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

FORM 8-K/A

Amendment No. 1 to

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 31, 2018

COLONY NORTHSTAR, INC.
(Exact name of registrant as specified in its charter)

Maryland	001-37980	46-4591526
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

515 S. Flower Street, 44th Floor Los Angeles, CA	90071
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (310) 282-8820

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

EXPLANATORY NOTE

This Amendment No. 1 to Current Report on Form 8-K amends the Current Report on Form 8-K filed on February 1, 2018 (the “Original 8-K”) by Colony NorthStar, Inc. (the “Company”) solely to provide additional financial information in connection with the completion on January 31, 2018 of the transactions contemplated by that certain Master Combination Agreement, dated as of August 25, 2017, as amended and restated on November 20, 2017 (the “Combination Agreement”), by and among (i) Colony Capital Operating Company, LLC (“CLNS OP”), a Delaware limited liability company and the operating company of the Company, (ii) NRF RED REIT Corp., a Maryland corporation and indirect subsidiary of CLNS OP, (iii) Colony NorthStar Credit Real Estate, Inc., a Maryland corporation (“Colony NorthStar Credit”), (iv) Credit RE Operating Company, LLC, a Delaware limited liability company and wholly owned subsidiary of Colony NorthStar Credit, (v) NorthStar Real Estate Income Trust, Inc., a Maryland corporation (“NorthStar I”), (vi) NorthStar Real Estate Income Trust Operating Partnership, LP, a Delaware limited partnership and the operating partnership of NorthStar I, (vii) NorthStar Real Estate Income II, Inc., a Maryland corporation ("NorthStar II"), and (viii) NorthStar Real Estate Income Operating Partnership II, LP, a Delaware limited partnership and the operating partnership of NorthStar II. Capitalized terms used herein but not otherwise defined herein shall have the meanings set forth in the Original 8-K.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired

The financial statements of Colony NorthStar Credit, CLNS Investment Entities, NorthStar I and NorthStar II required to be filed pursuant to Rule 3-05 of Regulation S-X are incorporated herein by reference to Exhibits 99.1, 99.2, 99.3 and 99.4, respectively.

(b) Pro forma financial information

The pro forma financial information of the Company required to be filed in connection with the acquisition and disposition described in Item 2.01 in the Original 8-K is incorporated herein by reference to Exhibit 99.5 of this Current Report on Form 8-K/A.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of Ernst & Young LLP to Colony NorthStar Credit Real Estate, Inc.
23.2	Consent of Ernst & Young LLP to CLNS Investment Entities
23.3	Consent of Grant Thornton LLP to NorthStar Real Estate Income Trust, Inc.
23.4	Consent of Grant Thornton LLP to NorthStar Real Estate Income II, Inc.
99.1	Financial statements of Colony NorthStar Credit Real Estate, Inc.
99.2	Financial statements of CLNS Investment Entities
99.3	Financial statements of NorthStar Real Estate Income Trust, Inc.
99.4	Financial statements of NorthStar Real Estate Income II, Inc.
99.5	Unaudited Pro Forma Condensed Consolidated Financial Statements of Colony NorthStar, Inc.

SIGNATURES

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

Date: April 10, 2018

COLONY NORTHSTAR, INC.

By: /s/ Darren J. Tangen

Darren J. Tangen
Chief Financial Officer and Treasurer

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-215509) of Colony NorthStar, Inc. pertaining to the 2014 Omnibus Stock Incentive Plan;

(2) Registration Statement (Form S-3 ASR No. 333-215506) of Colony NorthStar, Inc. pertaining to the registration of its class A common stock, preferred stock, depositary shares, warrants, and rights; and

(3) Registration Statement (Form S-8 No. 333-197104-01) of Colony NorthStar, Inc. pertaining to the 2014 Omnibus Stock Incentive Plan;

of our report dated March 23, 2018 with respect to the consolidated balance sheet of Colony NorthStar Credit Real Estate, Inc. included in this Current Report on Form 8-K/A.

/s/ Ernst & Young LLP

Los Angeles, California
April 10, 2018

EXHIBIT 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-215509) of Colony NorthStar, Inc. pertaining to the 2014 Omnibus Stock Incentive Plan;

(2) Registration Statement (Form S-3 ASR No. 333-215506) of Colony NorthStar, Inc. pertaining to the registration of its class A common stock, preferred stock, depositary shares, warrants, and rights; and

(3) Registration Statement (Form S-8 No. 333-197104-01) of Colony NorthStar, Inc. pertaining to the 2014 Omnibus Stock Incentive Plan;

of our report dated March 23, 2018 with respect to the combined financial statements of the CLNS Investment Entities included in this Current Report on Form 8-K/A.

/s/ Ernst & Young LLP

Los Angeles, California
April 10, 2018

EXHIBIT 23.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 23, 2018, with respect to the consolidated financial statements of NorthStar Real Estate Income Trust, Inc. included as an exhibit to this Current Report on Form 8-K/A of Colony NorthStar, Inc. We consent to the incorporation by reference of said report in the Registration Statements of Colony NorthStar, Inc. on Forms S-8 (File No. 333-215509 and File No. 333-197104-01) and Form S-3ASR (File No. 333-215506).

/s/ GRANT THORNTON LLP

New York, New York
April 10, 2018

EXHIBIT 23.4

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 23, 2018, with respect to the consolidated financial statements of NorthStar Real Estate Income II, Inc. included as an exhibit to this Current Report on Form 8-K/A of Colony NorthStar, Inc. We consent to the incorporation by reference of said report in the Registration Statements of Colony NorthStar, Inc. on Forms S-8 (File No. 333-215509 and File No. 333-197104-01) and Form S-3ASR (File No. 333-215506).

/s/ GRANT THORNTON LLP

New York, New York
April 10, 2018

EXHIBIT 99.1

COLONY NORTHSTAR CREDIT REAL ESTATE, INC.

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Colony NorthStar Credit Real Estate, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Colony NorthStar Credit Real Estate, Inc. (the Company) as of December 31, 2017 and the related notes (collectively referred to as the "consolidated financial statement"). In our opinion, the consolidated financial statement presents fairly, in all material respects, the financial position of the Company at December 31, 2017 in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2017.

Los Angeles, California
March 23, 2018

Colony NorthStar Credit Real Estate, Inc.
Consolidated Balance Sheet

		December 31, 2017
Assets		
Cash	$	1,000
Total Assets	$	1,000
Commitments and contingencies (Note 4)		
Stockholder's equity		
Preferred stock, $0.01 par value, 200 shares authorized, none outstanding	$	—
Common stock, $0.01 par value, 1,000 shares authorized, 100 shares issued and outstanding		1
Additional paid-in capital		999
Total stockholder's equity	$	1,000

See accompanying notes to the consolidated balance sheet.

1. Organization

Colony NorthStar Credit Real Estate, Inc. (the "Company") was organized in the state of Maryland on August 23, 2017. Under the Company's charter as of December 31, 2017, the Company was authorized to issue up to 1,000 shares of common stock, $0.01 par value per share, and 200 shares of preferred stock, $0.01 par value per share. As of December 31, 2017, the Company had not commenced operations.

As of December 31, 2017, the sole stockholder of the Company was Colony NorthStar, Inc. ("Colony NorthStar"), a publicly traded real estate investment trust ("REIT") listed on the New York Stock Exchange ("NYSE") under the ticker symbol "CLNS." On September 15, 2017, Colony NorthStar made an initial capital contribution of $1,000 to the Company.

The Company intends to qualify as a REIT under the Internal Revenue Code of 1986, as amended. The Company intends to conduct all of its activities and hold substantially all of its assets and liabilities through its operating subsidiary, Credit RE Operating Company, LLC (the "Company OP"). The Company is the sole member of the Company OP.

The Company will be externally managed by CLNC Manager, LLC, a Delaware limited liability company and a wholly-owned and indirect subsidiary of Colony Capital Operating Company, LLC ("CLNS OP"), a Delaware limited liability company and the operating company of Colony NorthStar.

2. Formation of the Company

The Company and the Company OP were formed for the purpose of (i) receiving the contribution of a select portfolio of assets and liabilities from Colony NorthStar and its subsidiaries (the "CLNS Contributed Portfolio" as described further below), and (ii) combining the CLNS Contributed Portfolio with substantially all of the assets and liabilities of NorthStar Real Estate Income Trust, Inc. ("NorthStar I") and all of the assets and liabilities of NorthStar Real Estate Income II, Inc. ("NorthStar II"), each of which were publicly registered non-traded REITs sponsored and managed by a subsidiary of Colony NorthStar, through the mergers of NorthStar I and NorthStar II with and into the Company, with the Company surviving (collectively, "Combination"). The CLNS Contributed Portfolio consists of investment entities in which CLNS OP owned interests, as of December 31, 2017, ranging from 38% to 100%.

On January 18, 2018, the Combination was approved by the stockholders of NorthStar I and NorthStar II. The Combination closed on January 31, 2018 and the Company's Class A common stock began trading on the NYSE on February 1, 2018 under the symbol "CLNC."

In consideration for the contribution of the CLNS Contributed Portfolio, CLNS OP received approximately 44.4 million shares of the Company's Class B-3 common stock (the "CLNC B-3 Common Stock") and a subsidiary of CLNS OP received approximately 3.1 million common membership units in the Company's operating company ("CLNC OP Units"). The CLNC B-3 Common Stock will automatically convert to Class A common stock of the Company on a one-for-one basis upon the close of trading on February 1, 2019. The CLNC OP Units are redeemable for cash, or at the Company's election, the Company's Class A common stock on a one-for-one basis. Subject to certain limited exceptions, CLNS OP has agreed that it and its affiliates will not make any transfers of the CLNC OP Units to non-affiliates of CLNS OP until the one year anniversary of the closing of the Combination, unless such transfer is approved by a majority of the Company's board of directors, including a majority of the independent directors. In connection with the merger of NorthStar I and NorthStar II into the Company, their respective stockholders received shares of the Company's Class A common stock based on pre-determined exchange ratios. Following the foregoing transaction, the Company contributed the CLNS Contributed Portfolio and the operating partnerships of NorthStar I and NorthStar II to the Company OP in exchange for ownership interests in the Company OP. Upon the closing of the Combination, CLNS OP and its affiliates, NorthStar I stockholders and NorthStar II stockholders each owned approximately 37%, 32% and 31%, respectively, of the Company on a fully diluted basis.

3. Significant Accounting Policies

Basis of presentation

The accompanying consolidated balance sheet has been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company's sole subsidiary, the Company OP, is consolidated by the Company. All intercompany transactions have been eliminated.

Use of estimates

The preparation of the consolidated balance sheet in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated balance sheet. Actual results could differ from those estimates.

Cash and Cash Equivalents

Short-term, highly liquid investments with original maturities of three months or less are considered to be cash equivalents. The Company did not have any cash equivalents at December 31, 2017. The Company's cash is held with major financial institutions and may at times exceed federally insured limits.

Underwriting commissions and costs

Underwriting commissions and costs to be incurred in connection with the Company's common share offerings will be reflected as a reduction of additional paid-in capital.

Organization and offering costs

Costs incurred to organize the Company will be expensed as incurred.

4. Commitments and Contingencies

As of December 31, 2017, Colony NorthStar had incurred approximately $2.3 million of costs related to the organization of the Company and the Combination. Contingent upon successful completion of the Combination, the Company will reimburse Colony NorthStar for these and other costs.

5. Subsequent Events

Combination Agreement

On January 18, 2018, the Combination was approved by the stockholders of NorthStar I and NorthStar II. The Combination closed on January 31, 2018 and the Company's Class A common stock began trading on the NYSE on February 1, 2018 under the symbol "CLNC." Upon closing of the Combination, CLNS OP and its affiliates, NorthStar I stockholders and NorthStar II stockholders each own approximately 37%, 32% and 31%, respectively, of the Company on a fully diluted basis. Refer to Note 2, "Formation of the Company."

Common Stock Repurchases

The Company's board of directors has authorized a stock repurchase program, under which the Company may repurchase up to $300 million of its outstanding Class A common stock until March 19, 2019.

Dividends

On February 23, 2018, the Company's board of directors declared its monthly cash dividend of $0.145 per share of Class A and Class B-3 common stock for the month ended February 28, 2018. The common stock dividend was paid on March 16, 2018 to stockholders of record on March 8, 2018. On March 15, 2018, the Company's board of directors declared a monthly cash dividend of $0.145 per share of Class A common stock and Class B-3 common stock for the monthly period ending March 31, 2018. The common stock dividend will be paid on April 10, 2018 to stockholders of record on March 29, 2018. These dividends represent an annualized dividend of $1.74 per share of Class A and Class B-3 common stock.

Revolving Credit Facility

On February 1, 2018, the Company entered into a Credit Agreement ("Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent, and several lenders which agreed to provide a revolving credit facility in the aggregate principal amount of up to $400.0 million. Advances under the Credit Agreement accrue interest at a per annum rate equal to, at the Company's election, either a LIBOR rate plus a margin of 2.25%, or a base rate determined according to a prime rate or federal funds rate plus a margin of 1.25%. The ability to borrow new amounts under the Credit Agreement terminates on February 1, 2022, with two additional six month extensions available subject to terms and conditions in the Credit Agreement.

CLNS INVESTMENT ENTITIES

Index to Combined Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of CLNS Investment Entities

Opinion on the Financial Statements

We have audited the accompanying combined balance sheets of the CLNS Investment Entities (as described in Note 1 to the combined financial statements and collectively, the "Companies") as of December 31, 2017 and 2016, the related combined statements of operations, equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "combined financial statements"). In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Companies at December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Companies' management. Our responsibility is to express an opinion on the Companies' financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Companies' auditor since 2017.

Los Angeles, California
March 23, 2018

CLNS INVESTMENT ENTITIES
COMBINED BALANCE SHEETS
(In thousands)

	December 31, 2017	December 31, 2016
Assets		
Cash	$ 25,204	$ 13,982
Restricted cash	41,901	58,530
Loans receivable, net		
Held for investment	1,300,784	1,523,426
Held for sale	—	29,354
Real estate, net		
Held for investment	219,740	—
Held for sale	—	8,938
Investments in unconsolidated ventures ($24,417 and $0 at fair value)	203,720	155,537
Deferred leasing costs and intangible assets, net	11,014	20
Other assets ($117 and $0 at fair value)	37,039	12,405
Total assets	$ 1,839,402	$ 1,802,192
Liabilities		
Debt, net	$ 389,661	$ 502,413
Accrued and other liabilities	42,171	64,215
Total liabilities	431,832	566,628
Commitments and contingencies (Note 10)		
Equity		
CLNS Owner	1,079,808	884,716
Other Owners	318,142	341,167
Total owners' equity	1,397,950	1,225,883
Noncontrolling interests	9,620	9,681
Total equity	1,407,570	1,235,564
Total liabilities and equity	$ 1,839,402	$ 1,802,192

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

CLNS INVESTMENT ENTITIES
COMBINED BALANCE SHEETS
(In thousands)

The following table presents the assets and liabilities recorded in the combined balance sheets attributable to securitization vehicles consolidated as variable interest entities:

	December 31,	
	2017	2016
Assets		
Cash	$ 1,320	$ 3,234
Loans receivable, net	379,305	694,077
Real estate, net	8,073	8,873
Other assets	36,960	65,426
Total assets	$ 425,658	$ 771,610
Liabilities		
Debt, net	$ 108,679	$ 400,600
Other liabilities	28,692	63,175
Total liabilities	$ 137,371	$ 463,775

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

CLNS INVESTMENT ENTITIES
COMBINED STATEMENTS OF OPERATIONS
(In thousands)

	Year Ended December 31,		
	2017	2016	2015
Revenues			
Interest income	$ 140,214	$ 140,529	$ 112,326
Property operating income	23,750	1,138	99
Other income	791	536	287
Total revenues	164,755	142,203	112,712
Expenses			
Interest expense	26,114	26,031	18,949
Property operating expense	7,978	905	67
Transaction, investment and servicing expense (including $482, $417 and $441 reimbursed to affiliates, respectively)	2,570	1,767	1,920
Depreciation and amortization	9,137	146	—
Provision for loan loss	518	3,386	721
Administrative expenses (Note 9)	12,669	15,437	15,315
Total expenses	58,986	47,672	36,972
Other income (loss)			
Other loss, net	(390)	(56)	—
Earnings from investments in unconsolidated ventures	24,709	16,067	6,115
Net income before income taxes	130,088	110,542	81,855
Income tax expense	(2,208)	(1,521)	(247)
Net income	127,880	109,021	81,608
Net income attributable to noncontrolling interests	689	736	1,054
Net income attributable to owners	$ 127,191	$ 108,285	$ 80,554

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

CLNS INVESTMENT ENTITIES
COMBINED STATEMENTS OF EQUITY
(In thousands)

	CLNS Owner	Other Owners	Total Owners' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2015	$ 502,810	$ 175,226	$ 678,036	$ 10,136	$ 688,172
Net income	58,079	22,475	80,554	1,054	81,608
Pushdown accounting adjustments (Note 2)	12,222	14,366	26,588	—	26,588
Contributions	463,885	141,114	604,999	97	605,096
Distributions	(219,222)	(63,093)	(282,315)	(1,335)	(283,650)
Balance at December 31, 2015	817,774	290,088	1,107,862	9,952	1,117,814
Net income	76,051	32,234	108,285	736	109,021
Contributions	113,024	95,520	208,544	98	208,642
Distributions	(122,133)	(76,675)	(198,808)	(1,105)	(199,913)
Balance at December 31, 2016	884,716	341,167	1,225,883	9,681	1,235,564
Net income	88,504	38,687	127,191	689	127,880
Equity contribution from CLNS Merger (Note 2)	324,358	—	324,358	—	324,358
Contributions	81,549	50,252	131,801	251	132,052
Distributions	(299,319)	(111,964)	(411,283)	(1,001)	(412,284)
Balance at December 31, 2017	$ 1,079,808	$ 318,142	$ 1,397,950	$ 9,620	$ 1,407,570

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

CLNS INVESTMENT ENTITIES
COMBINED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2017	**2016**	**2015**
Cash Flows from Operating Activities			
Net income	$ 127,880	$ 109,021	$ 81,608
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of discount and net origination fees on purchased and originated loans	(8,551)	(8,112)	(3,781)
Paid-in-kind interest added to loan principal, net of interest received	(1,802)	(7,884)	(8,040)
Amortization of deferred financing costs and debt discount and premium	3,637	5,975	4,944
Earnings from investments in unconsolidated ventures	(24,709)	(16,067)	(6,115)
Distributions of income from equity method investments	7,563	1,058	59
Provision for loan losses	518	3,386	721
Depreciation and amortization	9,137	146	—
Deferred tax provision	1,744	—	—
Changes in operating assets and liabilities:			
Decrease in restricted cash	940	—	544
(Increase) decrease in other assets	(7,743)	671	(6,264)
(Decrease) increase in accrued and other liabilities	(892)	369	998
Other adjustments, net	200	(55)	—
Net cash provided by operating activities	107,922	88,508	64,674
Cash Flows from Investing Activities			
Contributions to investments in unconsolidated ventures	(16,333)	(21,433)	(104,134)
Distributions from investments in unconsolidated ventures	55,107	1,331	3,317
Cash acquired in the CLNS Merger (Note 2)	915	—	—
Net disbursements on originated loans	(200,203)	(257,641)	(860,175)
Repayments of loans receivable	537,532	357,043	43,370
Proceeds from sales of loans receivable	17,509	141,500	95,000
Cash receipts in excess of accretion on purchased credit-impaired loans	52,435	18,121	9,894
Improvements of real estate	(312)	(67)	—
Proceeds from sales of real estate	8,872	—	—
Changes in restricted cash	(564)	—	—
Net cash provided by (used in) investing activities	454,958	238,854	(812,728)

CLNS INVESTMENT ENTITIES
COMBINED STATEMENTS OF CASH FLOWS (Continued)
(In thousands)

	Year Ended December 31,		
	2017	2016	2015
Cash Flows from Financing Activities			
Funds from borrowings	72,189	81,077	676,486
Repayment of borrowings	(342,898)	(407,282)	(252,902)
Payment of financing costs	(717)	(2,242)	(7,038)
Contributions from members	131,801	208,544	604,999
Distributions to members	(411,283)	(198,808)	(282,315)
Contributions from noncontrolling interests	251	98	97
Distributions to noncontrolling interests	(1,001)	(1,105)	(1,335)
Net cash (used in) provided by financing activities	(551,658)	(319,718)	737,992
Net increase (decrease) in cash	11,222	7,644	(10,062)
Cash, beginning of period	13,982	6,338	16,400
Cash, end of period	$ 25,204	$ 13,982	$ 6,338
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 22,885	$ 20,134	$ 13,160
Cash paid for income taxes	$ 10,497	$ 1,292	$ 770
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Loan payoffs held in escrow	$ 9,720	$ —	$ 11,300
Foreclosures on collateral assets of originated or acquired loans receivable	$ 20,204	$ —	$ 10,837
Assets acquired through the CLNS Merger (Note 2)	$ 485,891	$ —	$ —
Liabilities assumed through the CLNS Merger (Note 2)	$ 161,533	$ —	$ —

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

CLNS INVESTMENT ENTITIES
NOTES TO COMBINED FINANCIAL STATEMENTS

1. Business and Organization

Colony NorthStar Credit Real Estate, Inc. (“Colony NorthStar Credit”) was organized in the state of Maryland on August 23, 2017. As of December 31, 2017, the sole stockholder of Colony NorthStar Credit was Colony NorthStar, Inc. (“Colony NorthStar”), a publicly traded real estate investment trust (“REIT”) listed on the New York Stock Exchange (“NYSE”) under the ticker symbol “CLNS.” Colony NorthStar Credit intends to qualify as a REIT under the Internal Revenue Code of 1986, as amended. Colony NorthStar Credit intends to conduct all of its activities and hold substantially all of its assets and liabilities through its operating subsidiary, Credit RE Operating Company, LLC (“Credit RE OP”). Colony NorthStar Credit is the sole member of Credit RE OP.

