity as dilution.

FIG Corp. is a corporation for tax purposes. As a result, the Registrant is subject to income taxes on that portion of its income which flows through FIG Corp.

Following completion of the Transactions, substantially all of Fortress’s expenses (other than (i) income tax expenses of the Registrant, FIG Corp. and FIG Asset Co. LLC (Note 5), (ii) obligations incurred under the tax receivable agreement (Note 5) and (iii) payments on indebtedness incurred by the Registrant, FIG Corp. and FIG Asset Co. LLC), including substantially all expenses incurred by or attributable solely to the Registrant, such as expenses incurred in connection with the Transactions, are accounted for as expenses of Fortress Operating Group.

Nomura Transaction

On December 18, 2006, the Principals entered into a securities purchase agreement with Nomura Investment Managers U.S.A., Inc., a Delaware corporation, or Nomura (whose ultimate parent is Nomura Holdings, Inc., a Japanese corporation), pursuant to which Nomura acquired a then 15% indirect stake in Fortress Operating Group for $888 million, all of the proceeds of which were paid to the Principals. On January 17, 2007, Nomura completed the transaction by purchasing 55,071,450 Class A shares of the Registrant for $888 million and the Registrant, in turn, purchased 55,071,450 Fortress Operating Group units, which then represented 15% of Fortress Operating Group's economic interests, and the sole general partner interest, from the Principals for $888 million.

Initial Public Offering (''IPO'')

On February 8, 2007, the Registrant completed an initial public offering of 39,428,900 of its Class A shares, including the underwriters' over allotment option, for net proceeds of approximately

FORTRESS INVESTMENT GROUP LLC
(PRIOR TO JANUARY 17, 2007, FORTRESS OPERATING GROUP – NOTE 1)
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Unaudited)
SEPTEMBER 30, 2007
(dollars in tables in thousands, except share data)

$652.7 million. The Registrant contributed the net proceeds from the offering to Fortress Operating Group in exchange for 39,428,900 Fortress Operating Group units. As of September 30, 2007, Fortress Operating Group had applied those proceeds in accordance with its IPO registration statement as follows: (a) to pay $250 million then outstanding under its term loan facility, as required by the credit agreement (Note 4), (b) to pay $85 million then outstanding under its revolving credit facility (Note 4), (c) to fund $169 million of commitments to private equity funds, and (d) to fund $149 million of general business purposes, including additional investments.

Following the IPO, Fortress adopted accounting policies with respect to new transactions as described in Notes 5, 7 and 8.

Consolidation and Deconsolidation of Fortress Funds

Certain of the Fortress Funds were consolidated into Fortress prior to the Transactions, notwithstanding the fact that Fortress has only a minority economic interest in these funds. Consequently, Fortress's financial statements reflected the assets, liabilities, revenues, expenses and cash flows of the consolidated Fortress Funds on a gross basis through the date of their deconsolidation, as described below. The majority ownership interests in these funds, which are not owned by Fortress, were reflected as Principals' and others' interests in equity of consolidated subsidiaries in the accompanying financial statements during periods in which such funds were consolidated. The management fees and incentive income earned by Fortress from the consolidated Fortress Funds were eliminated in consolidation; however, Fortress's allocated share of the net income from these funds was increased by the amount of these eliminated fees. Accordingly, the consolidation of these Fortress Funds had no net effect on Fortress's earnings from the Fortress Funds. For a reconciliation between the financial statements and the segment-based financial data that management uses for making operating decisions and assessing performance, see Note 10.

Following the IPO, each Fortress subsidiary that acts as a general partner of a consolidated Fortress Fund has granted rights, effective March 31, 2007, to the investors in the fund to provide that a simple majority of the fund's unrelated investors are able to liquidate the fund, without cause, in accordance with certain procedures, or to otherwise have the ability to exert control over the fund. The granting of these rights has led to the deconsolidation of the Fortress Funds from Fortress's financial statements as of March 31, 2007. The deconsolidation of the Fortress Funds has had significant effects on many of the items within these financial statements but has had no net effect on net income or equity. Since the deconsolidation did not occur until March 31, 2007, the statement of operations and the statement of cash flows for the nine months ended September 30, 2007 are presented with these funds on a consolidated basis for three of the nine months. The unaudited pro forma effects of the deconsolidation on these financial statements are described in Note 12.

The accompanying consolidated financial statements and related notes of Fortress have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under U.S. generally accepted accounting principles have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of Fortress's financial position, results of operations and cash flows have been included and are of a normal and recurring nature. 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. These financial statements should be read in conjunction with Fortress's combined financial statements for the year ended December 31, 2006 and notes thereto included in Fortress's annual report on Form 10-K filed with the

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Securities and Exchange Commission. Capitalized terms used herein, and not otherwise defined, are defined in Fortress's combined financial statements for the year ended December 31, 2006.

2.

MANAGEMENT AGREEMENTS AND FORTRESS FUNDS

Management Fees, Incentive Income and Related Profit Sharing Expense

On a pro forma basis (Note 12), as adjusted for the deconsolidation of the consolidated Fortress Funds as if it had occurred on January 1, 2007, Fortress recognized management fees and incentive income as follows:

		Nine Months Ended September 30, 2007
Private Equity Funds	Management fees	$ 97,358
	Incentive income	317,574
Liquid Hedge Funds	Management fees	112,381
	Incentive income	157,559
Hybrid Hedge Funds	Management fees	93,032
	Incentive income	1,832
Castles	Management fees	35,251
	Management fees-options	2,006
	Incentive income	18,596
Total	Management fees	$ 340,028
	Incentive income	$ 495,561

Incentive Income Subject to Annual Performance Criteria

Incentive income from certain Fortress Funds is earned based on achieving annual performance criteria. Accordingly, this incentive income is recorded as revenue at year end (in the fourth quarter of each year) and has not been recognized for these funds during the nine months ended September 30, 2007 and 2006. If the amount of incentive income contingent on achieving annual performance criteria was not contingent on the results of the subsequent quarters, $92.0 million and $85.6 million of additional incentive income from affiliates would have been recognized during the nine months ended September 30, 2007 and 2006, respectively. These amounts are included as ''undistributed'' deferred incentive income in the table below.

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Deferred incentive income from the Fortress Funds, subject to contingent repayment, was comprised of the following:

	September 30, 2007	December 31, 2006
Distributed-gross	$ 444,722	$ 252,774
Less: Recognized (A)	(267,272)	(9,473)
Distributed-unrecognized	$ 177,450	243,301
Undistributed (B)	688,436	1,405,481
Total	$ 865,886	$ 1,648,782

(A) All related contingencies have been resolved. (B) On a consolidated basis, undistributed incentive income from the Fortress Funds is recognized on the balance sheet as deferred incentive income; on a deconsolidated basis subsequent to March 31, 2007, undistributed incentive income is no longer recorded and has been removed from the balance sheet.

As of September 30, 2007, from inception to date, Fortress has recognized and paid compensation expense under its employee profit sharing arrangements in connection with the $444.7 million of distributed incentive income. If the $688.4 million of undistributed incentive income were realized, Fortress would recognize an additional $213.3 million of compensation expense.

The change in deferred incentive income is summarized as follows:

	Distributed	Undistributed	Total
Deferred incentive income as of December 31, 2006	$ 243,301	$ 1,405,481	$ 1,648,782
Share of income (loss) of Fortress Funds	243,424	(717,045)	(473,621)
Recognition of previously deferred incentive income	(309,275)	—	(309,275)
Deferred incentive income as of September 30, 2007	$ 177,450	$ 688,436	$ 865,886

Recognized profit sharing compensation expense is summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Private equity funds	$ 1,556	$ 220	$ 94,001	$ 34,626
Liquid hedge funds	1,629	11,337	89,075	54,391
Hybrid hedge funds	5,517	18,903	43,763	44,839
Castles	1,155	1,391	8,029	6,752
Total	$ 9,857	$ 31,851	$ 234,868	$ 140,608

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Principals' and Others' Interests in Consolidated Subsidiaries

This balance sheet caption was comprised of the following at September 30, 2007:

Employee interests in majority owned and controlled fund advisor and general partner entities	$ 76,369
Principals' Fortress Operating Group units	261,883
Other	135
Total	$ 338,387

This statement of operations caption was comprised of shares of consolidated net income related to the following, on a pre-tax basis:

	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2007	
	Actual	Actual	Pro Forma (A)
Employee interests in majority owned and controlled fund advisor and general partner entities	$ 2,359	$ 8,359	$ 8,359
Third party investors in Fortress Funds	—	(460,615)	—
Principals' Fortress Operating Group units	(154,893)	(402,294)	(402,294)
Total	$ (152,534)	$ (854,550)	$ (393,935)

(A) On a pro forma basis (Note 12), as adjusted for the deconsolidation of the consolidated Fortress Funds as if it had occurred on January 1, 2007.

Private Equity Funds

In January 2007, Fortress increased its capital commitment to one of its private equity funds by $80 million.

In February 2007, Fortress had its first closing of a new private equity Fortress Fund, Long Dated Value Fund III (''LDVF III''). A second closing was held in March 2007. A third and final closing was held in June 2007 resulting in total commitments of $345.1 million. Fortress, its affiliates and employees represent $22.3 million of the total commitments. Fortress will manage LDVF III under similar terms to the other private equity Fortress Funds.

In March 2007, $11.6 million of Fortress's remaining capital commitment to one of its private equity funds was extinguished.

In May 2007, Fortress formed a new private equity Fortress Fund known as Fortress Investment Fund V (''Fund V'') with total capital commitments from third-party investors of $4.0 billion. Fortress has committed to contribute to Fund

V an amount equal to 1.5% of Fund V's total equity contributed by third party investors, or $60 million. In June 2007, Fortress formed two additional private equity funds for the purpose of co-investing alongside Fund V in either single or multiple transactions. In total, $2.0 billion was committed by investors to these two additional funds, of which $0.4 billion was committed by Fortress and its employees. Fortress has entered into management

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FORTRESS INVESTMENT GROUP LLC
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agreements with the Fund V entities and will manage Fund V and the related funds under essentially the same terms as the other private equity Fortress Funds, including management fees and incentive income.

In June 2007, Fortress formed a new private equity Fortress Fund known as Real Assets Fund with total capital commitments of $300.4 million. Fortress, its affiliates and employees represent $95.0 million of the total commitments. Fortress will manage Real Assets Fund under similar terms to the other private equity Fortress Funds.

Liquid Hedge Funds and Hybrid Hedge Funds

Approximately $383.8 million of distributions were made to the Principals during the period from January 1, 2007 through the date of the IPO from the net proceeds from collection of deferred fee receivables, earned in prior periods, related to the liquid and hybrid hedge funds. Following this distribution, all of the deferred fee arrangements were terminated. Subsequently, $27.4 million of net proceeds from all of the remaining deferred fee receivables were collected.

In February 2007, one of the then consolidated hybrid hedge funds raised $1.2 billion of capital commitments from existing and new limited partners, of which 18% was called in the first quarter of 2007, 20% was called in the second quarter of 2007, and 12% was called in the third quarter of 2007. During the capital commitment period, which expires on the earlier of when it is fully drawn or December 31, 2008, no other new third party investors will be permitted in this fund.