Colony NorthStar Credit and Credit RE OP were formed for the purpose of (i) receiving the contribution of a select portfolio of assets and liabilities from Colony NorthStar and its subsidiaries (the “CLNS Contributed Portfolio” as described further below), and (ii) combining the CLNS Contributed Portfolio with substantially all of the assets and liabilities of NorthStar Real Estate Income Trust, Inc. (“NorthStar I”) and all of the assets and liabilities of NorthStar Real Estate Income II, Inc. (“NorthStar II”), each of which were publicly registered non-traded REITs sponsored and managed by a subsidiary of Colony NorthStar, through the mergers of NorthStar I and NorthStar II with and into Colony NorthStar Credit, with Colony NorthStar Credit surviving (collectively, the “Combination”).

On January 18, 2018, the Combination was approved by the stockholders of NorthStar I and NorthStar II. The Combination closed on January 31, 2018 and Colony NorthStar Credit’s Class A common stock began trading on the NYSE on February 1, 2018 under the symbol “CLNC.”

In consideration for the contribution of the CLNS Contributed Portfolio, Colony Capital Operating Company, LLC (“CLNS OP”), a Delaware limited liability company and the operating company of Colony NorthStar, received approximately 44.4 million shares of Colony NorthStar Credit’s Class B-3 common stock (the “CLNC B-3 Common Stock”) and a subsidiary of CLNS OP received approximately 3.1 million common membership units in Credit RE OP (“CLNC OP Units”). The CLNC B-3 Common Stock will automatically convert to Class A common stock of Colony NorthStar Credit on a one-for-one basis upon the close of trading on February 1, 2019. The CLNC OP Units are redeemable for cash, or at Colony NorthStar Credit’s election, Colony NorthStar Credit’s Class A common stock on a one-for-one basis , in the sole discretion of Colony NorthStar Credit. Subject to certain limited exceptions, CLNS OP has agreed that it and its affiliates will not make any transfers of the CLNC OP Units to non-affiliates of CLNS OP until the one year anniversary of the closing of the Combination, unless such transfer is approved by a majority of Colony NorthStar Credit’s board of directors, including a majority of the independent directors. In connection with the merger of NorthStar I and NorthStar II into Colony NorthStar Credit, their respective stockholders received shares of Colony NorthStar Credit’s Class A common stock based on pre-determined exchange ratios. Following the foregoing transaction, Colony NorthStar Credit contributed the CLNS Contributed Portfolio and the operating partnerships of NorthStar I and NorthStar II to Credit RE OP in exchange for ownership interests in Credit RE OP. Upon the closing of the Combination, CLNS OP and its affiliates, NorthStar I stockholders and NorthStar II stockholders each owned approximately 37%, 32% and 31%, respectively, of Colony NorthStar Credit on a fully diluted basis.

The accompanying combined financial statements present in their entirety the historical combined financial position, results of operations, and cash flows of the investment entities in which CLNS OP owned interests, as of December 31, 2017, ranging from 38% to 100%, which interests represent the “CLNS Contributed Portfolio,” that was contributed through Colony NorthStar Credit to Credit RE OP. The financial statements also include certain intercompany balances between those entities and CLNS OP or its subsidiaries. These entities and balances are, for purposes of the notes to the combined financial statements of the CLNS Investment Entities, collectively referred to as the “CLNS Investment Entities” or the “Companies.” As of December 31, 2017, the Companies were under common control of Colony NorthStar. The remaining interests in the Companies that were owned by Colony NorthStar-sponsored investment vehicles or third parties were not contributed to Colony NorthStar Credit. Throughout these combined financial statements, Colony NorthStar’s interests in their respective underlying assets and liabilities are presented as CLNS Owner; the remaining interests are presented as Other Owners.

Prior to the closing of the Combination, Colony NorthStar Credit had no material assets and liabilities and did not operate its business as a separate company. Since Colony NorthStar Credit did not have significant operations prior to the contribution from Colony NorthStar, and succeeded to substantially all of the operations of the CLNS Investment Entities, the CLNS Investment Entities represent Colony NorthStar Credit’s predecessor for accounting purposes.

2. Summary of Significant Accounting Policies

Basis of Presentation

The assets, liabilities and noncontrolling interests in these combined financial statements have been carved out of the books and records of Colony NorthStar at their historical carrying amounts. The combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), giving consideration to the rules and regulations of the Securities and Exchange Commission ("SEC") and related guidance provided by the SEC Staff with respect to carve-out financial statements. All intercompany transactions have been eliminated.

The historical financial results for the Companies reflect charges for certain corporate costs which we believe are reasonable. These charges were based on either specifically identifiable costs incurred on behalf of the Companies or an allocation of costs estimated to be applicable to the Companies, primarily based on the relative assets under management of the Companies to Colony NorthStar's total assets under management. Such costs do not necessarily reflect what the actual costs would have been if the Companies had been operating as a separate stand-alone public entity. See Note 9, *Transactions with Affiliates*, for additional information.

Formation of Colony NorthStar—Colony NorthStar was formed through a tri-party merger (the "CLNS Merger") among Colony Capital, Inc. ("Colony Capital"), NorthStar Asset Management Group Inc. and NorthStar Realty Finance Corp. ("NRF"), which closed on January 10, 2017 (the "CLNS Merger Closing Date"). Colony Capital was determined to be the accounting acquirer in the CLNS Merger. Accordingly, the combined financial information of the Companies included herein as of any date or for any periods on or prior to the CLNS Merger Closing Date represent the CLNS Investment Entities from Colony Capital. On the CLNS Merger Closing Date, the CLNS Investment Entities were reflected by Colony NorthStar at their pre-CLNS Merger carrying values, while the CLNS Investment Entities from NRF were reflected by Colony NorthStar at their CLNS Merger fair values. The results of operations of the CLNS Investment Entities from NRF are included in these combined financial statements effective from January 11, 2017.

The following table presents the assets acquired and liabilities of certain Companies assumed by Colony NorthStar from NRF through the CLNS Merger based upon their estimated fair values as of the CLNS Merger Closing Date, including the effects of adjustments during the measurement period, not to exceed one year, based upon new information obtained about facts and circumstances that existed as of the CLNS Merger Closing Date.

(In thousands)	As Reported at December 31, 2017
Assets	
Cash and cash equivalents	$ 915
Restricted cash	5,288
Real estate	205,376
Loans receivable	175,366
Investments in unconsolidated ventures	70,609
Intangible assets	14,600
Other assets	13,737
	485,891
Liabilities	
Debt	155,297
Accrued and other liabilities	6,236
	161,533
Fair value of net assets acquired	$ 324,358

Results of operations of the CLNS Investment Entities from NRF were as follows:

(In thousands)	Year Ended December 31, 2017
Total revenues	$ 37,430
Net income	15,692

Change in Control of Certain CLNS Investment Entities and Pushdown Accounting—On April 2, 2015, in connection with the internalization of its manager, Colony Capital, the accounting predecessor to Colony NorthStar, obtained a controlling financial interest in certain of the CLNS Investment Entities, which Colony Capital had previously accounted for under the equity method. As a result, Colony Capital consolidated those CLNS Investment Entities and remeasured their assets, liabilities and noncontrolling interests at fair value as of April 2, 2015. Five of the Companies stepped up their loans receivable to fair value by approximately $26.6 million through the application of pushdown accounting.

The accompanying financial statements include the results of the five Companies for the period after the completion of management internalization ("Successor Period") and the period before management internalization ("Predecessor Period"). The pushdown accounting only affects interest income through periodic amortization of the step-up of loans receivable carrying value. The following table summarizes interest income from the five Companies for the Successor Period and Predecessor Period included in the combined statements of operations.

	Successor Period			Predecessor Period
	Year Ended December 31,			
(In thousands)	2017	2016	April 2, 2015 to December 31, 2015	January 1, 2015 to April 1, 2015
Interest income	$ 20,129	$ 24,544	$ 17,883	$ 8,538

Principles of Consolidation

The accompanying combined financial statements include the accounts of the Companies and their controlled subsidiaries and consolidated variable interest entities ("VIEs"). The portions of the equity, net income and other comprehensive income of consolidated subsidiaries that are not attributable to the parent are presented separately as amounts attributable to noncontrolling interests in the consolidated financial statements.

The Companies consolidate entities in which they have a controlling financial interest by first considering if an entity meets the definition of a VIE for which the Companies are deemed to be the primary beneficiary, or if the Companies have the power to control an entity through a majority of voting interest or through other arrangements.

Variable Interest Entities—A VIE is an entity that lacks sufficient equity to finance its activities without additional subordinated financial support from other parties, or whose equity holders lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary, which is defined as the party who has a controlling financial interest in the VIE through (a) power to direct the activities of the VIE that most significantly affect the VIE's economic performance, and (b) obligation to absorb losses or right to receive benefits of the VIE that could be significant to the VIE. The Companies also consider interests held by their related parties, including de facto agents. The Companies assess whether they are members of a related party group that collectively meets the power and benefits criteria and, if so, whether the Companies are most closely associated with the VIE. In performing this analysis, the Companies consider both qualitative and quantitative factors, including, but not limited to: the amount and characteristics of their investment relative to the related party; the Companies' and the related party's ability to control or significantly influence key decisions of the VIE including consideration of involvement by de facto agents; the obligation or likelihood for the Companies or the related party to fund operating losses of the VIE; and the similarity and significance of the VIE's business activities to those of the Companies and the related party. The determination of whether an entity is a VIE, and whether the Companies are the primary beneficiary, may involve significant judgment, including the determination of which activities most significantly affect the entities' performance, and estimates about the current and future fair values and performance of assets held by the VIE.

At December 31, 2017, 2016 and 2015, the Companies consolidated certain securitization vehicles as the primary beneficiary. The securitization vehicles were structured as pass-through entities that receive principal and interest on the underlying mortgage loans and distribute those payments to the holders of the notes, certificates or bonds issued by the securitization vehicles. The loans were transferred into securitization vehicles such that these assets are restricted and legally isolated from the creditors of the Companies, and therefore are not available to satisfy the Companies' obligations but only the obligations of the securitization vehicles. The obligations of the securitization vehicles do not have any recourse to the general credit of the Companies.

The Companies retain beneficial interests in the securitization vehicles, usually equity tranches or subordinate securities. Affiliates of the Companies or appointed third parties act as special servicer of the underlying collateral mortgage loans. The special servicer has the power to direct activities during the loan workout process on defaulted and delinquent loans as permitted by the underlying contractual agreements, which is subject to the consent of the Companies, as the controlling class representative or directing holder who, under certain circumstances, has the right to unilaterally remove the special servicer. As the Companies' rights as the directing holder and controlling class representative provide the Companies the ability to direct activities that most significantly impact the economic performance of the securitization vehicles, the Companies maintain effective control over the loans transferred into the securitization vehicles. Considering the interests retained by the Companies in the securitization vehicles together with its role as controlling class representative or directing holder, the Companies are deemed to be the primary beneficiary and consolidated these securitization vehicles. Accordingly, these securitizations did not qualify as sale transactions and are accounted for as secured financing with the underlying mortgage loans pledged as collateral.

All of the underlying assets, liabilities, equity, revenues and expenses of the securitization vehicles are included in the Companies' combined financial statements. The Companies' exposure to the obligations of the securitization vehicles is generally limited to their investment in these entities, which was $288.3 million and $307.8 million at December 31, 2017 and 2016, respectively. The Companies are not obligated to provide any financial support to these securitization vehicles, although they may, in their sole discretion, provide support such as protective and other advances as they deem appropriate. The Companies did not provide any such financial support in the years ended December 31, 2017 or 2016.

Voting Interest Entities—Unlike VIEs, voting interest entities have sufficient equity to finance their activities and equity investors exhibit the characteristics of a controlling financial interest through their voting rights. The Companies consolidate such entities when they have the power to control these entities through ownership of a majority of the entities' voting interests or through other arrangements.

Upon the occurrence of a reconsideration event, the Companies reassess whether changes in facts and circumstances cause a change in the status of an entity as a VIE or voting interest entity, and/or a change in the Companies' consolidation assessment. Changes in consolidation status are applied prospectively. An entity may be consolidated as a result of this reassessment, in which case, the assets, liabilities and noncontrolling interest in the entity are recorded at fair value upon initial consolidation. Any existing equity interest held by the Companies in the entity prior to the Companies obtaining control will be remeasured at fair value, which may result in a gain or loss recognized upon initial consolidation. However, if the consolidation represents an asset acquisition of a voting interest entity, the Companies' existing interest in the acquired assets, if any, is not remeasured to fair value but continues to be carried at historical cost. The Companies may also deconsolidate a subsidiary as a result of this reassessment, which may result in a gain or loss recognized upon deconsolidation depending on the carrying values of deconsolidated assets and liabilities compared to the fair value of any interests retained.

Noncontrolling Interests

Noncontrolling interests represent interests in the Companies held by third party joint venture partners. Allocation of net income or loss is generally based upon relative ownership interests held by equity owners in each investment entity.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and assumptions.

Fair Value Measurement

Fair value is based on an exit price, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Where appropriate, the Companies make adjustments to estimated fair values to appropriately reflect counterparty credit risk as well as the Companies' own credit-worthiness.

The estimated fair value of financial assets and financial liabilities are categorized into a three-tier hierarchy, prioritized based on the level of transparency in inputs used in the valuation techniques, as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in non-active markets, or valuation techniques utilizing inputs that are derived principally from or corroborated by observable data directly or indirectly for substantially the full term of the financial instrument.

Level 3—At least one assumption or input is unobservable and it is significant to the fair value measurement, requiring significant management judgment or estimate.

Where the inputs used to measure the fair value of a financial instrument fall into different levels of the fair value hierarchy, the financial instrument is categorized within the hierarchy based on the lowest level of input that is significant to its fair value measurement.

Fair Value Option

The fair value option provides an option to elect fair value as an alternative measurement for selected financial instruments. The fair value option may be elected only upon the occurrence of certain specified events, including when the Companies enter into an eligible firm commitment, at initial recognition of the financial instrument, as well as upon a business combination or consolidation of a subsidiary. The election is irrevocable unless a new election event occurs. The Companies have elected to account for certain cost method investments, specifically limited partnership interests in third party private real estate funds, at fair value.

Cash and Cash Equivalents

Short-term, highly liquid investments with original maturities of three months or less are considered to be cash equivalents. The Companies did not have any cash equivalents at December 31, 2017 or 2016. The Companies' cash is held with major financial institutions and may at times exceed federally insured limits.

Restricted Cash

Restricted cash consists primarily of borrower escrow deposits, tenant escrow deposits and real estate capital expenditure reserves.

Loans Receivable

The Companies originate and purchase loans receivable. The accounting framework for loans receivable depends on the Companies' strategy whether to hold or sell the loan, whether the loan was credit-impaired at time of acquisition, or if the lending arrangement is an acquisition, development and construction loan.

Loans Held for Investment (other than Purchased Credit-Impaired Loans)

Loans that the Companies have the intent and ability to hold for the foreseeable future are classified as held-for-investment. Originated loans are recorded at amortized cost, or outstanding unpaid principal balance less net deferred loan fees. Net deferred loan fees include unamortized origination and other fees charged to the borrower less direct incremental loan origination costs incurred by the Companies. Purchased loans are recorded at amortized cost, or unpaid principal balance plus purchase premium or less unamortized discount. Costs to purchase loans are expensed as incurred.

Interest Income—Interest income is recognized based upon contractual interest rate and unpaid principal balance of the loans. Net deferred loan fees on originated loans are deferred and amortized as adjustments to interest income over the expected life of the loans using the effective yield method. Premium or discount on purchased loans are amortized as adjustments to interest income over the expected life of the loans using the effective yield method. For revolving loans, net deferred loan fees, premium or discount are amortized to interest income using the straight-line method. When a loan is prepaid, prepayment fees and any excess of proceeds over the carrying amount of the loan are recognized as additional interest income.

Nonaccrual—Accrual of interest income is suspended on nonaccrual loans. Loans that are past due 90 days or more as to principal or interest, or where reasonable doubt exists as to timely collection, are generally considered nonperforming and placed on nonaccrual. Interest receivable is reversed against interest income when loans are placed on nonaccrual status. Interest collection on nonaccruing loans for which ultimate collectability of principal is uncertain is recognized using a cost recovery method by applying interest collected as a reduction to loan principal; otherwise, interest collected is recognized on a cash basis by crediting to income when received. Loans may be restored to accrual status when all principal and interest is current and full repayment of the remaining contractual principal and interest is reasonably assured.

Impairment and Allowance for Loan Losses—On a periodic basis, the Companies analyze the extent and effect of any credit migration from underwriting and the initial investment review associated with the performance of a loan and/or value of its underlying collateral, financial and operating capability of the borrower or sponsor, as well as amount and status of any senior loan, where applicable. Specifically, operating results of collateral properties and any cash reserves are analyzed and used to assess whether cash from operations are sufficient to cover debt service requirements currently and into the future, ability of the borrower to refinance the loan, liquidation value of collateral properties, financial wherewithal of any loan guarantors as well as the borrower's competency in managing and operating the collateral properties. Such analysis is performed at least quarterly, or more often as needed when impairment indicators are present. The Companies do not utilize a statistical credit rating system to monitor and assess the credit risk and investment quality of their acquired or originated loans. Given the diversity of the Companies' portfolio, management believes there is no consistent method of assigning a numerical rating to a particular loan that captures all of the various credit metrics and their relative importance. Therefore, the Companies evaluate impairment and allowance for loan losses on an individual loan basis.

Loans are considered to be impaired when it is probable that the Companies will not be able to collect all amounts due in accordance with contractual terms of the loans, including consideration of underlying collateral value. Allowance for loan losses represents the estimated probable credit losses inherent in loans held for investment at balance sheet date. Changes in allowance for loan losses are recorded in the provision for loan losses on the statement of operations. Allowance for loan losses generally exclude interest receivable as accrued interest receivable is reversed when a loan is placed on nonaccrual status. Allowance for loan losses is generally measured as the difference between the carrying value of the loan and either the present value of cash flows expected to be collected, discounted at the original effective interest rate of the loan or an observable market price for the loan. Subsequent changes in impairment are recorded as adjustments to the provision for loan losses. Loans are charged off against allowance for loan losses when all or a portion of the principal amount is determined to be uncollectible. A loan is considered to be collateral-dependent when repayment of the loan is expected to be provided solely by the underlying collateral. Impaired collateral-dependent loans are written down to the fair value of the collateral less disposal cost, first through a charge-off against allowance for loan losses, if any, then recorded as impairment loss.

Troubled Debt Restructuring ("TDR")—A loan with contractual terms modified in a manner that grants concession to the borrower who is experiencing financial difficulty is classified as a TDR. Concessions could include term extensions, payment deferrals, interest rate reductions, principal forgiveness, forbearance, or other actions designed to maximize the Companies' collection on the loan. As a TDR is generally considered to be an impaired loan, it is measured for impairment based on the Companies' allowance for loan losses methodology.

Loans Held for Sale

Loans that the Companies intend to sell or liquidate in the foreseeable future are classified as held-for-sale. Loans held for sale are carried at the lower of amortized cost or fair value less disposal cost, with valuation changes recognized as impairment loss. Loans held for sale are not subject to allowance for loan losses. Net deferred loan origination fees and loan purchase premiums or discounts are deferred and capitalized as part of the carrying value of the held-for-sale loan until the loan is sold, therefore included in the periodic valuation adjustments based on lower of cost or fair value less disposal cost.

Purchased Credit-Impaired ("PCI") Loans

PCI loans are acquired loans with evidence of credit quality deterioration for which it is probable at acquisition that the Companies will collect less than the contractually required payments. PCI loans are recorded at the initial investment in the loans and accreted to the estimated cash flows expected to be collected as measured at acquisition date. The excess of cash flows expected to be collected, measured as of acquisition date, over the estimated fair value represents the accretable yield and is recognized in interest income over the remaining life of the loan using the effective interest method. The difference between contractually required payments as of the acquisition date and the cash flows expected to be collected ("nonaccretable difference") is not recognized as an adjustment of yield, loss accrual or valuation allowance.

The Companies evaluate estimated future cash flows expected to be collected on a quarterly basis, starting with the first full quarter after acquisition, or earlier if conditions indicating impairment are present. If the cash flows expected to be collected cannot be reasonably estimated, either at acquisition or in subsequent evaluation, the Companies may consider placing such PCI loans on nonaccrual, with interest income recognized using the cost recovery method or on a cash basis. Subsequent decreases in cash flows expected to be collected are evaluated to determine whether a provision for loan loss should be established. If decreases in expected cash flows result in a decrease in the estimated fair value of the loan below its amortized cost, the Companies record a provision for loan losses calculated as the difference between the loan's amortized cost and the revised cash flows, discounted at the loan's effective yield. Subsequent increases in cash flows expected to be collected are first applied to reverse any previously recorded allowance for loan losses, with any remaining increases recognized prospectively through an adjustment to yield over its remaining life.

Factors that most significantly affect estimates of cash flows expected to be collected, and accordingly the accretable yield, include: (i) estimate of the remaining life of acquired loans which may change the amount of future interest income; (ii) changes to prepayment assumptions; (iii) changes to collateral value assumptions for loans expected to foreclose; and (iv) changes in interest rates on variable rate loans.

PCI loans may be aggregated into pools based upon common risk characteristics, such as loan performance, collateral type and/or geographic location of the collateral. A pool is accounted for as a single asset with a single composite yield and an aggregate expectation of estimated future cash flows. A PCI loan modified within a pool remains in the pool, with the effect of the modification incorporated into the expected future cash flows. A loan resolution within a loan pool, which may involve the sale of the loan or foreclosure on the underlying collateral, results in the removal of an allocated carrying amount, including an allocable portion of any existing allowance.

Acquisition, Development and Construction ("ADC") Loan Arrangements

The Companies provide loans to third party developers for the acquisition, development and construction of real estate. Under an ADC arrangement, the Companies participate in the expected residual profits of the project through the sale, refinancing or other use of the property. The Companies evaluate the characteristics of each ADC arrangement, including its risks and rewards, to determine whether they are more similar to those associated with a loan or an investment in real estate. ADC arrangements with characteristics implying loan classification are presented as loans receivable and result in the recognition of interest income. ADC arrangements with characteristics implying real estate joint ventures are presented as investments in unconsolidated joint ventures and are accounted for using the equity method. The classification of each ADC arrangement as either loan receivable or real estate joint venture involves significant judgment and relies on various factors, including market conditions, amount and timing of expected residual profits, credit enhancements in the form of guaranties, estimated fair value of the collateral, and significance of borrower equity in the project, among others. The classification of ADC arrangements is performed at inception, and periodically reassessed when significant changes occur in the circumstances or conditions described above.

Real Estate Assets

Real Estate Acquisitions—Real estate acquisitions are recorded at the fair values of the acquired components at the time of acquisition, allocated among land, building, improvements, equipment, lease-related tangible and identifiable intangible assets and liabilities, such as tenant improvements, deferred leasing costs, in-place lease values, above- and below-market lease values. The estimated fair value of acquired land is derived from recent comparable sales of land and listings within the same local region based on available market data. The estimated fair value of acquired buildings and building improvements is derived from comparable sales, discounted cash flow analysis using market-based assumptions, or replacement cost, as appropriate. The fair value of site and tenant improvements is estimated based upon current market replacement costs and other relevant market rate information.

Real Estate Held for Investment

Real estate held for investment are carried at cost less accumulated depreciation.

Costs Capitalized or Expensed—Expenditures for ordinary repairs and maintenance are expensed as incurred, while expenditures for significant renovations that improve or extend the useful life of the asset are capitalized and depreciated over their estimated useful lives.

Depreciation—Real estate held for investment, other than land, are depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

Real Estate Assets	Term
Building (fee interest)	40 years
Building leasehold interests	Lesser of remaining term of the lease or remaining life of the building
Building improvements	Lesser of useful life or remaining life of the building
Land improvements	9 years
Tenant improvements	Lesser of useful life or remaining term of the lease

Impairment—The Companies evaluate their real estate held for investment for impairment periodically or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Companies evaluate cash flows and determine impairments on an individual property basis. In making this determination, the Companies review, among other things, current and estimated future cash flows associated with each property, market information for each sub-market, including, where applicable, competition levels, foreclosure levels, leasing trends, occupancy trends, lease or room rates, and the market prices of similar properties recently sold or currently being offered for sale, and other quantitative and qualitative factors. If an impairment indicator exists, the Companies evaluate whether the expected future undiscounted cash flows is less than the carrying amount of the asset, and if the Companies determine that the carrying value is not recoverable, an impairment loss is recorded for the difference between the estimated fair value and the carrying amount of the asset.

Real Estate Held for Sale

Classification as Held for Sale—Real estate is classified as held for sale in the period when (i) management approves a plan to sell the asset, (ii) the asset is available for immediate sale in its present condition, subject only to usual and customary terms, (iii) a program is initiated to locate a buyer and actively market the asset for sale at a reasonable price, and (iv) completion of the sale is probable within one year. Real estate held for sale is stated at the lower of its carrying amount or estimated fair value less disposal cost, with any write-down to fair value less disposal cost recorded as an impairment loss. For any increase in fair value less disposal cost subsequent to classification as held for sale, the impairment loss may be reversed, but only up to the amount of cumulative loss previously recognized. Depreciation is not recorded on assets classified as held for sale.

If circumstances arise that were previously considered unlikely and, as a result, the Companies decide not to sell the real estate asset previously classified as held for sale, the real estate asset is reclassified as held for investment. Upon reclassification, the real estate asset is measured at the lower of (i) its carrying amount prior to classification as held for sale, adjusted for depreciation expense that would have been recognized had the real estate been continuously classified as held for investment, and (ii) its estimated fair value at the time the Companies decide not to sell.

Real Estate Sales—The Companies evaluate if real estate sale transactions qualify for recognition under the full accrual method, considering whether, among other criteria, the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay, any receivable due to the Companies is not subject to future subordination, the Companies have transferred to the buyer the usual risks and rewards of ownership and the Companies do not have a substantial continuing involvement with the sold real estate. At the time the sale is consummated, a gain or loss is recognized as the difference between the sale price less disposal cost and the carrying value of the real estate.

Foreclosed Properties

The Companies receive foreclosed properties in full or partial settlement of loans receivable by taking legal title or physical possession of the properties. Foreclosed properties are recognized, generally, at the time the real estate is received at foreclosure sale or upon execution of a deed in lieu of foreclosure. Foreclosed properties are initially measured at fair value. Deficiencies compared to the carrying value of the loan, after reversing any previously recognized loss provision on the loan, are recorded as impairment loss. The Companies periodically evaluate foreclosed properties for subsequent decrease in fair value, which is recorded as additional impairment loss. Fair value of foreclosed properties is generally based on third party appraisals, broker price opinions, comparable sales or a combination thereof.

Investments in Unconsolidated Ventures

A noncontrolling, unconsolidated ownership interest in an entity may be accounted for using the equity method, cost method or under the fair value option, if elected.

The Companies account for investments under the equity method of accounting if they have the ability to exercise significant influence over the operating and financial policies of an entity, but do not have a controlling financial interest. The equity method investment is initially recorded at cost and adjusted each period for capital contributions, distributions and the Companies' share of the entity's net income or loss as well as other comprehensive income or loss. The Companies' share of net income or loss may differ from the stated ownership percentage interest in an entity if the governing documents prescribe a substantive non-pro rata earnings allocation formula or a preferred return to certain investors. For certain equity method investments, the Companies record their proportionate share of income on a one to three month lag. Distributions of operating profits from equity method investments are reported as operating activities, while distributions in excess of operating profits or those related to capital transactions, such as a financing transactions or sales, are reported as investing activities in the statement of cash flows.

Investments that do not qualify for equity method accounting are accounted for under the cost method. The Companies elected the fair value option for certain cost method investments, specifically limited partnership interests in third party sponsored private real estate funds. The Companies record the change in fair value for their share of the projected future cash flows of such investments in equity in earnings (losses) of unconsolidated ventures. Any change in fair value attributed to market related assumptions is recorded in other gain (loss), net, on the statement of operations.

Other than investments in private real estate funds acquired by Colony NorthStar from NRF in January 2017, all of the Companies' investments in unconsolidated ventures at December 31, 2017 and 2016 were made up of ADC arrangements accounted for as equity method investments. One ADC investment was deemed to be significant to the Companies for the years ended December 31, 2017, 2016 and 2015. Summarized financial information of the one significant equity method investment is presented below. The investee is engaged in real estate development and did not hold any operating real estate or generate any sales during the years ended December 31, 2016 and 2015, and all interest was capitalized. Therefore, results of operations for those periods were negligible. The investee commenced sales of its land under development in the fourth quarter of 2017, the results of which are summarized below.

Summarized Balance Sheets

	December 31,	
(In thousands)	**2017**	**2016**
Assets		
Real estate under development	$ 165,908	$ 160,213
Other assets	20,567	576
Total assets	$ 186,475	$ 160,789
Liabilities		
Debt	$ 162,567	$ 138,654
Other liabilities	4,868	5,360
Total liabilities	$ 167,435	$ 144,014

Summarized Statement of Operations

(In thousands)	**Year Ended December 31, 2017**
Property sales	$ 37,800
Cost of sales	(35,351)
Gross profit	2,449
Other expenses	184
Net income	$ 2,265

Impairment—If indicators of impairment exist, the Companies perform an evaluation of their equity method investments to assess whether the fair value of their investment is less than its carrying value. To the extent the decrease in value is considered to be other-than-temporary and an impairment has occurred, the investment is written down to its estimated fair value, recorded in earnings from investment in unconsolidated ventures.

Identifiable Intangibles

In a business combination or asset acquisition, the Companies may recognize identifiable intangibles that meet either or both the contractual-legal criterion or the separability criterion. Indefinite-lived intangibles are not subject to amortization until such time that its useful life is determined to no longer be indefinite, at which point, it will be assessed for impairment and its adjusted carrying amount amortized over its remaining useful life. Finite-lived intangibles are amortized over their useful life in a manner that reflects the pattern in which the intangible is being consumed if readily determinable, such as based upon expected cash flows; otherwise they are amortized on a straight line basis. The useful life of all identified intangibles will be periodically reassessed and if useful life changes, the carrying amount of the intangible will be amortized prospectively over the revised useful life. Finite-lived intangibles are periodically reviewed for impairment and an impairment loss is recognized if the carrying amount of the intangible is not recoverable and exceeds its fair value. An impairment establishes a new basis for the identifiable intangibles and any impairment loss recognized is not subject to subsequent reversal.

Identifiable intangibles recognized in acquisitions of operating real estate properties generally include in-place leases, above- or below-market leases and deferred leasing costs. In-place leases generate value over and above the tangible real estate because a property that is occupied with leased space is typically worth more than a vacant building without an operating lease contract in place. The estimated fair value of acquired in-place leases is derived based on management's assessment of costs avoided from having tenants in place, including lost rental income, rent concessions and tenant allowances or reimbursements, that hypothetically would be incurred to lease a vacant building to its actual existing occupancy level on the valuation date. The net amount recorded for acquired in-place leases is included in intangible assets and amortized on a straight-line basis as an increase to depreciation and amortization expense over the remaining term of the applicable leases. If an in-place lease is terminated, the unamortized portion is charged to depreciation and amortization expense.

The estimated fair value of the above- or below-market component of acquired leases represents the present value of the difference between contractual rents of acquired leases and market rents at the time of the acquisition for the remaining lease term, discounted for tenant credit risks. Above- or below-market operating lease values are amortized on a straight-line basis as a decrease or increase to rental income, respectively, over the applicable lease terms. This includes fixed rate renewal options in acquired leases that are below-market, which is amortized to decrease rental income over the renewal period. Above- or below-market ground lease obligations are amortized on a straight-line basis as a decrease or increase to rent expense, respectively, over the applicable lease terms. If the above- or below-market operating lease values or above- or below-market ground lease obligations are terminated, the unamortized portion of the lease intangibles are recorded in rental income or rent expense, respectively.

Deferred leasing costs represent management's estimation of the avoided leasing commissions and legal fees associated with an existing in-place lease. The net amount is included in intangible assets and amortized on a straight-line basis as an increase to depreciation and amortization expense over the remaining term of the applicable lease.

Transfers of Financial Assets

Sale accounting for transfers of financial assets is limited to the transfer of an entire financial asset, a group of financial assets in their entirety, or a component of a financial asset that meets the definition of a participating interest by having characteristics that are similar to the original financial asset.

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. If the Companies have any continuing involvement, rights or obligations with the transferred financial asset (outside of standard representations and warranties), sale accounting would require that the transfer meets the following conditions: (1) the transferred asset has been legally isolated; (2) the transferee has the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred asset; and (3) the Companies do not maintain effective control over the transferred asset through an agreement that provides for (a) both an entitlement and an obligation by the Companies to repurchase or redeem the asset before its maturity, (b) the unilateral ability by the Companies to reclaim the asset and a more than trivial benefit attributable to that ability, or (c) the transferee requiring the Companies to repurchase the asset at a price so favorable to the transferee that it is probable the repurchase will occur.

If the criteria for sale accounting are met, the transferred financial asset is removed from the balance sheet and a net gain or loss is recognized upon sale, taking into account any retained interests. Transfers of financial assets that do not meet the criteria for sale are accounted for as financing transactions.

Financing Costs

Debt discounts and premiums as well as debt issuance costs (except for revolving credit arrangements) are presented net against the associated debt on the balance sheet and amortized into interest expense using the effective interest method over the contractual term of the debt or expected life of the debt instrument. Costs incurred in connection with revolving credit arrangements are recorded as deferred financing costs in other assets, and amortized on a straight-line basis over the expected term of the credit facility.

Property Operating Income

Property operating income includes the following.

Rental Income—Rental income is recognized on a straight-line basis over the noncancelable term of the related lease which includes the effects of minimum rent increases and rent abatements under the lease. Rents received in advance are deferred.

When it is determined that the Companies are the owner of tenant improvements, the cost to construct the tenant improvements, including costs paid for or reimbursed by the tenants, is capitalized. For tenant improvements owned by the Companies, the amount funded by or reimbursed by the tenants are recorded as deferred revenue, which is amortized on a straight-line basis as additional rental income over the term of the related lease. Rental income recognition commences when the leased space is substantially ready for its intended use and the tenant takes possession of the leased space.

When it is determined that the tenant is the owner of tenant improvements, the Companies' contribution towards those improvements is recorded as a lease incentive, included in deferred leasing costs and intangible assets on the balance sheet, and amortized as a reduction to rental income on a straight-line basis over the term of the lease. Rental income recognition commences when the tenant takes possession of the lease space.

Tenant Reimbursements—In net lease arrangements, the tenant is generally responsible for operating expenses relating to the property, including real estate taxes, property insurance, maintenance, repairs and improvements. Costs reimbursable from tenants and other recoverable costs are recognized as revenue in the period the recoverable costs are incurred. When the Companies are the primary obligor with respect to purchasing goods and services for property operations and has discretion in selecting the supplier and retains credit risk, tenant reimbursement revenue and property operating expenses are presented on a gross basis in the statements of operations. For certain triple net leases where the lessee self-manages the property, hires its own service providers and retains credit risk for routine maintenance contracts, no reimbursement revenue and expense are recognized.

Hotel Operating Income—Hotel operating income includes room revenue, food and beverage sales and other ancillary services. Revenue is recognized upon occupancy of rooms, consummation of sales and provision of services.

Other Income

Other income consists primarily of expense recoveries from borrowers as well as income from servicing and administration of a development loan. Expense recoveries from borrowers consist primarily of legal costs incurred in administering non-performing loans and foreclosed properties held by investment entities, which may be subsequently recovered through payments received when these investments are resolved, and income is recognized when the cost recoveries are determinable and repayment is assured.

Income Taxes

Under federal and state income tax rules, most of the Companies, as limited liability companies, are generally not subject to income taxes. Income or loss is includable in the income tax returns of the members. Certain of the Companies incur income taxes as taxable REIT subsidiaries. Certain entities within securitization structures are subject to taxation for portions of net income allocated to the residual interest holders. The Companies periodically evaluate their tax positions, including their status as pass-through entities, to evaluate whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on their technical merits. As of December 31, 2017, 2016 and 2015, the Companies have not established a liability for uncertain tax positions.

On December 22, 2017, the Tax Cuts and Jobs Act was enacted, which provides for a reduction in the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018. At December 31, 2017, the Companies recognized a provisional amount of approximately $2.0 million of income tax expense relating to the remeasurement of their deferred tax asset balances based on the rate at which they are expected to reverse in the future, which is generally 21%. The Companies are still analyzing certain aspects of the Tax Cuts and Jobs Act and refining their calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts.