In February 2007, one of the consolidated hybrid hedge funds originated a $1.2 billion loan in connection with a transaction between two third parties. As part of the syndication of this loan, Fortress formed four managed account relationships totaling $425 million, whereby Fortress manages investments on behalf of third parties in exchange for fees, syndicated $300 million to a third party participant and retained the remainder in certain Fortress Funds. Fortress will earn incentive income from the managed account relationships based upon the performance of the underlying investment.

In June 2007, one of the liquid hedge funds, which had begun an orderly liquidation process after the completion of Fortress's initial public offering, liquidated its positions and all investors fully redeemed out of the fund, including $14.5 million redeemed to third party investors.

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3. INVESTMENTS IN EQUITY METHOD INVESTEES AND OTHER EQUITY INVESTMENTS

Investments in Equity Method Investees

Fortress holds investments in certain unconsolidated Fortress Funds which are accounted for under the equity method. Upon the deconsolidation of the consolidated Fortress Funds on March 31, 2007 (Note 1), these funds also became equity method investees. Fortress's maximum exposure to loss with respect to these entities is generally equal to its investment plus its basis in any options received from such entities as described below. In addition, unconsolidated affiliates also hold an ownership interest in certain of these entities. Summary financial information related to these investments is as follows:

	Equity Held by Fortress		Fortress's Equity in Net Income (Loss)			
			Nine Months Ended September 30,		Three Months Ended September 30,	
	September 30, 2007	December 31, 2006	2007	2006	2007	2006
Private equity funds, excluding NIH (A)	$ 512,951	$ (A)	$ (41,682)	$ (A)	$ (33,658)	$ (A)
NIH	6,330	8,213	2,995	1,256	4,019	462
Total private equity funds	519,281	8,213	(38,687)	1,256	(29,639)	462
Liquid hedge funds (A)	84,555	(A)	192	(A)	(3,801)	(A)
Hybrid hedge funds (A)	368,956	(A)	12,984	(A)	1,649	(A)
Newcastle	4,655	13,756	777	2,029	(412)	693
Eurocastle	11,271	11,844	1,398	(84)	1,487	(288)
Other	1,723	3,437	47	211	—	125
	$ 990,441	$ 37,250	$ (23,289)	$ 3,412	$ (30,716)	$ 992

(A) These entities were consolidated prior to March 31, 2007.

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A summary of the changes in Fortress's investments in equity method investees is as follows:

Nine Months Ended September 30, 2007 Private
Equity Funds Liquid
Hedge
Funds Hybrid
Hedge
Funds Castles NIH Other Newcastle Eurocastle

Warrants issued in debt conversion
- - 1,349,,905 - - - - - 1,349,905
Warrants issued in connection with convertible debt
- - - 628,739 - - - - - 628,739
Value of beneficial conversion feature associated with convertible debt
- - - 2,605,098 - - - - - 2,605,098
Common stock issued under settlement agreement
- - 2,827,535 - - - - - - 2,827,535
Preferred stock dividends
- (232,344) - - - - - - - (232,344)
Comprehensive income:

Net loss
- - - - - - - - (19,279,787) (428,879) (19,708,666)
Foreign currency translation adjustment
- - - - - - 459,373 - - 459,373
Total comprehensive income
- - - - - - - - - - (19,279,787)
Balance at June 30, 2011
5,553,117 $52,705,539 $72,702,624 $7,932,370 $(8,782,141) $297,350 $459,373 $(36,319,475) $8,404,517 $143,953,274

The accompanying notes are an integral part of these condensed consolidated financial statements.

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HUNT GLOBAL RESOURCES, INC.
(A Development Stage Company)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30, 2011	For the Six Months Ended June 30, 2010	Period From Inception to June 30, 2011
Cash flows from operating activities			
Net loss	$(19,708,666)	$(2,211,978)	$(36,748,354)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	4,987,408	52,836	5,129,796
Common stock and options issued for services	3,629,078	225,001	10,105,794
Loss on investment	25,427	-	1,198,022
Loss on debt conversion	3,976,305	-	4,904,286
Loss on settlement agreement	2,827,535	-	2,827,535
Equity in losses of Momentum	32,250	-	250,921
Common stock issued for payment of accrued interest	-	-	888,941
Accretion of debt discount on convertible debt	1,038,836	-	1,038,836
Investment exchanged for services	-	-	10,000
Issuance of note payable for consulting	-	-	500,000
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	131,112	-	131,112
Related party receivables	(43,388)	(137,708)	(72,801)
Inventory	(8,986)	-	(8,986)
Prepaid expenses and other assets	48,873	(195,724)	(633,187)
Accounts payable and accrued liabilities	166,275	416,107	2,165,124
Net cash used in operating activities	(2,897,942)	(1,851,466)	(8,312,962)
Cash flows from investing activities			
Purchases of property and equipment	(93,825)	(46,171)	(144,,260)
Investment in Momentum	(32,250)	-	(220,921)
Other investments	10,000	(10,000)	(15,000)
Investment in Reserve Oil Technologies	-	-	(46,416)
Proceeds from the sale of Reserve Oil Technologies	-	536,265	536,265
Cash received in acquisition of Carbon Green NA, Inc.	295,824	-	295,824
Net cash provided by investing activities	179,749	480,094	455,492
Cash flows from financing activities			
Proceeds from issuances of common stock	574,850	1,428,000	6,516,850
Proceeds from notes payable	3,330,000	-	3,811,699
Proceeds from bank loan	146,514	-	146,514
Payment of dividends on preferred stock	(46,666)	-	(46,666)

Payments on notes payable	(637,736)	(62,394)	(852,685)
Net cash provided by (used in) financing activities	3,366,962	1,365,606	9,575,712
Effect of exchange rate changes on cash and cash equivalents	12,242	-	14,242
Increase (decrease) in cash and cash equivalents	663,011	(5,766)	1,732,484
Cash and cash equivalents, beginning of period	1,069,473	5,766	-
Cash and cash equivalents, end of period	$1,732,484	$-	$1,732,484
Supplemental disclosure of cash flow information:			
Interest paid	$332,919	$170,452	

The accompanying notes are an integral part of these condensed consolidated financial statements.