Future Application of Accounting Standards

Revenue Recognition—In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") No. 2014-09, *Revenue from Contracts with Customers,* which amends existing revenue recognition standards by establishing principles for a single comprehensive model for revenue measurement and recognition, along with enhanced disclosure requirements. Key provisions include, but are not limited to, determining which goods or services are capable of being distinct in a contract to be accounted for separately as a performance obligation and recognizing variable consideration only to the extent that it is probable a significant revenue reversal would not occur. The new revenue standard may be applied retrospectively to each prior period presented (full retrospective) or retrospectively to contracts not completed as of date of initial application with the cumulative effect recognized in retained earnings (modified retrospective). ASU No. 2014-09 was originally effective for fiscal years and interim periods beginning after December 15, 2016 for public companies that are not emerging growth companies ("EGCs") and December

15, 2017 for private companies and public companies that are EGCs. In July 2015, the FASB deferred the effective date of the new standard by one year. Early adoption is permitted but not before the original effective date. The FASB has subsequently issued several amendments to the standard, including clarifying the guidance on assessing principal versus agent based on the notion of control, which affects recognition of revenue on a gross or net basis. These amendments have the same effective date and transition requirements as the new standard.

Colony NorthStar Credit will adopt the standard using the modified retrospective approach on January 1, 2019. The standard excludes from its scope the areas of accounting that most significantly affect revenue recognition for the core activities of Colony NorthStar Credit, including accounting for financial instruments and leases. Evaluation of the impact of this new guidance is ongoing.

Financial Instruments—In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which affects accounting for investments in equity securities, financial liabilities under the fair value option, as well as presentation and disclosures, but does not affect accounting for investments in debt securities and loans. Investments in equity securities, other than equity method investments, will be measured at fair value through earnings, except for equity securities without readily determinable fair values which may be measured at cost less impairment and adjusted for observable price changes under application of the measurement alternative, unless these equity securities qualify for the net asset value ("NAV") practical expedient. This provision eliminates cost method accounting and recognition of unrealized holding gains or losses on equity investments in other comprehensive income. For financial liabilities under the fair value option, changes in fair value resulting from the Company's own instrument-specific credit risk will be recorded separately in other comprehensive income. Fair value disclosures of financial instruments measured at amortized cost will be based on exit price and corresponding disclosures of valuation methodology and significant inputs will no longer be required. In February 2018, the FASB issued ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments, Recognition and Measurement of Financial Assets and Financial Liabilities*, which provided several clarifications and amendments to the standard. These include specifying that for equity instruments without readily determinable fair values for which the measurement alternative is applied: (i) adjustments made when an observable transaction occurs for a similar security are intended to reflect the fair value as of the observable transaction date, not as of current reporting date; (ii) the measurement alternative may be discontinued upon an irrevocable election to change to a fair value measurement approach under fair value guidance, which would apply to all identical and similar investments of the same issuer; and (iii) the prospective transition approach for equity securities without readily determinable fair values is applicable only when the measurement alternative is applied. ASU No. 2016-01 is effective for fiscal years and interim periods beginning after December 15, 2017 for public companies that are not EGCs and December 15, 2018 for private companies and public companies that are EGCs. Early adoption is limited to specific provisions. ASU 2016-01 is to be applied retrospectively with cumulative effect as of the beginning of the first reporting period adopted recognized in retained earnings, except for provisions related to equity investments without readily determinable fair values for which the measurement alternative is applied and exit price fair value disclosures for financial instruments measured at amortized cost, which are to be applied prospectively.

As of December 31, 2017, all of the Companies' investments in unconsolidated ventures are equity method investments and the Companies do not have any cost method investments nor have the Companies elected fair value option on their financial liabilities.

Colony NorthStar Credit will adopt the new guidance on January 1, 2019. Evaluation of the impact of this new guidance is ongoing.

Leases—In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which amends existing lease accounting standards, primarily requiring lessees to recognize most leases on balance sheet, as well as making targeted changes to lessor accounting. As lessee, a right-of-use asset and corresponding liability for future obligations under a leasing arrangement would be recognized on balance sheet. As lessor, gross leases will be subject to allocation between lease and non-lease service components, with the latter accounted for under the new revenue recognition standard. As the new lease standard requires congruous accounting treatment between lessor and lessee in a sale-leaseback transaction, if the seller/lessee does not achieve sale accounting, it would be considered a financing transaction to the buyer/lessor. Additionally, under the new lease standard, only incremental initial direct costs incurred in the execution of a lease can be capitalized by the lessor and lessee.

ASU No. 2016-02 is effective for fiscal years and interim periods beginning after December 15, 2017 for public companies that are not EGCs and December 15, 2018 for private companies and public companies that are EGCs. Early adoption is permitted. The new leases standard requires adoption using a modified retrospective approach for all leases existing at, or entered into after, the date of initial application. Full retrospective application is prohibited. The FASB has subsequently issued and proposed several amendments to the standard, including a proposal to provide optional transitional relief to apply the effective date of the new lease standard as the date of initial application in transition instead of the earliest comparative period presented, as well as to provide certain practical expedients, which include not segregating non-lease components from the related lease components but to account for those components as a single lease component by class of underlying assets.

Colony NorthStar Credit intends to adopt the package of practical expedients under the guidance, which provides exemptions from having to reassess whether any expired or expiring contracts contain leases, revisit lease classification for any expired or expiring leases and reassess initial direct costs for any existing leases.

If the proposed amendments by the FASB are approved, Colony NorthStar Credit expects to adopt the transition option, in which case, the cumulative effect adjustment to the opening balance of retained earnings will be recognized as of the effective date of adoption, including new disclosures, rather than as of the earliest period presented, and are not required for prior comparative periods. In addition, Colony NorthStar Credit expects to make an accounting policy election to treat lease and related non-lease components in a contract as a single performance obligation to the extent that the timing and pattern of revenue recognition are the same for the lease and non-lease components and the combined single lease component is classified as an operating lease.

Evaluation of the impact of this new guidance to Colony NorthStar Credit is ongoing.

Credit Losses—In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses*, which amends the credit impairment model for financial instruments. The existing incurred loss model will be replaced with a lifetime current expected credit loss ("CECL") model for financial instruments carried at amortized cost and off-balance sheet credit exposures, such as loans, loan commitments, held-to-maturity ("HTM") debt securities, financial guarantees, net investment in leases, reinsurance and trade receivables, which will generally result in earlier recognition of allowance for losses. For AFS debt securities, unrealized credit losses will be recognized as allowances rather than reductions in amortized cost basis and elimination of the OTTI concept will result in more frequent estimation of credit losses. The accounting model for purchased credit impaired loans and debt securities will be simplified, including elimination of some of the asymmetrical treatment between credit losses and credit recoveries, to be consistent with the CECL model for originated and purchased non-credit impaired assets. The existing model for beneficial interests that are not of high credit quality will be amended to conform to the new impairment models for HTM and AFS debt securities. Expanded disclosures on credit risk include credit quality indicators by vintage for financing receivables and net investment in leases. Transition will generally be on a modified retrospective basis, with prospective application for other-than-temporarily impaired debt securities and purchased credit impaired assets. ASU No. 2016-13 is effective for fiscal years and interim periods beginning after December 15, 2019 for public companies that are not EGCs and December 15, 2020 for private companies and public companies that are EGCs. Early adoption is permitted for annual and interim periods beginning after December 15, 2018. Colony NorthStar Credit expects that recognition of credit losses will generally be accelerated under the CECL model. Evaluation of the impact of this new guidance is ongoing.

Cash Flow Classifications—In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, which is intended to reduce diversity in practice in certain classifications on the statement of cash flows. This guidance addresses eight types of cash flows, which includes clarifying how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows, as well as requiring an accounting policy election for classification of distributions received from equity method investees using either the cumulative earnings or nature of distributions approach, among others. Transition will generally be on a retrospective basis. ASU No. 2016-15 is effective for fiscal years and interim periods beginning after December 15, 2017 for public companies that are not EGCs and December 15, 2018 for private companies and public companies that are EGCs. Early adoption is permitted, provided that all amendments within the guidance are adopted in the same period. Colony NorthStar Credit will adopt the new guidance on January 1, 2019. Upon adoption, Colony NorthStar Credit anticipates making an accounting policy election for classification of distributions from its equity method investees using the cumulative earnings approach.

Restricted Cash—In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash*, which requires that cash and cash equivalent balances in the statement of cash flows include restricted cash and restricted cash equivalent amounts, and therefore, changes in restricted cash and restricted cash equivalents be presented in the statement of cash flows. This will eliminate the presentation of transfers between cash and cash equivalents with restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, this ASU requires disclosure of a reconciliation between the totals in the statement of cash flows and the related captions in the balance sheet. The new guidance also requires disclosure of the nature of restricted cash and restricted cash equivalents, similar to existing requirements under Regulation S-X; however, it does not define restricted cash and restricted cash equivalents. ASU No. 2016-18 is effective for fiscal years and interim periods beginning after December 15, 2017 for public companies that are not EGCs and December 15, 2018 for private companies and public companies that are EGCs, to be applied retrospectively, with early adoption permitted. If early adopted in an interim period, adjustments are to be reflected as of the beginning of the fiscal year of adoption. As of December 31, 2017, the Companies have $41.9 million of restricted cash that will be subject to changes in presentation on the statement of cash flows. Colony NorthStar Credit will adopt the new guidance on January 1, 2019.

Derecognition and Partial Sales of Nonfinancial Assets—In February 2017, the FASB issued ASU 2017-05, *Clarifying the Scope of Asset Derecognition and Accounting for Partial Sales of Nonfinancial Assets*, which clarifies the scope and application of Accounting Standards Codification ("ASC") 610-20, *Other Income—Gains and Losses from Derecognition of Nonfinancial Assets*, and defines in substance nonfinancial assets. ASC 610-20 applies to derecognition of all nonfinancial assets which are not contracts with customers or revenue transactions under ASC 606, *Revenue from Contracts with* Customers. Derecognition of a business is governed by ASC 810, *Consolidation*, while derecognition of financial assets, including equity method investments, even if the investee holds predominantly nonfinancial assets, is governed by ASC 860, *Transfers and Servicing*. The ASU also aligns the accounting for partial sales of nonfinancial assets to be more consistent with accounting for sale of a business. Specifically, in a partial sale to a noncustomer, when a noncontrolling interest is received or retained, the latter is considered a noncash consideration and measured at fair value in accordance with ASC 606, which would result in full gain or loss recognized upon sale. This ASU removes guidance on partial exchanges of nonfinancial assets in ASC 845, *Nonmonetary Transactions*, and eliminates the real estate sales guidance in ASC 360-20, *Property, Plant and Equipment—Real Estate Sales*. ASU 2017-05 has the same effective date as the new revenue guidance, which is January 1, 2018 for public companies that are not EGCs and January 1, 2019 for private companies and public companies that are EGCs, with early adoption permitted beginning January 1, 2017. Both ASC 606 and ASC 610-20 must be adopted concurrently. While the transition method is similar to the new revenue guidance, either full retrospective or modified retrospective, the transition approach applied need not be aligned between both standards.

Colony NorthStar Credit will adopt the new guidance on January 1, 2019 using the modified retrospective approach, consistent with the adoption of the new revenue standard. Under the new standard, if a partial interest in real estate is sold to noncustomers or contributed to unconsolidated ventures, and a noncontrolling interest in the asset is retained, such transactions could result in a larger gain on sale. The adoption of this standard could have a material impact to the results of operations in a period that a significant partial interest in real estate is sold. There were no such sales in the year ended December 31, 2017.

3. Loans Receivable

Loans Held for Investment

The following tables provide a summary of the Companies' loans held for investment:

	December 31, 2017		December 31, 2016	
(In thousands)	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
Non-PCI Loans				
Fixed rate				
Mortgage loans	$ 471,669	$ 463,748	$ 345,214	$ 332,778
Mezzanine loans	141,931	141,828	95,561	95,992
	613,600	605,576	440,775	428,770
Variable rate				
Mortgage loans	260,366	260,932	293,413	293,022
Securitized loans (1)	377,939	379,670	696,142	697,463
Mezzanine loans	34,391	34,279	34,477	34,278
	672,696	674,881	1,024,032	1,024,763
	1,286,296	1,280,457	1,464,807	1,453,533
PCI Loans				
Mortgage loans	21,444	20,844	75,346	73,279
Allowance for loan losses	NA	(517)	NA	(3,386)
Loans receivable, net	$ 1,307,740	$ 1,300,784	$ 1,540,153	$ 1,523,426

	December 31, 2017		December 31, 2016	
	Weighted Average Coupon	Weighted Average Maturity in Years	Weighted Average Coupon	Weighted Average Maturity in Years
Non-PCI Loans				
Fixed rate				
Mortgage loans	8.3%	2.0	8.8%	3.0
Mezzanine loans	13.2%	3.2	13.5%	1.3
Variable rate				
Mortgage loans	8.1%	2.3	8.4%	0.8
Securitized loans (1)	6.7%	0.3	6.0%	0.8
Mezzanine loans	9.8%	1.3	9.0%	2.3

(1) Represents loans transferred into securitization trusts that are consolidated by the Companies.

Nonaccrual and Past Due Loans

Non-PCI loans that are 90 days or more past due as to principal or interest, or where reasonable doubt exists as to timely collection, are generally considered nonperforming and placed on nonaccrual status. The following table provides an aging summary of non-PCI loans held for investment at carrying values before allowance for loan losses.

(In thousands)	Current or Less Than 30 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due and Nonaccrual	Total Non-PCI Loans
December 31, 2017	$ 1,101,522	$ 144,241	$ 7,929	$ 26,765	$ 1,280,457
December 31, 2016	1,429,656	—	—	23,877	1,453,533

Troubled Debt Restructuring

At December 31, 2017 and 2016, there was one mezzanine loan modified in a TDR with carrying value before allowance for loan losses of $28.6 million and $28.5 million, respectively. The loan had been modified in 2015. The Companies also have three other loans with a combined carrying value of $108.5 million that are cross-defaulted with the TDR loan to the same borrower. Two loans matured in November 2017 and were in default at December 31, 2017, while the third loan remains current. All four loans are collateralized with 27 office, retail, multifamily and industrial properties with an estimated aggregate fair value of approximately $137.1 million. In February 2018, the borrower and the Companies entered into a forbearance agreement to allow both parties to review the exit strategy for a period through the end of May 2018, which may be extended at the Companies' option for an additional 120-day period. No provision for loan loss was made in 2017 on the two defaulted loans as the Companies believe there is sufficient collateral value to cover the outstanding loan balances in aggregate. The Companies have no additional commitments to lend to the borrower with the TDR loan.

There were no loans modified as TDRs during the years ended December 31, 2017 and 2016.

Non-PCI Impaired Loans

Non-PCI loans are identified as impaired when it is no longer probable that interest or principal will be collected according to the contractual terms of the original loan agreement. Non-PCI impaired loans include predominantly loans under nonaccrual, performing and nonperforming TDRs. The following table presents non-PCI impaired loans at the respective reporting dates:

		Gross Carrying Value			
(In thousands)	Unpaid Principal Balance	With Allowance for Loan Losses	Without Allowance for Loan Losses	Total	Allowance for Loan Losses
December 31, 2017	$ 215,997	$ 42,176	$ 175,090	$ 217,266	$ 517
December 31, 2016	52,118	23,877	28,465	52,342	3,386

The average carrying value and interest income recognized on non-PCI impaired loans were as follows:

	Year Ended December 31,		
(In thousands)	2017	2016	2015
Average carrying value before allowance for loan losses	$ 83,316	$ 39,505	$ 13,334
Interest income	8,031	3,714	2,937

Purchased Credit-Impaired Loans

Changes in accretable yield of PCI loans were as follows:

	Year Ended December 31,		
(In thousands)	2017	2016	2015
Beginning accretable yield	$ 5,929	$ 13,771	$ 12,729
Changes in accretable yield	(807)	(172)	6,762
Accretion recognized in earnings	(4,396)	(7,670)	(5,720)
Ending accretable yield	$ 726	$ 5,929	$ 13,771

Allowance for Loan Losses

As of December 31, 2017 the allowance for loan losses was $0.5 million related to $42.2 million in carrying value of non-PCI loans. As of December 31, 2016 the allowance for loan losses was $3.4 million related to $23.9 million in carrying value of non-PCI loans.

Changes in allowance for loan losses on non-PCI loans are presented below:

	Year Ended December 31,		
(In thousands)	2017	2016	2015
Allowance for loan losses at beginning of period	$ 3,386	$ —	$ —
Provision for loan losses	518	3,386	721
Charge-off	(3,387)	—	(721)
Allowance for loan losses at end of period	$ 517	$ 3,386	$ —

4. Real Estate

The Companies' real estate at December 31, 2017 comprised predominantly net lease properties from the NRF portfolio acquired through the CLNS Merger and foreclosed properties. At December 31, 2016, the Companies owned one foreclosed property, which was classified as held for sale and sold in 2017.

	December 31,	
(In thousands)	2017	2016
Land and improvements	$ 25,959	$ 2,344
Buildings, building leaseholds and improvements	196,698	6,703
Tenant improvements	2,352	36
Furniture, fixtures and equipment	680	—
Construction-in-progress	21	—
	225,710	9,083
Less: Accumulated depreciation	(5,970)	(145)
Real estate, net	$ 219,740	$ 8,938

Future Minimum Rents

Future contractual minimum rental payments to be received under noncancelable operating leases for real estate held for investment as of December 31, 2017 are as follows:

Year Ending December 31,	(In thousands)
2018	$ 13,664
2019	13,747
2020	13,841
2021	12,742
2022	10,843
2023 and after	12,674
Total	$ 77,511

5. Deferred Leasing Costs and Intangibles

The Companies' deferred leasing costs, other intangible assets and intangible liabilities at December 31, 2017 are as follows. Balances at December 31, 2016 and 2015 were de mimimis. Intangible liabilities are included in accrued and other liabilities on the combined balance sheets.

(In thousands)	December 31, 2017 Carrying Amount	Accumulated Amortization	Net Carrying Amount
Deferred Leasing Costs and Intangible Assets			
In-place lease values	$ 9,214	$ (2,657)	$ 6,557
Above-market lease values	1,682	(283)	1,399
Below-market ground lease obligations	52	(8)	44
Deferred leasing costs	3,671	(657)	3,014
	$ 14,619	$ (3,605)	$ 11,014
Intangible Liabilities			
Below-market lease values	$ 51	$ (15)	$ 36

The following table summarizes the amortization of deferred leasing costs and intangible assets and intangible liabilities for the year ended December 31, 2017. Amortization for the year ended December 31, 2016 and 2015 were de minimis:

(In thousands)	Year Ended December 31, 2017
Above-market lease values	$ (283)
Below-market lease values	15
Net decrease to rental income	$ (268)
Below-market ground lease obligations	$ 8
Increase to ground rent expense	$ 8
In-place lease values	$ 2,657
Deferred leasing costs	655
Amortization expense	$ 3,312

The following table presents the amortization of deferred leasing costs, intangible assets and intangible liabilities for each of the next five years and thereafter as of December 31, 2017:

(In thousands)

	2018	2019	2020	2021	2022	2023 and after	Total
Above-market lease values	$ 296	$ 296	$ 283	$ 235	$ 211	$ 78	$ 1,399
Below-market lease values	(15)	(15)	(6)	—	—	—	(36)
Decrease to rental income	$ 281	$ 281	$ 277	$ 235	$ 211	$ 78	$ 1,363
Below-market ground lease obligations	$ 8	$ 8	$ 8	$ 8	$ 8	$ 4	$ 44
Increase to property operating expense	$ 8	$ 8	$ 8	$ 8	$ 8	$ 4	$ 44
In-place lease values	$ 1,327	$ 1,327	$ 1,273	$ 1,051	$ 788	$ 791	$ 6,557
Deferred leasing costs	562	562	551	464	396	479	3,014
Amortization expense	$ 1,889	$ 1,889	$ 1,824	$ 1,515	$ 1,184	$ 1,270	$ 9,571

6. Other Assets and Liabilities

The following table summarizes the Companies' other assets:

(In thousands)	December 31, 2017	December 31, 2016
Interest receivable	$ 10,023	$ 11,601
Straight-line rents and rent receivable	723	—
Derivative assets	117	—
Loan payoff proceeds held in escrow	9,720	—
Prepaid taxes and deferred tax assets, net of $3.2 million valuation allowance (1)	15,549	236
Prepaid expenses, accounts receivable and other assets	907	568
	$ 37,039	$ 12,405

(1) At December 31, 2017, consists predominantly of prepaid taxes related to the Companies' investments in private real estate funds.