HUNT GLOBAL RESOURCES, INC.

(A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

Note 1: Basis of Presentation

The accompanying unaudited condensed financial statements of Hunt Global Resources, Inc. (“Hunt” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Regulation S-K. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of the Company, the accompanying unaudited condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 2011, the results of operations for the six and three months ended June 30, 2011, the shareholder’s equity and cash flows for the six months ended June 30, 2011. These financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company's annual report on Form 10-K for the year ended December 31, 2010. There have been no updates or changes to our audited financial statements for the year ended December 31, 2010. The results of operations for the six and three months ended June 30, 2011 are not necessarily indicative of the results to be expected for the full year. The Company has established the following accounting policies:

Inventory

All inventory is stated at the lower of cost and net realizable values. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses. Inventory consists of raw materials and finished goods inventory.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Expenditures for new facilities or equipment and expenditures that extend the useful lives of existing facilities or equipment are capitalized and depreciated using the straight-line method at rates sufficient to depreciate such costs over the estimated productive lives. The Company ’ s depreciation rates on fixed assets are as follows:

	Useful life (in years)
Building	25
Office equipment	10
Manufacturing equipment, vehicles, computers	5

Gains and losses on the disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in the consolidated statement of operations and comprehensive income.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at their date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and expenditure is recognized in the consolidated statement of operations and comprehensive income in the year in which the expenditure is incurred. Intangible assets consist of licenses, intellectual property and surface mining rights. Intangible assets related to licenses and intellectual property were measured on initial recognition at fair value, and are being amortized over 10 years. Intangible assets related to surface mining rights were valued based on the historical cost of the underlying property to the Company's primary shareholders, including the debt assumed by the Company. Surface mining rights will be amortized using a unit-of-production method based on estimated recoverable units once production commences.

The following table presents the cost, accumulated amortization and carrying value of intangible assets as of June 30, 2011:

Intangible Assets	Estimated Useful Lives (Years)	Cost	Accumulated Amortization	Carrying Value
Licenses	10	$48,963,200	$1,632,108	$47,331,092
Intellectual property	10	90,136,800	$3,004,560	87,132,240
Surface mining rights	*	3,696,177	-	3,696,177
* Amortized using units-of-production method		$142,796,177	$4,636,668	$138,159,509

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HUNT GLOBAL RESOURCES, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

Amortization expense related to intangible assets held by the Company for the six months ended June 30, 2011 and 2010 was $4,636,668 and $0, respectively. The estimated amortization expense to be recognized during the six months ended December 31, 2011 is approximately $6,955,000. Estimated amortization expense for each of the next five fiscal years ending December 31, is approximately $13,910,000. These estimates do not include amortization of the surface mining rights, as they will be amortized using the units-of-production method based on estimated recoverable units and the timing of production that cannot be reasonably estimated at this time.

Revenue Recognition

The Company recognizes revenue, net of any taxes, when persuasive evidence of a customer or distributor arrangement exists or acceptance occurs, receipt of goods by customer occurs, the price is fixed or determinable, and the sales revenues are considered collectible. Subject to these criteria, the Company generally recognizes revenue at the time of shipment or delivery to the customer, and when the customer takes ownership and assumes risk of loss based on shipping terms.

Going Concern

The Company's financial statements for the six months ended June 30, 2011 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company reported an accumulated deficit of $36,319,475 as of June 30, 2011. The Company recognized losses of $11,160,710 from its operational activities during the six months ended June 30, 2011. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Recent Accounting Pronouncements

There were no accounting standards and interpretations issued during the six months ended June 30, 2011, which are expected to have a material impact on the Company's financial position, operations or cash flows.

Note 2: Reverse Merger

On October 29, 2010, we acquired Tombstone Technologies, Inc. ("Tombstone"), a Colorado corporation. Although Tombstone was the surviving legal entity; Hunt remained the financial reporting entity and the merger was treated as a recapitalization. The transaction was considered a recapitalization because, prior to the transaction, Tombstone was a public company with limited assets or operations and, upon completion of the transaction, Hunt shareholders emerged with a controlling 94.6% interest in the merged Company. Subsequent to the transaction, Tombstone changed its name to Hunt Global Resources, Inc.

Note 3: Acquisitions

Carbon Green N.A., Inc. (CGNA) Acquisition

On March 2, 2011, the Company entered into an acquisition agreement (the "Acquisition Agreement") to acquire substantially all of the equity of CGNA in exchange for the issuance of 30,249,256 shares of the Company's common stock, 123,675 shares of the Company's Class A Preferred Stock, 123,675 shares of the Company's Class B Preferred stock, 24,000 warrants to acquire shares of the Company's Class A Preferred Stock at an exercise price of $208 a share expiring on March 2, 2016, and 38,285 warrants to purchase shares of the Company's Class B Preferred Stock at an exercise price of $248 a share expiring on March 2, 2016.