The following table summarizes the Companies' accrued and other liabilities:

(In thousands)	December 31, 2017	December 31, 2016
Borrower escrow deposits	$ 36,961	$ 58,530
Tenant security deposits	118	—
Deferred income	481	1,723
Interest payable	924	685
Current and deferred tax liability	118	235
Accounts payable, accrued expenses and other liabilities	3,569	3,042
	$ 42,171	$ 64,215

7. Debt

The Companies' debt is made up of the following components:

(In thousands)	Secured Debt	Securitization Bonds Payable	Total Debt
December 31, 2017			
Principal	$ 284,035	$ 108,794	$ 392,829
Purchase discount, net (1)	(1,650)	—	(1,650)
Deferred financing costs	(1,403)	(115)	(1,518)
	$ 280,982	$ 108,679	$ 389,661
December 31, 2016			
Principal	$ 103,641	$ 403,117	$ 506,758
Deferred financing costs	(1,828)	(2,517)	(4,345)
	$ 101,813	$ 400,600	$ 502,413

(1) Pertains to secured debt from NRF assumed at fair value in connection with the CLNS Merger.

Secured debt represents investment level financing secured by mortgage loans receivable and commercial real estate, and is generally non-recourse to the owners.

Securitization bonds payable represent debt issued by securitization vehicles consolidated by the Companies. Senior notes issued by these securitization trusts were generally sold to third parties and subordinated notes retained by the Companies. Payments from underlying collateral loans must be applied to repay the notes until fully paid off, irrespective of the contractual maturities of the notes.

The following table summarizes certain information about the Companies' debt:

(Amounts in thousands)				Outstanding Principal	
				December 31,	
Type	Interest Rate (Per Annum) [1]	Current Maturity Date	Payment Terms [1]	2017	2016
Secured Debt					
Real Estate Debt					
Hotel development loan [2]	1ML+3.50%	Oct-2019	I/O	$ 130,000	$ 58,183
Warehouse facility A [3]	1ML+2.50%	NA	I/O	—	17,598
Warehouse facility B [4]	1ML+2.65%	NA	I/O	—	27,860
Hotel A-Note [5]	1ML+1.60%	May-2023	P&I	50,314	—
Real Estate Equity					
Net lease 1	4.45%	Oct-2027	I/O	25,074	—
Net lease 2	4.45%	Nov-2026	I/O	3,544	—
Net lease 3	4.45%	Nov-2026	I/O	7,647	—
Net lease 4	4.00%	Jun-2021	I/O	13,133	—
Net lease 5	1ML+2.15%	Jul-2023	I/O	2,482	—
Net lease 6	4.08%	Aug-2026	I/O	32,600	—
Net lease 7	4.45%	Nov-2026	[6]	19,241	—
				284,035	103,641
Securitization Bonds Payable [7]					
2014 FL1	1ML+3.24%	Apr-2031	I/O	27,119	57,626
2014 FL2	1ML+3.48%	Nov-2031	I/O	55,430	145,421
2015 FL3	1ML+4.50%	Sept-2032	I/O	26,245	200,070
				108,794	403,117
Total				$ 392,829	$ 506,758

(1) Interest rate: 1ML = 1-month LIBOR (London Interbank Offered Rate). Interest rates presented are as of December 31, 2017. Multiple classes of securitization bonds are outstanding; spreads are expressed as weighted averages based on outstanding principal.

Payment terms: P&I = Periodic payment of principal and interest; I/O = Periodic payment of interest only with principal at maturity (except for principal repayments to release collateral properties disposed).

(2) A development loan originated by the Companies was restructured into a senior and junior note, with the senior note assumed by a third party lender. The Companies accounted for the transfer of the senior note as a financing transaction. The senior note bears interest at 1ML plus 3.5%, with a 4.0% floor, and is subject to two 1-year extension options on its initial term, exercisable by the borrower.

(3) The facility was paid off and terminated in March 2017.

(4) The facility was paid off and terminated in September 2017.

(5) Represents the Companies' senior participation interest in a first mortgage loan that was transferred at cost into a securitization trust with the transfer accounted for as a secured financing transaction. The Companies did not retain any legal interest in the senior participation and retained the junior participation on an unleveraged basis.

(6) Payment terms are P&I for debt on two properties and I/O for debt on one property.

(7) The Companies, through indirect Cayman subsidiaries, securitized commercial mortgage loans originated by the Companies. Senior notes issued by the securitization trusts were generally sold to third parties and subordinated notes retained by the Companies. These securitizations are accounted for as secured financing with the underlying mortgage loans pledged as collateral. Principal payments from underlying collateral loans must be applied to repay the notes until fully paid off, irrespective of the contractual maturities on the notes. Underlying collateral loans have initial terms of two to three years.

Future Minimum Principal Payments

The following table summarizes future scheduled minimum principal payments at December 31, 2017 based on current contractual maturity, except for financing on certain loan portfolios, which are based on the Companies' expectation of cash flows from underlying loan collateral as principal repayments on the loan financing depend upon net cash flows from collateral assets and ratio of outstanding principal to collateral.

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(In thousands) Year Ending December 31,	Secured Debt	Securitization Bonds Payable (1)	Total
2018	$ 2,247	$ —	$ 2,247
2019	134,128	—	134,128
2020	4,221	—	4,221
2021	16,117	—	16,117
2022	4,068	—	4,068
2023 and after	123,254	108,794	232,048
Total	$ 284,035	$ 108,794	$ 392,829

(1) For securitization bonds payable, principal may be repaid earlier if the underlying loans are repaid by borrowers. If based on reasonable expectations of cash flows from underlying loans, $62.7 million and $46.1 million would be due in 2018 and 2019, respectively.

8. Fair Value

Recurring Fair Values

Derivatives—At December 31, 2017, the Companies held an interest rate cap with a $130 million notional, 2.5% strike, maturing in November 2020, and an amortizing interest rate swap with a $2.5 million notional, 4.165% strike, maturing in July 2023, included in other assets on the combined balance sheets. The combined value of the instruments at December 31, 2017 was $117,000. These interest rate contracts economically hedge the Companies' interest rate risk on floating rate financing and are not designated as accounting hedges. For the year ended December 31, 2017, unrealized loss of approximately $0.4 million from fair value changes on the interest rate contracts was recorded in other loss, net, in the combined statement of operations. Quotations on over-the-counter derivatives are not adjusted and are generally valued using observable inputs such as contractual cash flows, yield curve, and credit spreads, and are classified as Level 2 of the fair value hierarchy. If a significant credit valuation adjustment is applied to a derivative instrument to account for the risk of non-performance, such fair value measurement is classified as Level 3 of the fair value hierarchy. Although credit valuation adjustments, such as the risk of default, rely on Level 3 inputs, these inputs are not significant to the overall valuation of its derivatives. As a result, derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. The Companies did not hold any derivatives at December 31, 2016

Investment in Unconsolidated Ventures—The Companies elected the fair value option to account for their investments in private real estate funds, included in investments in unconsolidated ventures on the combined balance sheets. Fair value of investments in private real estate funds is determined using discounted cash flow models based on expected future cash flows for income and realization events of the underlying assets of the funds, with a weighted average discount rate of 12.4%, and classified as Level 3 of the fair value hierarchy. The Companies consider cash flow and net asset value ("NAV") information provided by general partners of private funds and the implied yields of those funds in valuing its investments in private funds. However, the Companies have not elected the practical expedient to measure the fair value of their investments in private funds using the NAV of the underlying funds.

The following table presents changes in fair value of investments in private real estate funds:

(In thousands)	
Fair value at December 31, 2016	$ —
Acquired though the CLNS Merger	70,609
Contributions	1,716
Distributions	(49,344)
Income	5,138
Unrealized loss in earnings	(3,702)
Fair value at December 31, 2017	$ 24,417
Change in unrealized loss related to balance at December 31, 2017 recorded in earnings	$ (3,702)

Nonrecurring Fair Values

The Companies may carry certain assets at fair value on a nonrecurring basis at the lower of carrying value and fair value less estimated costs to sell if an asset is held for sale, or at fair value if an asset is impaired and held for investment. At December 31, 2017, 2016 and 2015, there were no assets that had been written down to fair value.

Fair Value Information on Financial Instruments Reported at Cost

Carrying amounts and estimated fair values of financial instruments reported at amortized cost are presented below:

(In thousands)	December 31, 2017 Fair Value	December 31, 2017 Carrying Value	December 31, 2016 Fair Value	December 31, 2016 Carrying Value
Assets				
Loans held for investment	$ 1,311,783	$ 1,300,784	$ 1,531,042	$ 1,523,426
Liabilities				
Secured debt	282,333	280,982	103,641	101,813
Securitization bonds payable	108,794	108,679	393,595	400,600

Loans Receivable—Loans receivable consist of first mortgages and subordinated mortgages, including such loans held by securitization trusts consolidated by the Companies. Fair values were determined by comparing the current yield to the estimated yield or newly originated loans with similar credit risk or the market yield at which a third party might expect to purchase such investment; or based on discounted cash flow projections of principal and interest expected to be collected, which include consideration of the financial standing of the borrower or sponsor as well as operating results of the underlying collateral. Fair value of loans receivable is classified as Level 3 of the fair value hierarchy. Carrying values of loans held for investment are presented net of allowance for loan losses, where applicable.

Debt—Fair value of secured debt was estimated by discounting expected future cash outlays at interest rates currently available for instruments with similar terms and remaining maturities, and such fair values approximated carrying value for floating rate debt with credit spreads that approximate market rates. Fair value of secured debt is classified as Level 3 of the fair value hierarchy. Fair value of securitization bonds payable was based on quotations from brokers or financial institutions that act as underwriters of the securitized bonds and are classified as Level 2 of the fair value hierarchy.

Other—The carrying values of cash, interest receivable, accounts receivable, interest payable and accounts payable approximate fair value due to their short term nature and credit risk, if any, are negligible.

9. Transactions with Affiliates

Cost Reimbursements to Colony NorthStar

The Companies reimburse Colony NorthStar for costs incurred on their behalf, including costs of its asset management personnel based upon time spent and an allocation of overhead attributable to asset management personnel. For the years ended December 31, 2017, 2016 and 2015, the Companies were allocated $0.5 million, $0.4 million and $0.4 million, respectively, in costs of asset management. Such costs are included in transaction, investment and servicing expense in the combined statements of operations.

Expense Allocations

The combined financial statements present the operations of the Companies as carved out from the financial statements of Colony NorthStar. Certain general and administrative costs borne by Colony NorthStar, including, but not limited to, compensation and benefits, and corporate overhead, have been allocated to the Companies using reasonable allocation methodologies. Such costs do not necessarily reflect what the actual general and administrative costs would have been if the Companies had been operating as a separate stand-alone public company. Allocated amounts are included as a component of administrative expenses in the combined statements of operations. The following table summarizes the amounts allocated from Colony NorthStar to the Companies, solely for purposes of these carve-out financial statements.

(In thousands)	Year Ended December 31, 2017	2016	2015
Compensation and benefits	$ 7,955	$ 10,102	$ 10,008
Corporate overhead	2,757	3,362	3,044
Professional services and other	1,433	1,655	1,935
	$ 12,145	$ 15,119	$ 14,987

10. Commitments and Contingencies

Investment Commitments

The Companies have lending commitments to borrowers pursuant to certain loan agreements in which the borrower may submit a request for funding based on the achievement of certain criteria, which must be approved by the Companies as lender, such as leasing, performance of capital expenditures and construction in progress with an approved budget. At December 31, 2017, assuming the terms to qualify for future fundings, if any, have been met, total unfunded lending commitments was $19.2 million.

Ground Lease Obligations

In connection with real estate acquisitions, the Companies assumed certain noncancelable operating ground leases as lessee or sublessee with expiration dates through 2027. Rents on certain ground leases are paid directly by the tenants. Ground rent expense for the year ended December 31, 2017 was approximately $2.1 million. The Companies were not lessees to any ground leases in 2016 and 2015.

At December 31, 2017, future minimum rental payments, excluding contingent rents, on noncancelable ground leases on real estate were as follows:

Year Ending December 31,		(In thousands)
2018	$	2,000
2019		2,011
2020		2,010
2021		1,842
2022		1,798
2023 and after		3,136
Total	$	12,797

Litigation

The Companies may be involved in litigation and claims in the ordinary course of business. As of December 31, 2017, the Companies were not involved in any legal proceedings that are expected to have a material adverse effect on the Companies' results of operations, financial position or liquidity.

11. Segment Reporting

The Companies' business is segregated into two reportable segments:

- *Real Estate Debt*—Originations including senior and subordinated mortgage loans, as well as secondary loan acquisitions including performing and non-performing commercial real estate debt, real estate acquired in settlement of loans as well as ADC arrangements accounted for as equity method investments.

- *Real Estate Equity*—Acquisition of operating properties and investments in real estate private equity funds.

Each reportable segment has assets with distinct economic characteristics, consisting of real estate debt and real estate equity, which generate distinct revenue streams of interest income and property operating income, respectively.

Selected Segment Results of Operations

The following table presents selected results of operations of the Companies' reportable segments:

(In thousands)	Real Estate Debt	Real Estate Equity	Total
Year Ended December 31, 2017			
Total revenues	$ 143,353	$ 21,402	$ 164,755
Interest expense	21,019	5,095	26,114
Property operating expenses	2,291	5,687	7,978
Depreciation and amortization	329	8,808	9,137
Earnings from investments in unconsolidated ventures	23,273	1,436	24,709
Income tax expense	(87)	(2,121)	(2,208)
Net income	127,101	779	127,880
Net income attributable to owners	126,412	779	127,191
Year Ended December 31, 2016			
Total revenues	$ 142,203	$ —	$ 142,203
Interest expense	26,031	—	26,031
Property operating expenses	905	—	905
Depreciation and amortization	146	—	146
Provision for loan loss	3,386	—	3,386
Earnings from investments in unconsolidated ventures	16,067	—	16,067
Income tax expense	(1,521)	—	(1,521)
Net income	109,021	—	109,021
Net income attributable to owners	108,285	—	108,285
Year Ended December 31, 2015			
Total revenues	$ 112,712	$ —	$ 112,712
Interest expense	18,949	—	18,949
Property operating expenses	67	—	67
Provision for loan loss	721	—	721
Earnings from investments in unconsolidated ventures	6,115	—	6,115
Income tax expense	(247)	—	(247)
Net income	81,608	—	81,608
Net income attributable to owners	80,554	—	80,554

Total assets and equity method investments of the reportable segments are summarized as follows:

(In thousands)	Real Estate Debt	Real Estate Equity	Total
December 31, 2017			
Total assets	$ 1,573,714	$ 265,688	$ 1,839,402
Equity method investments [(1)]	179,303	24,417	203,720
December 31, 2016			
Total assets	$ 1,802,192	$ —	$ 1,802,192
Equity method investments	155,537	—	155,537

(1) Includes investments in private real estate funds that are accounted for under the fair value option.

Geography

Geography is generally defined as the location in which the income producing assets reside or the location in which income generating services are performed. Long-lived assets comprise real estate, deferred leasing costs and intangible assets, all of which are located in the United States. Geography information on total income, which includes earnings from investments in unconsolidated ventures, is presented as follows:

(In thousands)	Year Ended December 31, 2017	2016	2015
Total income by geography:			
United States	$ 185,853	$ 154,418	$ 114,981
Other	3,611	3,852	3,846
Total	$ 189,464	$ 158,270	$ 118,827

12. Subsequent Events

On January 18, 2018, the Combination was approved by the stockholders of NorthStar I and NorthStar II. The CLNS Contributed Portfolio was contributed to Colony NorthStar Credit upon closing of the Combination on January 31, 2018. Additional information on the Combination is discussed in Note 1.

Subsequent events have been evaluated through March 23, 2018, the date that these combined financial statements were available to be issued.

EXHIBIT 99.3

NORTHSTAR REAL ESTATE INCOME TRUST, INC.

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Colony NorthStar Credit Real Estate, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of NorthStar Real Estate Income Trust, Inc. (a Maryland corporation) and subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2009.

New York, New York
March 23, 2018

NORTHSTAR REAL ESTATE INCOME TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands, Except Per Share Data)

	December 31, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$ 208,757	$ 153,039
Restricted cash	40,585	74,195
Real estate debt investments, net	324,106	745,323
Real estate debt investments, held for sale	150,150	—
Operating real estate, net	475,711	488,839
Investments in unconsolidated ventures (refer to Note 5)	41,159	90,579
Real estate securities, available for sale	158,341	93,975
Mortgage loans held in a securitization trust, at fair value	916,017	—
Receivables, net	14,039	13,956
Deferred costs and other assets, net	50,310	56,370
Loan collateral receivable, related party	50,314	52,204
Total assets[(1)]	$ 2,429,489	$ 1,768,480
Liabilities		
Securitization bonds payable, net	$ —	$ 39,762
Mortgage notes payable, net	395,974	393,410
Credit facilities	221,489	249,156
Mortgage obligations issued by a securitization trust, at fair value	863,447	—
Accounts payable and accrued expenses (refer to Note 8)	13,116	7,930
Escrow deposits payable	22,762	58,453
Distribution payable	7,095	8,192
Other liabilities	15,297	19,191
Loan collateral payable, net, related party (refer to Note 8)	23,458	23,261
Total liabilities[(1)]	1,562,638	799,355
Commitments and contingencies		
Equity		
NorthStar Real Estate Income Trust, Inc. Stockholders' Equity		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding as of December 31, 2017 and 2016, respectively	—	—
Common stock, $0.01 par value, 400,000,000 shares authorized, 119,333,203 and 120,903,352 shares issued and outstanding as of December 31, 2017 and 2016, respectively	1,193	1,209
Additional paid-in capital	1,066,778	1,080,434
Retained earnings (accumulated deficit)	(229,649)	(151,731)
Accumulated other comprehensive income (loss)	21,013	20,175
Total NorthStar Real Estate Income Trust, Inc. stockholders' equity	859,335	950,087
Non-controlling interests	7,516	19,038
Total equity	866,851	969,125
Total liabilities and equity	$ 2,429,489	$ 1,768,480

(1) Represents the consolidated assets and liabilities of NorthStar Real Estate Income Trust Operating Partnership, LP (the "Operating Partnership"). The Operating Partnership is a consolidated variable interest entity ("VIE"), of which the Company is the sole general partner and owns approximately 99.98%. As of December 31, 2017, the Operating Partnership includes $1.3 billion and $1.3 billion of assets and liabilities, respectively, of certain VIEs that are consolidated by the Operating Partnership. Refer to Note 2, "Summary of Significant Accounting Policies."

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REAL ESTATE INCOME TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Data)

	Years Ended December 31,		
	2017	**2016**	**2015**
Net interest income			
Interest income	$ 66,427	$ 77,657	$ 96,471
Interest expense	(11,927)	(16,674)	(21,339)
Interest income on mortgage loans held in a securitization trust	27,646	—	—
Interest expense on mortgage obligations issued by a securitization trust	(24,777)	—	—
Net interest income	57,369	60,983	75,132
Property and other revenues			
Rental and other income	87,657	78,602	60,394
Total property and other revenues	87,657	78,602	60,394
Expenses			
Asset management and other fees, related party	17,815	23,765	23,965
Mortgage notes interest expense	18,895	17,519	14,832
Other expenses related to securitization trust	96	—	—
Transaction costs	7,455	1,978	1,344
Property operating expenses	40,028	36,950	31,135
General and administrative expenses (refer to Note 8)	10,617	14,503	15,475
Depreciation and amortization	38,408	31,227	25,982
Total expenses	133,314	125,942	112,733
Other income (loss)			
Unrealized gain (loss) on mortgage loans and obligations held in a securitization trust, net	1,336	—	—
Unrealized gain (loss) on investments	(14,080)	(3,432)	(12,108)
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	(1,032)	10,211	10,685
Equity in earnings (losses) of unconsolidated ventures	5,841	24,963	36,017
Income tax benefit (expense)	1,679	(2,967)	(1,111)
Net income (loss)	6,488	32,207	45,591
Net (income) loss attributable to non-controlling interests	(608)	(255)	23
Net income (loss) attributable to NorthStar Real Estate Income Trust, Inc. common stockholders	$ 5,880	$ 31,952	$ 45,614
Net income (loss) per share of common stock, basic/diluted	$ 0.05	$ 0.26	$ 0.38
Weighted average number of shares of common stock outstanding, basic/diluted	119,757,180	120,946,177	119,321,920

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REAL ESTATE INCOME TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in Thousands)

	Years Ended December 31,		
	2017	**2016**	**2015**
Net income (loss)	$ 6,488	$ 32,207	$ 45,591
Other comprehensive income (loss)			
Unrealized gain (loss) on real estate securities, available for sale	838	(1,726)	(6,513)
Total other comprehensive income (loss)	838	(1,726)	(6,513)
Comprehensive income (loss)	7,326	30,481	39,078
Comprehensive (income) loss attributable to non-controlling interests	(608)	(255)	23
Comprehensive income (loss) attributable to NorthStar Real Estate Income Trust, Inc. common stockholders	$ 6,718	$ 30,226	$ 39,101

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REAL ESTATE INCOME TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(Dollars and Shares in Thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Company's Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount						
Balance as of December 31, 2014	117,847	$ 1,178	$ 1,050,632	$ (36,884)	$ 28,414	$ 1,043,340	$ 19,357	$ 1,062,697
Non-controlling interests - contributions	—	—	—	—	—	—	268	268
Non-controlling interests - distributions	—	—	—	—	—	—	(1,915)	(1,915)
Proceeds from distribution reinvestment plan	4,599	46	43,737	—	—	43,783	—	43,783
Shares redeemed for cash	(1,710)	(17)	(16,447)	—	—	(16,464)	—	(16,464)
Issuance and amortization of equity-based compensation	22	—	232	—	—	232	—	232
Other comprehensive income (loss)	—	—	—	—	(6,513)	(6,513)	—	(6,513)
Distributions declared	—	—	—	(95,668)	—	(95,668)	—	(95,668)
Net income (loss)	—	—	—	45,614	—	45,614	(23)	45,591
Balance as of December 31, 2015	120,758	$ 1,207	$ 1,078,154	$ (86,938)	$ 21,901	$ 1,014,324	$ 17,687	$ 1,032,011
Non-controlling interests - contributions	—	—	—	—	—	—	4,473	4,473
Non-controlling interests - distributions	—	—	—	—	—	—	(3,377)	(3,377)
Proceeds from distribution reinvestment plan	4,467	45	43,501	—	—	43,546	—	43,546
Shares redeemed for cash	(4,349)	(43)	(41,412)	—	—	(41,455)	—	(41,455)
Issuance and amortization of equity-based compensation	27	—	191	—	—	191	—	191
Other comprehensive income (loss)	—	—	—	—	(1,726)	(1,726)	—	(1,726)
Distributions declared	—	—	—	(96,745)	—	(96,745)	—	(96,745)
Net income (loss)	—	—	—	31,952	—	31,952	255	32,207
Balance as of December 31, 2016	120,903	$ 1,209	$ 1,080,434	$ (151,731)	$ 20,175	$ 950,087	$ 19,038	$ 969,125
Non-controlling interests - contributions	—	—	—	—	—	—	178	178
Non-controlling interests - distributions	—	—	—	—	—	—	(12,308)	(12,308)
Proceeds from distribution reinvestment plan	2,711	27	26,805	—	—	26,832	—	26,832
Shares redeemed for cash	(4,301)	(43)	(40,703)	—	—	(40,746)	—	(40,746)
Issuance and amortization of equity-based compensation	20	—	242	—	—	242	—	242
Other comprehensive income (loss)	—	—	—	—	838	838	—	838
Distributions declared	—	—	—	(83,798)	—	(83,798)	—	(83,798)
Net income (loss)	—	—	—	5,880	—	5,880	608	6,488
Balance as of December 31, 2017	119,333	$ 1,193	$ 1,066,778	$ (229,649)	$ 21,013	$ 859,335	$ 7,516	$ 866,851

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REAL ESTATE INCOME TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Years Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income (loss)	$ 6,488	$ 32,207	$ 45,591
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Equity in (earnings) losses of unconsolidated ventures	(5,841)	(24,963)	(36,017)
Depreciation and amortization	38,408	31,227	25,982
Straight-line rental income	(1,359)	(1,690)	(1,798)
Amortization of capitalized above/below market leases	1,329	1,150	1,007
Amortization of premium/accretion of discount and fees on investments and borrowings, net	(3,799)	(861)	3,577
Amortization of deferred financing costs	4,014	3,089	3,944
Interest accretion on investments	(7,362)	(6,408)	(6,505)
Distributions of cumulative earnings from unconsolidated ventures (refer to Note 5)	5,841	24,963	31,690
Unrealized gain (loss) on mortgage loans and obligations held in a securitization trust, net	(1,336)	—	—
Unrealized (gain) loss on investments	14,080	3,432	12,108
Amortization of equity-based compensation	242	191	232
Deferred income tax (benefit) expense	(4,916)	(2,086)	(1,485)
Changes in assets and liabilities:			
Restricted cash	(575)	(2,948)	8,165
Receivables, net	5,275	4,536	58
Deferred costs and other assets	(11,970)	(552)	(1,894)
Due to related party	237	66	—
Accounts payable and accrued expenses	2,340	(1,291)	(47)
Other liabilities	(2,381)	774	387
Net cash provided by (used in) operating activities	38,715	60,836	84,995
Cash flows from investing activities:			
Origination and funding of real estate debt investments, net	(98,481)	(151,837)	(61,639)
Repayment on real estate debt investments	375,913	372,208	287,084
Repayment on loan collateral receivable, related party	1,890	1,852	23,846
Acquisition of operating real estate	—	(103,384)	—
Improvements of operating real estate	(8,438)	(5,649)	(8,700)
Investments in unconsolidated ventures (refer to Note 5)	(24,569)	(55,398)	(10,035)
Proceeds from sale of unconsolidated ventures	—	59,760	—
Distributions in excess of cumulative earnings from unconsolidated ventures (refer to Note 5)	60,184	63,717	38,107
Acquisition of real estate securities, available for sale	(114,797)	(20,657)	(10,818)
Repayment of real estate securities, available for sale	4,694	11,075	806
Change in restricted cash	(1,506)	2,244	(920)
Net cash provided by (used in) investing activities	194,890	173,931	257,731
Cash flows from financing activities:			
Proceeds from distribution reinvestment plan	26,832	43,546	43,783
Shares redeemed for cash	(40,746)	(41,455)	(16,464)
Distributions paid on common stock	(84,895)	(96,758)	(95,470)
Borrowings from mortgage notes	1,453	78,952	—
Repayment of mortgage notes	(217)	(204)	(198)
Borrowings from loan collateral payable, net, related party	—	24,933	—
Borrowings from credit facilities	134,521	115,768	55,148
Repayment of credit facilities	(162,187)	(184,612)	(6,630)
Repayment of securitization bonds	(39,762)	(146,049)	(228,073)
Payment of deferred financing costs	(756)	(4,835)	(1,040)
Contributions from non-controlling interests	178	4,473	268
Distributions to non-controlling interests	(12,308)	(3,377)	(1,915)
Net cash provided by (used in) financing activities	(177,887)	(209,618)	(250,591)
Net increase (decrease) in cash and cash equivalents	55,718	25,149	92,135
Cash and cash equivalents - beginning of period	153,039	127,890	35,755
Cash and cash equivalents - end of period	$ 208,757	$ 153,039	$ 127,890

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REAL ESTATE INCOME TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Dollars in Thousands)

	Years Ended December 31,		
	2017	**2016**	**2015**
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 27,145	$ 31,208	$ 31,755
Cash paid for income taxes	3,486	4,307	4,028
Supplemental disclosure of non-cash investing and financing activities:			
Consolidation of securitization trust (VIE asset / liability)	$ 867,445	$ —	$ —
Reclassification of CRE debt investments to held for sale	150,150	—	—
Escrow deposits payable related to real estate debt investments	35,691	3,428	42,444
Accrual of distribution payable	7,095	8,192	8,205
Non-cash related to PE Investments	3,908	3,270	2,169
Acquisition of operating real estate / reduction of CRE debt investment(1)	—	67,493	—
Transfer of CRE debt investments / loan collateral payable, net, related party	—	23,729	—
Accrued capital expenditures	—	—	1,335
CRE debt investment payoff due from servicer	—	—	31,750
Reclassification of deferred financing costs to securitization bonds payable	—	—	389
Reclassification of deferred financing costs to mortgage notes payable	—	—	1,950
Reclassification related to measurement-period adjustment	—	33,612	—

(1) Non-cash activity in 2016 occurred primarily in connection with taking title to collateral.

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REAL ESTATE INCOME TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Organization

NorthStar Real Estate Income Trust, Inc. (the “Company”) was formed to originate, acquire and asset manage a diversified portfolio of commercial real estate (“CRE”) debt, select equity and securities investments, predominantly in the United States. The Company may also invest in CRE investments internationally. CRE debt investments include first mortgage loans, subordinate mortgage and mezzanine loans and participations in such loans and preferred equity interests. Real estate equity investments include the Company’s direct ownership in properties, which may be structurally senior to a third-party partner’s equity, as well as indirect interests in real estate through real estate private equity funds (“PE Investments”). CRE securities primarily consist of commercial mortgage-backed securities (“CMBS”) and may in the future include unsecured real estate investment trust (“REIT”) debt, collateralized debt obligation (“CDO”) notes and other securities. In addition, the Company may own investments through joint ventures. The Company was formed in January 2009 as a Maryland corporation and commenced operations in October 2010. The Company elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), commencing with the taxable year ended December 31, 2010. The Company conducts its operations so as to continue to qualify as a REIT for U.S. federal income tax purposes.

As of December 31, 2017, the Company was externally managed and had no employees. Prior to January 11, 2017, the Company was managed by an affiliate of NorthStar Asset Management Group Inc. (NYSE: NSAM) (“NSAM”). Effective January 10, 2017, NSAM completed its previously announced merger with Colony Capital, Inc. (“Colony”), NorthStar Realty Finance Corp. (“NorthStar Realty”), and Colony NorthStar, Inc. (“Colony NorthStar”), a wholly-owned subsidiary of NSAM, which the Company refers to as the mergers, with Colony NorthStar surviving the mergers and succeeding NSAM as the Company’s sponsor (the “Sponsor”). As a result of the mergers, the Sponsor became an internally-managed equity REIT, with a diversified real estate and investment management platform and publicly-traded on the NYSE under the ticker symbol “CLNS.” In addition, following the mergers, CNI NSI Advisors, LLC (formerly known as NSAM J-NSI Ltd), an affiliate of NSAM (the “Advisor”), became a subsidiary of Colony NorthStar. The Advisor manages the Company’s day-to-day operations pursuant to an advisory agreement. The mergers had no material impact on the Company’s operations.

Colony NorthStar manages capital on behalf of its stockholders, as well as institutional and retail investors in private funds, non-traded and traded REITs and registered investment companies.

Substantially all the Company’s business is conducted through NorthStar Real Estate Income Trust Operating Partnership, LP (the “Operating Partnership”). The Company is the sole general partner and a limited partner of the Operating Partnership. The other limited partners of the Operating Partnership are NS Real Estate Income Trust Advisor, LLC (the “Prior Advisor”) and NorthStar OP Holdings, LLC (the “Special Unit Holder”), each an affiliate of the Sponsor. The Prior Advisor invested $1,000 in the Operating Partnership in exchange for common units and the Special Unit Holder invested $1,000 in the Operating Partnership and was issued a separate class of limited partnership units (the “Special Units”), which are collectively recorded as non-controlling interests on the consolidated balance sheets as of December 31, 2017 and 2016. As the Company accepted subscriptions for shares in its continuous, public offering which closed in July 2013, it contributed substantially all of the net proceeds to the Operating Partnership as a capital contribution. As of December 31, 2017, the Company’s limited partnership interest in the Operating Partnership was 99.98%.

The Company’s charter authorizes the issuance of up to 400,000,000 shares of common stock with a par value of $0.01 per share and up to 50,000,000 shares of preferred stock with a par value of $0.01 per share. The board of directors of the Company is authorized to amend its charter, without the approval of the stockholders, to increase the aggregate number of authorized shares of capital stock or the number of shares of any class or series that the Company has authority to issue.

The Company initially registered to offer up to 100,000,000 shares pursuant to its primary offering to the public (the “Primary Offering”) and up to 10,526,315 shares pursuant to its distribution reinvestment plan (the “DRP”), which are herein collectively referred to as the Offering. The Primary Offering (including 7.6 million shares reallocated from the DRP, (the “Total Primary Offering”) was completed on July 1, 2013 and all of the shares initially registered for the Offering were issued. As a result of an additional registration statement to offer up to 10.0 million shares pursuant to the DRP, the Company continued to offer DRP shares beyond the Total Primary Offering. On August 25, 2017, in connection with the entry into the Original Combination Agreement (defined below), the Company’s board of directors, including all of its independent directors, voted to suspend the DRP until further notice. Pursuant to the terms of the DRP, the suspension went into effect prior to the monthly distributions to be paid on or about October 1, 2017 and as a result, all stockholders received cash distributions through the completion of the Combination (defined below).

The Company raised total gross proceeds of $1.1 billion in the Offering. In addition, from the close of the Primary Offering through January 31, 2018, the Company raised an additional $0.2 billion in gross proceeds pursuant to the DRP.

On August 25, 2017, the Company entered into a master combination agreement (the "Original Combination Agreement") with, among others, Colony Capital Operating Company, LLC, ("CLNS OP"), the operating company of the Sponsor, and NorthStar Real Estate Income II, Inc. ("NorthStar Income II"), a company managed by an affiliate of the Sponsor, pursuant to which a select portfolio of the assets and liabilities of the Sponsor would be combined with substantially all of the assets and liabilities of the Company and all of the assets and liabilities of NorthStar Income II in an all-stock combination transaction to create an externally managed commercial real estate credit REIT (the transactions collectively referred to as the "Combination"). On November 20, 2017, the parties amended and restated the Original Combination Agreement (the "Combination Agreement"). The Combination, which had been unanimously approved by the special committees and the boards of directors of both the Company and NorthStar Income II and approved by the board of directors of the Sponsor, closed on January 31, 2018, at which time the Company merged with and into Colony NorthStar Credit Real Estate, Inc. ("CLNC"), with CLNC continuing as the surviving corporation.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements and related notes of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the Operating Partnership and their consolidated subsidiaries. The Company consolidates variable interest entities ("VIEs"), if any, where the Company is the primary beneficiary and voting interest entities which are generally majority owned or otherwise controlled by the Company. All significant intercompany balances are eliminated in consolidation.

Variable Interest Entities

A VIE is an entity that lacks one or more of the characteristics of a voting interest entity. A VIE is defined as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The determination of whether an entity is a VIE includes both a qualitative and quantitative analysis. The Company bases its qualitative analysis on its review of the design of the entity, its organizational structure including decision-making ability and relevant financial agreements and the quantitative analysis on the forecasted cash flow of the entity. The Company reassesses its initial evaluation of an entity as a VIE upon the occurrence of certain reconsideration events.

A VIE must be consolidated only by its primary beneficiary, which is defined as the party who, along with its affiliates and agents has both the: (i) power to direct the activities that most significantly impact the VIE's economic performance; and (ii) obligation to absorb the losses of the VIE or the right to receive the benefits from the VIE, which could be significant to the VIE. The Company determines whether it is the primary beneficiary of a VIE by considering qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE's economic performance and which party controls such activities; the amount and characteristics of its investment; the obligation or likelihood for the Company or other interests to provide financial support; consideration of the VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders and the similarity with and significance to the business activities of the Company and the other interests. The Company reassesses its determination of whether it is the primary beneficiary of a VIE each reporting period. Significant judgments related to these determinations include estimates about the current and future fair value and performance of investments held by these VIEs and general market conditions.

The Company evaluates its investments and financings, including investments in unconsolidated ventures and securitization financing transactions, if any, to determine whether each investment or financing is a VIE. The Company analyzes new investments and financings, as well as reconsideration events for existing investments and financings, which vary depending on type of investment or financing.

As of December 31, 2017, the Company has identified certain consolidated and unconsolidated VIEs. Assets of each of the VIEs, other than the Operating Partnership, may only be used to settle obligations of the respective VIE. Creditors of each of the VIEs have no recourse to the general credit of the Company.

Consolidated VIEs

The most significant consolidated VIEs are the Operating Partnership, the Investing VIE (as discussed below) and certain properties that have non-controlling interests. These entities are VIEs because the non-controlling interests do not have substantive kick-out or participating rights.

The Operating Partnership consolidates certain properties that have non-controlling interests. Included in operating real estate, net on the Company's consolidated balance sheet as of December 31, 2017 is $341.9 million related to such consolidated VIEs. Included in mortgage notes payable, net on the Company's consolidated balance sheet as of December 31, 2017 is $324.4 million collateralized by the real estate assets of the related consolidated VIEs.

Investing VIEs

The Company's investments in securitization financing entities ("Investing VIEs"), include subordinate first-loss tranches of the securitization trust, which represent interests in such VIE. Investing VIEs are structured as pass through entities that receive principal and interest payments from the underlying debt collateral assets and distribute those payments to the securitization trust's certificate holders, including the most subordinate tranches of the securitization trust. Generally, a securitization trust designates the most junior subordinate tranche outstanding as the controlling class, which entitles the holder of the controlling class to unilaterally appoint and remove the special servicer for the trust, and as such may qualify as the primary beneficiary of the trust.

If it is determined that the Company is the primary beneficiary of an Investing VIE as a result of acquiring the subordinate first-loss tranches of the securitization trust, the Company would consolidate the assets, liabilities, income and expenses of the entire Investing VIE. The assets held by an Investing VIE are restricted and can only be used to fulfill its own obligations. The obligations of an Investing VIE have neither any recourse to the general credit of the Company as the consolidator of an Investing VIE, nor to any of the Company's other consolidated entities.