The Company obtained a valuation of CGNA provided by a valuation expert. It was concluded that the intangible assets of CGNA had a value of $139.1 million. The remainder of the purchase price was allocated to the other assets and liabilities based on book values which approximated fair values at March 2, 2011. Using the market price of Hunt common stock as of the March 2, 2011 acquisition date, the purchase price of the acquisition of Carbon Green would have been in excess of $300,000,000. Hunt concluded that using the fair value of the assets and liabilities assumed was a more accurate calculation of the value of CGNA versus the market price of the Hunt common stock on the date of the acquisition. The revised allocation of the purchase price is as follows:

HUNT GLOBAL RESOURCES, INC.
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Description	Allocated Purchase Price
Assets acquired:	
Current assets	$ 1,002,394
Property, plant and equipment	10,935,427
Intangible assets	
Licenses	48,963,200
Intellectual property	90,136,800
Liabilities assumed	(2,316,450)
Non-controlling interests	(8,833,396)
Total purchase price	$ 139,887,975

Summarized financial information for CGNA assuming 100% ownership, is as follows:

Balance Sheet Data	Balance at June 30, 2011
Current assets	$ 872,933
Property, plant and equipment, net	11,092,014
Intangible assets, net	134,463,332
Current liabilities	(2,509,770)

Statement of Operations Data	From March 2, 2011 (Acquisition Date) To June 30, 2011
Revenues	$ 160,251
Cost of sales	359,696
Gross profit	(199,445)
	381,475

General and administrative expenses		
Depreciation and amortization		4,931,607
Loss from operations		(5,512,528)
Other expenses		(87,057)
Net loss	$	(5,599,585)

The Acquisition Agreement also includes provisions for the Company to issue certain directors, employees, advisers, vendors and consultants of CGNA stock options to purchase up to 10,000,000 shares of our common stock, 9,245,000 of which have been designated at an exercise price of $1.00 per share, expiring on March 2, 2014. These options that have been designated will not begin vesting until September 1, 2011 and will then vest in equal portions over eight quarters.

The acquisition of Carbon Green under the Merger Agreement was intended to qualify as a tax-free reorganization under the provisions of Section 368 of the Internal Revenue Code of 1986, as amended, and to be accounted for on a purchase basis.

Minnesota Frac-Sand Operation

On May 25, 2011, the Company entered into a proposed agreement to acquire the mining rights to over 900 acres of land containing an estimated 100-million tons of Northern White frac-sand. The transaction is expected to be closed once due diligence that includes approvals by regulatory agencies, further testing of the sand deposits and final negotiations of the terms of the lease has been completed.

Note 4: Property, Plant and Equipment

Property, plant and equipment consist of the following as of June 30, 2011 and December 31, 2010:

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HUNT GLOBAL RESOURCES, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

Description	June 30, 2011 (Unaudited)	December 31, 2010
Plant	$ 6,059,003	$ 998,000
Manufacturing equipment	6,239,813	12,000
Vehicles	97,598	25,000
Office equipment	23,311	2,972
Computer hardware	27,664	22,464
Total	12,447,389	1,060,436
Less: accumulated depreciation	(493,128)	(142,389)
Property, plant and equipment, net	$ 11,954,261	$ 918,047

Note 5: Convertible Notes

In May 2011, the Company issued two 60 day convertible promissory notes totaling $930,000, bearing interest at 10% per year, with principal and interest due at maturity. The notes, including unpaid interest, are convertible at maturity, at the holders' option, into shares of the Company at a conversion price of $1.50 per share. Under the terms of the convertible notes, the holders received 973,334 detachable warrants to purchase shares of the Company's common stock at an exercise price of $1.50 per share expiring in two years. In March 2011, the Company issued a 60 day convertible promissory note in the amount of $200,000, bearing interest at 5% per year, with principal and interest due at maturity. The note, including unpaid interest, is convertible at maturity, at the holder's option, into shares of the Company at a conversion price of $1.00 per share. Under the terms of the convertible note, the holder received 200,000 detachable warrants to purchase shares of the Company's common stock at an exercise price of $1.50 per share expiring in two years.

In accordance with ASC 470-20, Debt with Conversion and Other Options, the proceeds received from the convertible notes were allocated between the convertible notes and the detachable warrants based on the relative fair value of the convertible notes without the warrants and the warrants. The portion of the proceeds allocated to the warrants was recognized as additional paid-in capital and a debt discount. In addition, the convertible notes contained a beneficial conversion feature at issuance equal to the intrinsic value of the market price of the underlying shares and the effective conversion price of the underlying shares. The beneficial conversion feature was recognized as additional paid-in capital, limited to the amount of proceeds received, and a debt discount. The debt discount related to warrants and the beneficial conversion feature is accreted into interest expense through maturity of the notes.

In June 2011, the Company issued six 180 day convertible promissory notes totaling $2,400,000, bearing interest at 10% with principal and interest due at maturity. The notes, including unpaid interest, are convertible at maturity, at the holders' option, into stock units of one share and one warrant at a conversion price of $1.00 per unit. The non-detachable warrants contain an exercise price of $1.51 per share and expire in two years.

The convertible notes contained a beneficial conversion feature at issuance equal to the intrinsic value of the market price of the underlying shares plus the fair value of the warrants and the conversion price of the convertible debt instrument. The beneficial conversion feature was recognized as additional paid-in capital, limited to the amount of proceeds received, and a corresponding debt discount to be accreted into interest expense through maturity of the notes. The weighted-average fair values of the detachable and non-detachable warrants were calculated using the Black Scholes-Merton pricing model using the following assumptions:

Expected volatility of underlying stock	58.38 %
Risk-free interest rate	0.45 %
Dividend yield	0.00 %
Expected life of warrants	2 years
Weighted-average fair value of warrants	$ 0.95

The following table provides an analysis of activity related to convertible notes for the six months ended June 30, 2011:

HUNT GLOBAL RESOURCES, INC.
(A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