As of December 31, 2017, the Company held subordinate tranches of the securitization trust in an Investing VIE for which the Company has determined it is the primary beneficiary because it has the power to direct the activities that most significantly impact the economic performance of the securitization trust. The Company's subordinate tranches of the securitization trust, which represent the retained interest and related interest income, are eliminated in consolidation. In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, Consolidation, the assets, liabilities (obligations to the certificate holders of the securitization trust, less the Company's retained interest from the subordinate tranches of the securitization trust), income and expense of the entire Investing VIE are presented in the consolidated financial statement of the Company. As a result, although the Company legally owns the subordinate tranches of the securitization trust only, U.S. GAAP requires the Company to present the assets, liabilities, income and expenses of the entire securitization trust on its consolidated financial statements. Regardless of the presentation, the Company's consolidated financial statements of operations ultimately reflect the net income attributable to its retained interest in the subordinate tranches of the securitization trust. Refer to Note 6, "Real Estate Securities, Available for Sale" for further discussion.

The Company elected the fair value option for the initial recognition of the assets and liabilities of its consolidated Investing VIEs. Interest income and interest expense associated with this VIE will be recorded separately on the consolidated statements of operations. The Company will separately present the assets and liabilities of its consolidated Investing VIEs as "Mortgage loans held in a securitization trust, at fair value" and "Mortgage obligations issued by a securitization trust, at fair value," respectively, on its consolidated balance sheets. Refer to Note 12, "Fair Value" for further discussion.

The Company has adopted guidance issued by the FASB, allowing the Company to measure both the financial assets and liabilities of a qualifying collateralized financing entity ("CFE"), such as its Investing VIEs, using the fair value of either the CFE's financial assets or financial liabilities, whichever is more observable. As the liabilities of the Company's Investing VIE are marketable securities with observable trade data, their fair value is more observable and will be referenced to determine the fair value for assets of its Investing VIE. Refer to section "Fair Value Option" below for further discussion.

Unconsolidated VIEs

As of December 31, 2017, the Company identified unconsolidated VIEs related to its securities investments, PE investments and CRE debt investments. Assets of each of the VIEs may only be used to settle obligations of the respective VIE. Creditors of each of the VIEs have no recourse to the general credit of the Company.

The following table presents the Company's classification, carrying value and maximum exposure of unconsolidated VIEs as of December 31, 2017 (dollars in thousands):

	Carrying Value	Maximum Exposure to Loss
Real estate securities, available for sale	$ 158,341	$ 158,341
Investments in unconsolidated ventures	9,321	9,321
Real estate debt investments, net[(1)]	141,658	141,658
Total assets	$ 309,320	$ 309,320

(1) Includes loan collateral receivable, related party of $50.3 million.

Based on management's analysis, the Company determined that it is not the primary beneficiary of the above VIEs. Accordingly, the VIEs are not consolidated in the Company's financial statements as of December 31, 2017. The Company did not provide financial support to the unconsolidated VIEs during the year ended December 31, 2017. As of December 31, 2017, there were no explicit arrangements or implicit variable interests that could require the Company to provide financial support to the unconsolidated VIEs.

Voting Interest Entities

A voting interest entity is an entity in which the total equity investment at risk is sufficient to enable it to finance its activities independently and the equity holders have the power to direct the activities of the entity that most significantly impact its economic performance, the obligation to absorb the losses of the entity and the right to receive the residual returns of the entity. The usual condition for a controlling financial interest in a voting interest entity is ownership of a majority voting interest. If the Company has a majority voting interest in a voting interest entity, the entity will generally be consolidated. The Company does not consolidate a voting interest entity if there are substantive participating rights by other parties and/or kick-out rights by a single party or a simple majority vote.

The Company performs on-going reassessments of whether entities previously evaluated under the voting interest framework have become VIEs, based on certain events, and therefore subject to the VIE consolidation framework.

Investments in Unconsolidated Ventures

A non-controlling, unconsolidated ownership interest in an entity may be accounted for using the equity method or the cost method, and for either method, the Company may elect the fair value option. The Company will account for an investment in an unconsolidated entity that does not qualify for equity method accounting or for which the fair value option was not elected using the cost method if the Company determines that it does not have significant influence. Under the cost method, equity in earnings is recorded as dividends are received to the extent they are not considered a return of capital, which is recorded as a reduction of cost of the investment.

Under the equity method, the investment is adjusted each period for capital contributions and distributions and its share of the entity's net income (loss). Capital contributions, distributions and net income (loss) of such entities are recorded in accordance with the terms of the governing documents. An allocation of net income (loss) may differ from the stated ownership percentage interest in such entity as a result of preferred returns and allocation formulas, if any, as described in such governing documents. Equity method investments are recognized using a cost accumulation model in which the investment is recognized based on the cost to the investor, which includes acquisition fees. The Company records as an expense certain acquisition costs and fees associated with consolidated investments deemed to be business combinations and capitalizes these costs for investments deemed to be acquisitions of an asset, including an equity method investment.

The Company may account for an investment in an unconsolidated entity at fair value by electing the fair value option. The Company elected the fair value option for PE Investments. The Company records the change in fair value for its share of the projected future cash flow of such investments from one period to another in equity in earnings (losses) of unconsolidated ventures in the consolidated statements of operations. Any change in fair value attributed to market related assumptions is considered unrealized gain (loss).

Non-controlling Interests

A non-controlling interest in a consolidated subsidiary is defined as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to the Company. A non-controlling interest is required to be presented as a separate component of equity on the consolidated balance sheets and presented separately as net income (loss) and other comprehensive income (loss) (“OCI”) attributable to non-controlling interests. An allocation to a non-controlling interest may differ from the stated ownership percentage interest in such entity as a result of a preferred return and allocation formula, if any, as described in such governing documents.

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that could affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates and assumptions.

Comprehensive Income (Loss)

The Company reports consolidated comprehensive income (loss) in separate statements following the consolidated statements of operations. Comprehensive income (loss) is defined as the change in equity resulting from net income (loss) and OCI. The only component of OCI is unrealized gain (loss) on CRE securities available for sale for which the fair value option was not elected.

Fair Value Option

The fair value option provides an election that allows a company to irrevocably elect to record certain financial assets and liabilities at fair value on an instrument-by-instrument basis at initial recognition. The Company may elect to apply the fair value option for certain investments due to the nature of the instrument. Any change in fair value for assets and liabilities for which the election is made is recognized in earnings.

The Company has elected the fair value option for PE Investments. The Company has also elected the fair value option to account for the eligible financial assets and liabilities of its consolidated Investing VIEs in order to mitigate potential accounting mismatches between the carrying value of the instruments and the related assets and liabilities to be consolidated. The Company has adopted guidance issued by the FASB allowing the Company to measure both the financial assets and liabilities of a qualifying CFE it consolidates using the fair value of either the CFE’s financial assets or financial liabilities, whichever is more observable.

Cash and Cash Equivalents

The Company considers all highly-liquid investments with an original maturity date of three months or less to be cash equivalents. Cash, including amounts restricted, may at times exceed the Federal Deposit Insurance Corporation deposit insurance limit of $250,000 per institution. The Company mitigates credit risk by placing cash and cash equivalents with major financial institutions. To date, the Company has not experienced any losses on cash and cash equivalents.

Restricted Cash

Restricted cash consists of amounts related to loan origination (escrow deposits) and operating real estate (escrows for taxes, insurance, capital expenditures and payments required under certain lease agreements).

Real Estate Debt Investments

CRE debt investments are generally intended to be held to maturity and, accordingly, are carried at cost, net of unamortized loan fees, premium and discount. CRE debt investments that are deemed to be impaired are carried at amortized cost less a loan loss reserve, if deemed appropriate, which approximates fair value. CRE debt investments where the Company does not have the intent to hold the loan for the foreseeable future or until its expected payoff are classified as held for sale and recorded at the lower of cost or estimated fair value.

The Company may syndicate a portion of the CRE debt investments that it originates or sell the CRE debt investments individually. When a transaction meets the criteria for sale accounting, the Company will no longer recognize the CRE debt investment sold as an asset and will recognize gain or loss based on the difference between the sales price and the carrying value of the CRE debt investment sold. Any related unamortized deferred origination fees, original issue discounts, loan origination costs, discounts or premiums at the time of sale are recognized as an adjustment to the gain or loss on sale, which is included in interest income on the consolidated statement of operations. Any fees received at the time of sale or syndication are recognized as part of interest income.

Operating Real Estate

Operating real estate is carried at historical cost less accumulated depreciation. Ordinary repairs and maintenance are expensed as incurred. Major replacements and betterments which improve or extend the life of the asset are capitalized and depreciated over their useful life. The Company accounts for purchases of operating real estate that qualify as business combinations using the acquisition method, where the purchase price is allocated to tangible assets such as land, building, improvements and other identified intangibles. Costs directly related to an acquisition deemed to be a business combination are expensed and included in transaction costs in the consolidated statements of operations.

The Company refers to real estate acquired in connection with a foreclosure, deed in lieu of foreclosure or a consensual modification of a loan as real estate owned ("REO"). The Company evaluates whether REO, herein collectively referred to as taking title to collateral, constitutes a business and whether business combination accounting is appropriate. Any excess upon taking title to collateral between the carrying value of a loan over the estimated fair value of the property is charged to provision for loan losses.

Operating real estate is depreciated using the straight-line method over the estimated useful lives of the assets, summarized as follows:

Category:	Term:
Building	30 to 40 years
Building improvements	Lesser of the useful life or remaining life of the building
Land improvements	10 to 30 years
Tenant improvements	Lesser of the useful life or remaining term of the lease
Furniture, fixtures and equipment	3 to 10 years

Real Estate Securities

The Company classifies its CRE securities investments as available for sale on the acquisition date, which are carried at fair value. Unrealized gains (losses) are recorded as a component of accumulated OCI in the consolidated statements of equity. However, the Company has elected the fair value option for certain of its available for sale securities, and as a result, any unrealized gains (losses) on such securities are recorded in unrealized gain (loss) on mortgage loans and obligations held in a securitization trust, net in the consolidated statements of operations. As of December 31, 2017, the Company held subordinate tranches of a securitization trust, which represent the Company's retained interest in the securitization trust, which the Company consolidates under U.S. GAAP. Refer to Note 6, "Real Estate Securities, Available for Sale" for further discussion.

Deferred Costs

Deferred costs primarily include deferred financing costs and deferred lease costs. Deferred financing costs represent commitment fees, legal and other third-party costs associated with obtaining financing. Costs related to revolving credit facilities are recorded in deferred costs and other assets, net and are amortized to interest expense using the straight-line basis over the term of the facility. Costs related to other borrowings are recorded net against the carrying value of such borrowings and are amortized to interest expense using the effective interest method. Unamortized deferred financing costs are expensed to realized gain (loss) when the associated facility is repaid before maturity. Costs incurred in seeking financing transactions, which do not close, are expensed in the period in which it is determined that the financing will not occur. Deferred lease costs consist of fees incurred to initiate and renew operating leases, which are amortized on a straight-line basis over the remaining lease term and are recorded to depreciation and amortization in the consolidated statements of operations.

Identified Intangibles

The Company records acquired identified intangibles, which includes intangible assets (such as the value of the above-market leases, in-place leases, and other intangibles) and intangible liabilities (such as the value of below market leases), based on estimated fair value. The value allocated to the identified intangibles are amortized over the remaining lease term. Above/below-market leases are amortized into rental income, below-market ground leases are amortized into real estate properties-operating expense and in-place leases are amortized into depreciation and amortization expense. As of December 31, 2017, the weighted average amortization period for above-market leases, below-market leases and in-place lease costs is 4.4 years, 4.6 years and 4.6 years, respectively.

Identified intangible assets are recorded in deferred costs and other assets, net, and identified intangible liabilities are recorded in other liabilities on the accompanying consolidated balance sheets. The following table presents identified intangibles as of December 31, 2017 (dollars in thousands):

	December 31, 2017			
	Intangible Assets			Intangible Liabilities
	In-place Leases	Above-market Leases	Total	Below-market Leases
Gross amount	$ 44,152	$ 12,076	$ 56,228	$ 12,247
Accumulated amortization	(24,051)	(6,096)	(30,147)	(5,875)
Total	$ 20,101	$ 5,980	$ 26,081	$ 6,372

The Company recorded amortization of acquired above-market leases, net of acquired below-market leases of $1.3 million, $1.2 million and $1.0 million for the years ended December 31, 2017, 2016 and 2015 respectively. Amortization of other intangible assets was $14.7 million, $11.5 million and $6.5 million for the years ended December 31, 2017, 2016 and 2015 respectively.

The following table presents annual amortization of intangible assets and liabilities (dollars in thousands):

Years Ending December 31:	In-place Leases, Net[(1)]	Above-market Leases, Net[(1)]	Below-market Leases, Net[(1)]
2018	$ 6,677	$ 2,080	$ 2,001
2019	4,800	1,565	1,904
2020	2,857	913	678
2021	1,933	517	431
2022	1,461	422	416
Thereafter	2,373	483	942
Total	$ 20,101	$ 5,980	$ 6,372

(1) Identified intangibles will be amortized through periods ending April 2027.

Deferred Costs and Other Assets, Net and Other Liabilities

The following tables present a summary of deferred costs and other assets, net and other liabilities as of December 31, 2017 and 2016 (dollars in thousands):

	December 31,	
	2017	2016
Deferred costs and other assets, net:		
Intangible assets, net[(1)]	$ 26,081	$ 41,375
Prepaid expenses	12,564	1,386
Deferred commissions and leasing costs	10,025	10,287
Deferred financing costs, net - credit facilities	951	2,772
Deposits	689	550
Total	$ 50,310	$ 56,370

	December 31,	
	2017	2016
Other liabilities:		
Intangible liabilities, net[(2)]	$ 6,372	$ 8,506
Prepaid rent and unearned revenue	3,917	4,601
PE Investments deferred purchase price, net	3,411	4,248
Tenant security deposits	1,398	1,433
Other	199	403
Total	$ 15,297	$ 19,191

(1) Represents in-place leases and above-market leases, net.
(2) Represents below-market leases, net.

Acquisition Fees and Expenses

The total of all acquisition fees and expenses for an investment, including acquisition fees to the Advisor, cannot exceed, in the aggregate, 6.0% of the contract purchase price of such investment unless such excess is approved by a majority of the Company's directors, including a majority of its independent directors. For the year ended December 31, 2017, total acquisition fees and expenses did not exceed the allowed limit for any investment. An acquisition fee incurred related to an equity investment will generally be expensed as incurred. An acquisition fee paid to the Advisor related to the acquisition of an equity or debt investment in an unconsolidated joint venture is included in investments in unconsolidated ventures on the consolidated balance sheets. An acquisition fee paid to the Advisor related to the origination or acquisition of debt investments is included in debt investments, net on the consolidated balance sheets and is amortized to interest income over the life of the investment using the effective interest method. The Company records as an expense certain acquisition costs and fees associated with transactions deemed to be business combinations in which it consolidates the asset and capitalizes these costs for transactions deemed to be acquisitions of an asset, including an equity investment.

Revenue Recognition

Real Estate Debt Investments

Interest income is recognized on an accrual basis and any related premium, discount, origination costs and fees are amortized over the life of the investment using the effective interest method. The amortization is reflected as an adjustment to interest income in the consolidated statements of operations. The amortization of a premium or accretion of a discount is discontinued if such loan is reclassified to held for sale.

Operating Real Estate

Rental and other income from operating real estate is derived from the leasing of space to various types of tenants. Rental revenue recognition commences when the tenant takes legal possession of the leased space and the leased space is substantially ready for its intended use. The leases are for fixed terms of varying length and generally provide for annual rentals and expense reimbursements to be paid in monthly installments. Rental income from leases is recognized on a straight-line basis over the term of the respective leases. The excess of rent recognized over the amount contractually due pursuant to the underlying leases is included in receivables on the consolidated balance sheets. The Company amortizes any tenant inducements as a reduction of revenue utilizing the straight-line method over the term of the lease. Other income represents revenue from tenant/operator leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes paid by the Company on behalf of the respective property. This revenue is recognized in the same period as the expenses are incurred.

In a situation in which a lease(s) associated with a significant tenant have been, or are expected to be, terminated early, the Company evaluates the remaining useful life of depreciable or amortizable assets in the asset group related to the lease that will be terminated (i.e., tenant improvements, above- and below-market lease intangibles, in-place lease value and deferred leasing costs). Based upon consideration of the facts and circumstances surrounding the termination, the Company may write-off or accelerate the depreciation and amortization associated with the asset group. Such amounts are included within rental and other income for above- and below-market lease intangibles and depreciation and amortization for the remaining lease related asset groups in the consolidated statements of operations. The total amount of accelerated amortization within rental and other income was $0.2 million for the year ended December 31, 2017 and de minimis for the years ended December 31, 2016 and 2015, respectively. The total amount of accelerated depreciation and amortization expense was $3.3 million for the year ended December 31, 2017 and de minimis for the years ended December 31, 2016 and 2015, respectively.

Real Estate Securities

Interest income is recognized using the effective interest method with any premium or discount amortized or accreted through earnings based on expected cash flow through the expected maturity date of the security. Changes to expected cash flow may result in a change to the yield which is then applied retrospectively for high-credit quality securities that cannot be prepaid or otherwise settled in such a way that the holder would not recover substantially all of the investment or prospectively for all other securities to recognize interest income.

Credit Losses and Impairment on Investments

Real Estate Debt Investments

Loans are considered impaired when, based on current information and events, it is probable that the Company will not be able to collect all principal and interest amounts due according to the contractual terms. The Company assesses the credit quality of the portfolio and adequacy of loan loss reserves on a quarterly basis or more frequently as necessary. Significant judgment of the Company is required in this analysis. The Company considers the estimated net recoverable value of the loan as well as other factors, including but not limited to the fair value of any collateral, the amount and the status of any senior debt, the quality and financial condition of the borrower and the competitive situation of the area where the underlying collateral is located. Because this determination is based on projections of future economic events, which are inherently subjective, the amount ultimately realized may differ materially from the carrying value as of the balance sheet date. If, upon completion of the assessment, the estimated fair value of the underlying collateral is less than the net carrying value of the loan, a loan loss reserve is recorded with a corresponding charge to provision for loan losses. The loan loss reserve for each loan is maintained at a level that is determined to be adequate by management to absorb probable losses.

Income recognition is suspended for a loan at the earlier of the date at which payments become 90-days past due or when, in the opinion of the Company, a full recovery of income and principal becomes doubtful. When the ultimate collectability of the principal of an impaired loan is in doubt, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the principal of an impaired loan is not in doubt, contractual interest is recorded as interest income when received, under the cash basis method until an accrual is resumed when the loan becomes contractually current and performance is demonstrated to be resumed. Interest accrued and not collected will be reversed against interest income. A loan is written off when it is no longer realizable and/or legally discharged. As of December 31, 2017, the Company did not have any impaired CRE debt investments.

Operating Real Estate

The Company’s real estate portfolio is reviewed on a quarterly basis, or more frequently as necessary, to assess whether there are any indicators that the value of its operating real estate may be impaired or that its carrying value may not be recoverable. A property’s value is considered impaired if the Company’s estimate of the aggregate expected future undiscounted cash flow generated by the property is less than the carrying value. In conducting this review, the Company considers U.S. macroeconomic factors, real estate sector conditions and asset specific and other factors. To the extent an impairment has occurred, the loss is measured as the excess of the carrying value of the property over the estimated fair value and recorded in impairment on operating real estate in the consolidated statements of operations. As of December 31, 2017, the Company did not have any impaired operating real estate.

An allowance for a doubtful account for a tenant receivable is established based on a periodic review of aged receivables resulting from estimated losses due to the inability of tenants to make required rent and other payments contractually due. Additionally, the Company establishes, on a current basis, an allowance for future tenant credit losses on unbilled rent receivable based on an evaluation of the collectability of such amounts.