Description	Amount
Proceeds received on issuance of new notes in 2011	$ 3,330,000
Discount allocated to warrants	(628,739)
Discount allocated to beneficial conversion feature	2,605,098
Convertible notes after discount	96,163
Accretion of discount to interest expense	1,038,836
Conversion through issuance of common stock	(200,000)
Convertible notes at June 30, 2011	$ 934,999
Unamortized discount at June 30, 2011	$ 2,195,001
Total allocated to additional paid-in capital	$ 3,233,837
Total shares of common stock to be issued, if-converted	$ 2,886,666
Aggregate value of shares, if-converted at June 30, 2011	$ 3,896,999
If-converted value in excess of principal balance	$ 2,962,000
	$ 10,166

Contractual interest expense for six months ended June 30, 2011	
Effective interest rate on convertible notes	Greater than 100%

Note 6: Shareholders' Equity

Common Stock

In January 2011, we increased the authorized shares of common stock from 100,000,000 to 500,000,000. Presented below is an analysis of common stock activity during the six months ended June 30, 2011:

2011 Share Issuances		Shares Issued	Per Share Value	Total Value
Issuance of common stock/warrants in units on conversion of debt	(1)	980,000	$ $3.18	$ 3,116,400
Issuance of common stock in settlement with investors	(2)	897,630	$3.15	$ 2,827,535
Sale of common stock/warrants in units in a private placement	(3)	240,000	$0.81	$ 195,000
Issuance of common stock upon exercise of warrants	(3)	398,436	$0.00 – $0.55	$ 82,500
Issuance of common stock upon exercise of options	(4)	128,846	-	$ -
Issuance of common stock for services	(5)	200,000	$2.12	$ 424,000
Issuance of common stock as compensation	(6)	31,305	$1.03	$ 32,050
Issuance of common stock/warrants in units on conversion of debt	(7)	201,668	$ $1.00	$ 201,668
Issuance of common stock as compensation	(8)	26,000	$1.04	$ 36,400
Issuance of common stock upon acquisition of CGNA	(9)	30,249,2563	$1.72	$ 51,902,894

(1) Shares were issued upon conversion of $490,000 of principal due under a note payable. Four note holders with a balance due of $110,000 have elected not to convert. The value of the shares issued was based on the market price at the date of conversion. The Company recognized a loss on debt conversion of $2,626,400 related to this share and warrant issuance.
(2) Shares were issued to three investors in settlement of anti-dilution provisions. The value of the shares issued is based on the market price at the date of the settlement. The Company recognized a loss from the settlement of $2,827,535.
(3) Shares were valued based on actual cash proceeds received.
(4) Shares for cashless exercise of options.
(5) Shares were issued as prepayment for services through December 31, 2011 pursuant to a contract. The value of the shares issued is based on the market price at the date services commenced. The total value of the services was recognized as a prepaid expense and amortized equally over the period covered by the contract.
(6) Shares were issued as severance to former employees. The value of the shares issued was based cash sales at date of issue.
(7) Shares were issued upon conversion of a short-term convertible note. The value of the shares issued was based on the conversion price of $1.00 per share.
(8) Shares were issued to consultants. The value of the shares issued was based on recent cash sales at date of issue.
(9) Shares were issued in exchange for CGNA shares. See further discussion at Note 3

HUNT GLOBAL RESOURCES, INC.

(A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

Preferred Stock

Other than the preferred shares issued in the CGNA transaction per Note 3, no preferred shares have been issued during 2011.

Warrants

The Company recognizes expenses related to share-based payments in accordance with ASC 505, Equity-Based Payments to Non-Employees, for share-based payments to non-employees and ASC 718, Compensation – Stock Compensation, for share-based payments to employees. The Company measures the expense for warrants issued during the six months ended June 30, 2011 based on the estimated fair value of the warrant on the date issued and recognizes expense over the period the service is provided. The weighted average fair values were calculated using the Black Scholes-Merton option pricing model. The following assumptions were used to determine the fair value of the warrants issued during the six months ended June 30, 2011:

Expected stock price volatility	48.0 %
Risk-free interest rate	1.1 %
Dividend yield	0.0 %
Expected life of warrants	2.8 years
Weighted-average fair value	$ 1.99

A summary of warrant activity for the six months ended June 30, 2011 follows:

Description	Shares Underlying Warrants	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (In-The-Money)
Outstanding at December 31, 2010	11,270,000	$0.94	0.9	$4,620,700
Issued in debt settlement	490,000	0.50	4.6	416,500
Issued in private placement	100,000	1.00	1.7	35,000
Issued for services rendered	275,000	1.00	1.7	96,250
Issued for conversion of note	200,000	1.00	2.0	70,000
Issued upon note issuance	973,334	1.50	2.0	-
Exercised	(300,000)	0.55	-	(222,750)
Outstanding at June 30, 2011	13,008,334	$0.97	1.4	$5,015,700

Stock Options

In addition to the options issued in the CGNA transaction, in March 2011, we issued 153,846 shares of common stock to one investor upon his cashless exercise of options. A summary of option activity for the six months ended June 30, 2011 is as follows:

Description	Shares Underlying Options	Weighted Average Exercise Price	Weighted Average Remaining Term (in years)	Aggregate Intrinsic Value (In-The-Money)
Outstanding at December 31, 2010	956,666	$0.76	1.33	$564,433
Granted	9,245,000	1.00	2.50	3,235,750
Exercised	(153,846)	0.65	-	(182,968)
Outstanding at June 30, 2011	10,047,820	$0.99	2.33	$3,617,215
Exercisable at June 30, 2011	802,820	$0.78	1.00	$1,782,260

Note 7: Subsequent Event

Capital Raises

Subsequent to June 30, 2011, the Company has raised an additional $1,600,000 from common stock sales under a private placement and $455,000 in notes payable. The stock issuances were executed between $0.75 and $1.00 per share. The notes payable were issued on similar terms as the recent issuances discussed in Note 4 above.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our unaudited financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by, or on our behalf. We disclaim any obligation to update forward-looking statements.

The independent registered public accounting firm's report on the Company's financial statements as of December 31, 2010, and for each of the years in the two-year period then ended, includes a "going concern" explanatory paragraph, that describes substantial doubt about the Company's ability to continue as a going concern.

PLAN OF OPERATIONS

On March 2, 2011, the Company entered into an acquisition agreement to acquire CGNA. The CGNA assets that we acquired under the Acquisition Agreement include an operating tire recycling plant, license agreements and 189 worldwide patents for a method of recycling 100% of scrap tires with a near zero carbon footprint (the “Carbon Green System”). The Carbon Green System was created during a five year timeframe that was devoted to developing, testing, patenting and building a fully operational system that breaks down, separates and recycles 100% of scrap tires into reusable materials. The operating plant, located in the nation of Cyprus, is currently the world’s largest commercially operating “pyrolysis” plant. Under the Acquisition Agreement the Company will also assume existing license agreements that call for the Company to receive $2 million dollars per year for five years beginning 2011 from licensees (who would otherwise forfeit licenses), and additional royalties projected to be $60 million by year end 2011, if sales and construction goals are met by licensees. It is The Company's intention to build ten tire recycling plants in North America during the next five years to address the growing environmental problems caused by hundreds of millions of waste tires annually.

With the acquisition of CGNA, the Company is now focused on building revenue streams in three markets, (1) Frac sand, the Company currently has a mining lease on a 350 acre site located in Conroe Texas that contains approximately 40 million tons of materials including a large percentage of frac sand and the Company has entered into an agreement to acquire an additional lease on 900 acres containing approximately 100 million tons of “Northern White” frac sand which is the highest quality and most valuable natural frac sand availabl (the lease is based on the Company completing satisfactory due diligence that includes all of the permits that will be required to begin operations), (2) developing facilities in the U.S. devoted separating and recycling reusable materials from scrap tires and (3) manufacture of biofuels and resin coatings from its plant it acquired in 2009 (from Momentum Biofuels). The Company plans to begin construction on a frac sand processing plant for the Conroe lease during 2011. The Company is pursuing several means of raising capital to fund the construction and operation of these projects in order to develop revenue from these sources as soon as possible.

RESULTS OF OPERATIONS

For the Six Months Ended June 30, 2011 Compared to the Six Months Ended June 30, 2010

During the six months ended June 30, 2011 and June 30, 2010, the Company recognized very little revenues from its operational activities. The revenues in 2011 were generated from the pyrolysis plant in the nation of Cyprus for the four month period we have owned CGNA (from March 1 through June 30, 2011). These product revenues consisted of recycled rubber and steel that was extracted and separated under its patented technology.

During the six months ended June 30, 2011, we incurred $6,173,303 in selling and general administrative expenses compared to $1,782,131 during the six months ended June 30, 2010. The increase of $4,391,172 was a result of $2,774,977 of compensation expenses related to stock options granted pursuant to the CGNA Acquisition Agreement, $381,475 of expenses associated with CGNA for the four month period we have owned that company and increases in audit/accounting ($70,000), share based compensation ($575,000), consulting ($300,000) and property taxes ($240,000).

During the six months ended June 30, 2011, we incurred $4,987,408 in depreciation and amortization expenses compared to $52,836 during the six months ended June 30, 2010. The increase of $4,934,572 was a result of depreciation and amortization associated with the acquisition of property, plant and equipment and intangible assets in the CGNA transaction. Amortization of the intangible assets acquired from CGNA was $4,636,668 during the four month period we have owned that company.

During the six months ended June 30, 2011, other expenses of $8,348,511 were recorded as compared to $377,011 during the six months ended June 30, 2010. Other expenses increased by $7,971,500 primarily as a result of the following:

- The Company issued 980,000 shares of common stock with a value of $3,116,400 and warrants for the purchase of 490,000 shares of common stock with a value of $1,349,905 to settle $490,000 of notes payable, resulting in a loss of $3,976,305.
- The Company issued 897,630 shares of common stock with a value of $2,827,535 to settle claims against the company for anti-dilution privileges related to debt previously retired.
- The Company issued short-term convertible notes containing beneficial conversion features and warrants resulting in the debt being discounted by $3,233,837. The debt discount is being accreted through a charge to interest over the remaining terms of the convertible notes. The charge to interest expense related to the debt discounts totaled $1,038,836 during the six months ended June 30, 2011.

For the Three Months Ended June 30, 2011 Compared to the Three Months Ended June 30, 2010

During the six months ended June 30, 2011 and June 30, 2010, the Company recognized very little revenues from its operational activities. The revenues in 2011 were generated from the pyrolysis plant in the nation of Cyprus for the four month period we have owned CGNA (March 1 through June 30, 2011). These product revenues consisted of recycled rubber and steel that was extracted and separated under its patented technology.

During the three months ended June 30, 2011, we incurred $4,168,734 in selling and general administrative expenses compared to $925,186 during the three months ended June 30, 2010. The increase of $3,243,548 was a result of $2,774,977 of compensation expenses related to stock options granted pursuant to the CGNA Acquisition Agreement, expenses associated with CGNA ($180,000) for the four month period we have owned that company and increases in legal expenses ($125,000), property taxes ($110,000) and public company expenses ($100,000).

During the three months ended June 30, 2011, we incurred $3,740,063 in depreciation and amortization expenses compared to $26,576 during the three months ended June 30, 2010. The increase of $3,713,487 was a result of depreciation and amortization associated with the acquisition of property, plant and equipment and intangible assets in the CGNA transaction. Amortization of the intangible assets acquired from CGNA was $3,477,501 during the three month period.

During the three months ended June 30, 2011, other expense of $1,316,631 was recorded as compared to $200,763 during the three months ended June 30, 2010. Other expenses increased by $1,115,868 primarily as a result of the Company issuing short-term convertible notes containing beneficial conversion features and warrants resulting in the debt being discounted by $3,233,837. The debt discount is being accreted through a charge to interest expense over the remaining terms of the convertible notes. The charge to interest expense related to the debt discounts totaled $1,038,836 during the three months ended June 30, 2011.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2011, we, we had a working capital deficit of $6,175,495. We raised $3,130,000 in cash from short-term convertible promissory notes and borrowed $146,541 from a bank during the second quarter of 2011 to fund day to day operations. Subsequent to June 30, 2011, we raised and additional $2,055,000 from the sale of common stock and issuance of notes payable. We are currently looking for additional capital to fund our updated business plan. We are pursuing several capital raising opportunities at this time. There can be no assurance we will be successful in raising such capital on favorable terms, if at all.

Net cash used in operating activities during the six months ended June 30, 2011 was $2,897,942 compared to net cash used in operating activities during the six months ended June 30, 2010 of $1,851,466. This increase was due to an increase in operations resulting from becoming a public company, expenses associated with the acquisition and operation of CGNA and activities associated with raising capital.

Net cash provided by investing activities during the six months ended June 30, 2011 was $179,749 compared to net cash provided by investing activities of $480,094 during the six months ended June 30, 2010. In 2011, $295,824 in cash was received as a part of the CGNA acquisition. In 2010, we received $536,265 in cash from the sale of Reserve Oil Technologies.

Net cash provided by financing activities during the six months ended June 30, 2011was $3,366,962 compared to $1,365,606 in cash provided by our financing activities during the six months ended June 30, 2010. This $2,001,356 increase in cash flows from financing activities was primarily due to issuances of short-term convertible notes totaling $3,300,000, partially offset by a decrease in cash received from common stock sales of approximately $850,000 and an increase in payments on notes payable of approximately $575,000 during the six month period ended June 30, 2011 compared to the comparable prior year period.

Need for Additional Financing

As previously disclosed, we are actively seeking capital to fund each of our operating segments. We believe we will be able to continue to raise minimal operating capital as we have done for the past two years. We believe the recent convertible debt raise will fund our near term cash flow needs. Should we successfully obtain the debt or equity capital we are currently pursuing, we should have sufficient capital to fund at least one of our operating segments to revenue stage in late 2011. Should we not be profitable at that point, we will have to seek loans or equity placements to cover such cash needs. No other commitments to provide additional funds have been made by our management or other stockholders. Accordingly, there can be no assurance that any additional funds will be available to us to allow it to cover our expenses as they may be incurred.

ITEM 3. QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The current loans on Hunt's books are in default and are subject to high interest rates. Should Hunt successfully close any of the capital raises discussed above, approximately $3.8 million of the proceeds will be used to retire the existing debt obligations. Should Hunt successfully complete this refinancing of debt, its financial condition will be improved and the cost of capital will be reduced via a more favorable interest rate.

ITEM 4. CONTROLS AND PROCEDURES

Disclosures Controls and Procedures

We have adopted and maintain disclosure controls and procedures (as such term is defined in Rules 13a 15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods required under the SEC's rules and forms and that the information is gathered and communicated to our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Accounting Officer)(Principal Financial Officer), as appropriate, to allow for timely decisions regarding required disclosure.

As required by SEC Rule 15d-15(b), Messrs. Sharp and Horne our Chief Executive Officer and Chief Financial Officer for the quarter ended June 30, 2010, carried out an evaluation under the supervision and with the participation of our management, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 15d-14 as of the end of the period covered by this report. Based on the foregoing evaluation, Messrs. Sharp and Horne have concluded that our disclosure controls and procedures are not effective in timely alerting them to material information required to be included in our periodic SEC filings and to ensure that information required to be disclosed in our periodic SEC filings is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure as a result of the deficiency in our internal control over financial reporting discussed below.

There were significant changes in our internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2011, as a result of material weaknesses identified in 2010. We are continuing to implement controls and procedures that will improve our controls over financial reporting as well as significantly improving the timeliness in meeting our financial reporting requirements.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS - NONE

ITEM 1A. RISK FACTORS

See risk factors included in Form 10-K filed on April 15, 2011 for risk factors.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On May 2 and 4, 2011, we issued warrants to purchase 973,334 shares of common stock to two accredited investors as a bonus upon conversion of a promissory note. The warrants have an exercise price of $1.50 per share and expire on March 7, 2013. This transaction was made in reliance upon exemptions from registration under Section 4(2) of the Securities Act. The certificates to be issued for these unregistered securities will contain a legend stating that the securities have not been registered under the Securities Act and setting forth the restrictions on the transferability and the sale of the securities. No underwriter participated in, nor did we pay any commissions or fees to any underwriter, in this transaction. These transactions did not involve a public offering. The recipients were knowledgeable about our operations and financial condition. The recipients had knowledge and experience in financial and business matters that allowed them to evaluate the merits and risk of receipt of these securities.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES - NONE

ITEM 5. OTHER INFORMATION - NONE.

ITEM 6. EXHIBITS

The following is a complete list of exhibits filed as part of this Form 10-Q. Exhibit numbers correspond to the numbers in the Exhibit Table of Item 601 of Regulation S-K.

Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
Exhibit 32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act
Exhibit 32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HUNT GLOBAL RESOURCES, INC.

By: /s/George T. Sharp
George T. Sharp,
Chief Executive Officer, Principal Executive Officer and Director

By /s/Michael P. Horne
Michael P. Horne,
Chief Financial Officer, Principal Accounting Officer, Principal Financial Officer and Director.

Date: August 12, 2011