Real Estate Securities

CRE securities for which the fair value option is elected are not evaluated for other-than-temporary impairment (“OTTI”) as any change in fair value is recorded in the consolidated statements of operations. Realized losses on such securities are reclassified to realized gain (loss) on investments as losses occur.

CRE securities for which the fair value option is not elected are evaluated for OTTI quarterly. Impairment of a security is considered to be other-than-temporary when: (i) the holder has the intent to sell the impaired security; (ii) it is more likely than not the holder will be required to sell the security; or (iii) the holder does not expect to recover the entire amortized cost of the security. When a CRE security has been deemed to be other-than-temporarily impaired due to (i) or (ii), the security is written down to its fair value and an OTTI is recognized in the consolidated statements of operations. In the case of (iii), the security is written down to its fair value and the amount of OTTI is then bifurcated into: (a) the amount related to expected credit losses; and (b) the amount related to fair value adjustments in excess of expected credit losses. The portion of OTTI related to expected credit losses is recognized in the consolidated statements of operations. The remaining OTTI related to the valuation adjustment is recognized as a component of accumulated OCI in the consolidated statements of equity. CRE securities which are not high-credit quality are considered to have an OTTI if the security has an unrealized loss and there has been an adverse change in expected cash flow. The amount of OTTI is then bifurcated as discussed above. As of December 31, 2017, the Company did not have any OTTI recorded on its CRE securities.

Equity-Based Compensation

The Company accounts for equity-based compensation awards using the fair value method, which requires an estimate of fair value of the award at the time of grant. All fixed equity-based awards to directors, which have no vesting conditions other than time of service, are amortized to compensation expense over the awards’ vesting period on a straight-line basis. Equity-based compensation is classified within general and administrative expense in the consolidated statements of operations.

Income Taxes

The Company elected to be taxed as a REIT and to comply with the related provisions of the Internal Revenue Code beginning in its taxable year ended December 31, 2010. Accordingly, the Company will generally not be subject to U.S. federal income tax to the extent of its distributions to stockholders as long as certain asset, income and share ownership tests are met. To maintain its qualification as a REIT, the Company must annually distribute at least 90% of its REIT taxable income to its stockholders and meet certain other requirements. The Company believes that all of the criteria to maintain the Company's REIT qualification have been met for the applicable periods, but there can be no assurance that these criteria will continue to be met in subsequent periods. If the Company were to fail to meet these requirements, it would be subject to U.S. federal income tax and potential interest and penalties, which could have a material adverse impact on its results of operations and amounts available for distributions to its stockholders. The Company's accounting policy with respect to interest and penalties is to classify these amounts as a component of income tax expense, where applicable. The Company has not recognized any such amounts related to uncertain tax positions for the years ended December 31, 2017, 2016 and 2015.

The Company may also be subject to certain state, local and franchise taxes. Under certain circumstances, U.S. federal income and excise taxes may be due on its undistributed taxable income.

The Company made joint elections to treat certain subsidiaries as taxable REIT subsidiaries ("TRS") which may be subject to U.S. federal, state and local income taxes. In general, a TRS of the Company may perform non-customary services for tenants, hold assets that the REIT cannot hold directly and may engage in most real estate or non-real estate-related business.

Certain subsidiaries of the Company are subject to taxation by federal, state and local authorities for the periods presented. Income taxes are accounted for by the asset/liability approach in accordance with U.S. GAAP. Deferred taxes, if any, represent the expected future tax consequences when the reported amounts of assets and liabilities are recovered or paid. Such amounts arise from differences between the financial reporting and tax bases of assets and liabilities and are adjusted for changes in tax laws and tax rates in the period which such changes are enacted. A provision for income tax represents the total of income taxes paid or payable for the current period, plus the change in deferred taxes. Current and deferred taxes are recorded on the portion of earnings (losses) recognized by the Company with respect to its interest in TRSs. Deferred income tax assets and liabilities are calculated based on temporary differences between the Company's U.S. GAAP consolidated financial statements and the federal, state and local tax basis of assets and liabilities as of the consolidated balance sheet date. The Company evaluates the realizability of its deferred tax assets (e.g., net operating loss and capital loss carryforwards) and recognizes a valuation allowance if, based on the available evidence, it is more likely than not that some portion or all of its deferred tax assets will not be realized. When evaluating the realizability of its deferred tax assets, the Company considers estimates of expected future taxable income, existing and projected book/tax differences, tax planning strategies available and the general and industry specific economic outlook. This realizability analysis is inherently subjective, as it requires the Company to forecast its business and general economic environment in future periods. Changes in estimate of deferred tax asset realizability, if any, are included in income tax benefit (expense) in the consolidated statements of operations.

On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA") was enacted, which provides for a reduction in the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018. The Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. The Company is still analyzing certain aspects of the TCJA and refining its calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts.

For the year ended December 31, 2017, the Company recorded income tax benefit of $1.7 million. For the years ended December 31, 2016 and 2015, the Company recorded income tax expense of $3.0 million and $1.1 million, respectively. Additionally, as of December 31, 2017 and 2016, the Company recorded a deferred tax asset of $3.5 million and a deferred tax liability of $1.4 million, respectively.

Transfers of Financial Assets

Sale accounting for transfers of financial assets requires the transfer of an entire financial asset, a group of financial assets in its entirety or if a component of the financial asset is transferred, that component meets the definition of a participating interest by having characteristics that mirror the original financial asset.

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. If the Company has any continuing involvement, rights or obligations with the transferred financial asset (outside of standard representations and warranties), sale accounting would require that the transfer meets the following sale conditions: (1) the transferred asset has been legally isolated; (2) the transferee has the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred asset; and (3) the Company does not maintain effective control over the transferred asset through an agreement that provides for (a) both an entitlement and an obligation by the Company to repurchase or redeem the asset before its maturity, or (b) the unilateral ability by the Company to reclaim the asset and a more than trivial benefit attributable to that ability, or (c) the transferee requiring the Company to repurchase the asset at a price so favorable to the transferee that it is probable the repurchase will occur.

If sale accounting is met, the transferred financial asset is removed from the balance sheet and a net gain or loss is recognized upon sale, taking into account any retained interests. Transfers of financial assets that do not meet the criteria for sale are accounted for as financing transactions, or secured borrowing. As of December 31, 2017, the carrying value of CRE debt investments that did not meet the requirements of sale accounting was $23.7 million and recorded in real estate debt investments, net with an offsetting secured borrowing recorded in loan collateral payable, net, related party of $23.5 million. Refer to Note 7, “Borrowings” for additional information.

Recent Accounting Pronouncements

Revenue Recognition- In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*, requiring a company to recognize as revenue the amount of consideration it expects to be entitled to in connection with the transfer of promised goods or services to customers. The Company has adopted the Revenue Recognition standard on its required effective date of January 1, 2018 using the modified retrospective approach, and has applied the guidance to contracts not yet completed as of the date of adoption. The new revenue standard specifically excludes revenue streams for which specific guidance is stipulated in other sections of the codification, therefore it will not impact rental income or interest income generated on financial instruments such as preferred equity investments. The Company is the lessor for gross leases classified as operating leases in which rental income and tenant reimbursements are recorded. The revenue from these leases are scoped out of the new revenue recognition guidance. All leases are accounted for under ASC 840 until the adoption of the new leasing guidance within ASC 842.

Financial Instruments- In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 addresses certain aspects of accounting and disclosure requirements of financial instruments, including the requirement that equity investments with readily determinable fair value be measured at fair value with changes in fair value recognized in results of operations. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company does not have any equity investments with readily determinable fair value recorded as available-for-sale. The Company does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures.

Leases- In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The update will require that lessees and lessors capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease. The new guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period in the financial statements and is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

The Company expects to adopt the package of practical expedients under the guidance and the Company will not need to reassess whether any expired or expiring contracts contain leases; will not need to revisit lease classification for any expired or expiring leases; and will not need to reassess initial direct costs for any existing leases. In addition, the Company expects to adopt the practical expedient which allows lessors to consider lease and non-lease components as a single performance obligation to the extent that the timing and pattern of revenue recognition is the same and the lease is classified an operating lease. The Company continues to assess the potential effect the adoption of this guidance will have on its consolidated financial statements and related disclosures.

Equity Method of Accounting- In March 2016, the FASB issued ASU No. 2016-07, *Investments- Equity Method and Joint Ventures (Topic 323), Simplifying the Transition to the Equity Method of Accounting*, which eliminates the requirement for an investor to retroactively apply the equity method when its increase in ownership interest (or degree of influence) in an investee triggers equity method accounting. The update requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The update should be applied prospectively upon its effective date to increases in the level of ownership interests or degree of influence that results in the adoption of the equity method. The guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. The Company adopted the new guidance prospectively on January 1, 2017 and the adoption of this standard did not have a material impact on its consolidated financial statements and related disclosures.

Equity-Based Compensation- In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Share-Based Payment Accounting*, which amends several aspects of the accounting for equity-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statements of cash flows. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. The Company adopted the new guidance prospectively on January 1, 2017 and the adoption of this standard did not have a material impact on its consolidated financial statements and related disclosures.

Credit Losses- In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments- Credit Losses*, which changes the impairment model for certain financial instruments by requiring companies to recognize an allowance for expected losses, rather than incurred losses as required currently by the incurred loss approach. The guidance will apply to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases and off-balance-sheet credit exposures (e.g., loan commitments). The new guidance is effective for reporting periods beginning after December 15, 2019 and will be applied as a cumulative adjustment to retained earnings as of the effective date. The Company is currently assessing the potential effect the adoption of this guidance will have on its consolidated financial statements and related disclosures.

Cash Flow Classifications- In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, which makes eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The new guidance requires adoption on a retrospective basis unless it is impracticable to apply, in which case the company would be required to apply the amendments prospectively as of the earliest date practicable. The Company does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures.

Restricted Cash- In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows: Restricted Cash, which requires entities to show the changes in the total of cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. Entities will no longer be permitted to present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The guidance is effective for reporting periods beginning after December 15, 2017 and will be applied retrospectively to all periods presented. The Company expects the new guidance will result in a change in presentation of restricted cash on the face of the consolidated statement of cash flows; otherwise this guidance will not have a significant impact on the consolidated statements of cash flows and disclosures.

Business Combinations- In January 2017, the FASB issued ASU No. 2017-01, *Clarifying the Definition of a Business*, which amends the guidance for determining whether a transaction involves the purchase or disposal of a business or an asset. The amendments clarify that when substantially all of the fair value of the gross assets acquired or disposed of is concentrated in a single identifiable asset or a group of similar identifiable assets, the set of transferred assets and activities is not a business. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The amendments in this update will be applied on a prospective basis. The Company expects that most acquisitions of real estate or in-substance real estate will not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e. land, buildings, and related intangible assets). A significant difference between the accounting for an asset acquisition and a business combination is that transaction costs are capitalized for an asset acquisition, rather than expensed for a business combination. The Company plans to adopt the standard on its required effective date of January 1, 2018. The Company does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures.

Derecognition and Partial Sales of Nonfinancial Assets- In February 2017, the FASB issued ASU No. 2017-05, *Clarifying the Scope of Asset Derecognition and Accounting for Partial Sales of Nonfinancial Assets*, which clarifies the scope and application of recently established guidance on recognition of gains and losses from derecognition of non-financial assets, and defines in-substance non-financial assets. In addition, the guidance clarifies the accounting for partial sales of non-financial assets to be more consistent with the accounting for sale of a business. Specifically, in a partial sale to a non-customer, when a non-controlling interest is received or retained, the latter is considered a non-cash consideration and measured at fair value, which would result in full gain or loss recognized upon sale. This guidance has the same effective date as the new revenue guidance, which is January 1, 2018, with early adoption permitted beginning January 1, 2017. Both the revenue guidance and this update must be adopted concurrently. While the transition method is similar to the new revenue guidance, either full retrospective or modified retrospective, the transition approach need not be aligned between both updates. The Company plans to adopt this standard on January 1, 2018, consistent with its adoption of the new revenue standard, using the modified retrospective approach. Under the new standard, if the Company sells a partial interest in its real estate assets to noncustomers or contributes real estate assets to unconsolidated ventures, and the Company retains a noncontrolling interest in the asset, such transactions could result in a larger gain on sale. The adoption of this standard could have a material impact to the Company's results of operations in a period if the Company sells a significant partial interest in a real estate asset. There were no such sales for the year ended December 31, 2017.

3. Real Estate Debt Investments

The following table presents CRE debt investments as of December 31, 2017 (dollars in thousands):

					Weighted Average			
Asset Type:	Count	Principal Amount(1)	Carrying Value(2)	Allocation by Investment Type(3)	Fixed Rate	Spread over LIBOR(4)	Total Unleveraged Current Yield	Floating Rate as % of Principal Amount
First mortgage loans(5)	9	$ 267,235	$ 244,635	77.1%	—%	4.85%	6.52%	100.0%
Mezzanine loans(5)	5	79,481	79,471	22.9%	12.23%	11.00%	12.45%	35.9%
Total/Weighted average	14	$ 346,716	$ 324,106	100.0%	12.23%	5.49%	7.98%	85.3%
Real estate debt, held for sale(6)	1	$ 150,150	$ 150,150	N/A	—%	6.20%	7.84%	100.0%

(1) Includes future funding commitments of $22.6 million.
(2) Certain CRE debt investments, including loan collateral receivable, related party, serve as collateral for financing transactions including $338.7 million for term loan facilities and $23.7 million for secured borrowings (refer to Note 7). The remainder is unleveraged.
(3) Based on principal amount.
(4) Includes a fixed minimum LIBOR rate ("LIBOR floor"), as applicable. As of December 31, 2017, the Company had $367.6 million principal amount of floating-rate loans subject to a weighted average LIBOR floor of 0.60%.
(5) During the year ended December 31, 2017, the Company originated two first mortgage loans and one mezzanine loan with an aggregate committed principal amount of $119.7 million and received $374.9 million related to the repayment of five first mortgage loans, one mezzanine loan and one preferred equity interest.
(6) In August 2017, pursuant to the Original Combination Agreement, the Company committed to sell to the Sponsor a $65 million senior interest in one $150.2 million first mortgage loan at par to the extent that the Company does not otherwise sell such loan to a third party. The junior interest of such loan (or, in the case of a sale to a third party, any unsold portion) will be transferred to a liquidating trust for the benefit of the Company's stockholders. The first mortgage loan is financed on a term loan facility for a total of $46.9 million. On January 31, 2018, the Company completed this transaction.

The following table presents CRE debt investments as of December 31, 2016 (dollars in thousands):

					Weighted Average			
Asset Type:	Count	Principal Amount(1)	Carrying Value(2)	Allocation by Investment Type(3)	Fixed Rate	Spread over LIBOR(4)	Total Unleveraged Current Yield	Floating Rate as % of Principal Amount
First mortgage loans	13	$ 570,339	$ 564,722	74.3%	15.00%	5.80%	7.31%	92.5%
Mezzanine loans	5	109,832	92,814	14.3%	12.16%	9.29%	11.24%	55.3%
Preferred equity interest(5)	1	87,323	87,787	11.4%	10.00%	—%	10.00%	—%
Total/Weighted average	19	$ 767,494	$ 745,323	100.0%	11.79%	6.07%	8.12%	76.6%

(1) Includes future funding commitments of $23.2 million.
(2) Certain CRE debt investments serve as collateral for financing transactions including carrying value of $70.7 million for a securitization financing transaction, $364.6 million for term loan facilities and $23.7 million for secured borrowings (refer to Note 7). The remainder is unleveraged.
(3) Based on principal amount.
(4) Includes a fixed minimum LIBOR floor, as applicable. As of December 31, 2016, the Company had $531.9 million principal amount of floating-rate loans subject to a weighted average LIBOR floor of 0.34%.
(5) Represents a preferred equity interest originated through a joint venture with affiliates of RXR Realty LLC ("RXR"). The Company's proportionate interest of the loan is 90%, representing $78.6 million of the carrying value. The Company consolidates the loan and records RXR's investment as a non-controlling interest.

The following table presents maturities of CRE debt investments based on principal amount as of December 31, 2017 (dollars in thousands):

	Current Maturity	Maturity Including Extensions[(1)]
Years Ending December 31:		
2018	$ 29,451	$ 19,350
2019	213,921	12,000
2020	12,000	34,500
2021	—	93,802
2022	—	95,720
Thereafter	91,344	91,344
Total	$ 346,716	$ 346,716

(1) Assumes that all debt with extension options will qualify for extension at such maturity according to the conditions set forth in the governing documents.

As of December 31, 2017, the weighted average maturity, including extensions, of CRE debt investments was 3.8 years.

Credit Quality Monitoring

CRE debt investments are typically loans secured by direct senior priority liens on real estate properties or by interests in entities that directly own real estate properties, which serve as the primary source of cash for the payment of principal and interest. The Company evaluates its debt investments at least quarterly and differentiates the relative credit quality principally based on: (i) whether the borrower is currently paying contractual debt service in accordance with its contractual terms and (ii) whether the Company believes the borrower will be able to perform under its contractual terms in the future, as well as the Company's expectations as to the ultimate recovery of principal at maturity. The Company categorizes a debt investment for which it expects to receive full payment of contractual principal and interest payments as "performing." The Company will categorize a weaker credit quality debt investment that is currently performing, but for which it believes future collection of all or some portion of principal and interest is in doubt, into a category called "performing with a loan loss reserve." The Company will categorize a weaker credit quality debt investment that is not performing, which the Company defines as a loan in maturity default and/or past due at least 90 days on its contractual debt service payments, as a non-performing loan ("NPL"). The Company's definition of an NPL may differ from that of other companies that track NPLs.

During the fourth quarter of 2017, the Company ceased accruing payment in kind ("PIK") interest associated with one mezzanine loan with principal amount and carrying value of $20.8 million, respectively. As of December 31, 2017, the remaining CRE debt investments were performing in accordance with the contractual terms of their governing documents in all material respects and were categorized as performing loans. There were no CRE debt investments with contractual payments past due as of December 31, 2017 and 2016. For the year ended December 31, 2017, two CRE debt investments each contributed more than 10.0% of interest income, of which one debt investment was classified as held for sale in the third quarter of 2017 and one preferred equity interest was repaid in the fourth quarter of 2017.

4. Operating Real Estate

The following table presents operating real estate, net, as of December 31, 2017 and 2016 (dollars in thousands):

	December 31,	
	2017	2016
Land and improvements	$ 96,232	$ 96,011
Buildings and improvements[(1)]	437,777	430,776
Furniture, fixtures and equipment	5,688	4,472
Subtotal	$ 539,697	$ 531,259
Less: Accumulated depreciation	(63,986)	(42,420)
Operating real estate, net	$ 475,711	$ 488,839

(1) Includes tenant improvements.

For the years ended December 31, 2017, 2016, and 2015, depreciation expense was $23.7 million, $19.4 million and $16.4 million, respectively.

Minimum Future Rents

Minimum rental amounts due under leases are generally either subject to scheduled fixed increases or adjustments. Leases at the Company’s multifamily properties and student housing properties are generally for a term of one year or less and are not reflected in the below table. The following table presents approximate future minimum rental income for the Company’s industrial properties and multi-tenant offices under noncancelable operating leases to be received over the next five years and thereafter as of December 31, 2017 (dollars in thousands):

Years Ending December 31:	
2018	$ 42,002
2019	40,289
2020	32,460
2021	26,623
2022	22,463
Thereafter	46,464
Total	$ 210,301

The rental properties owned as of December 31, 2017 are leased under operating leases with current expirations ranging from 2018 to 2027, with certain tenant renewal rights. For certain properties, the tenants pay the Company, in addition to the contractual base rent, their pro rata share of real estate taxes and operating expenses. Certain lease agreements provide for periodic rental increases.

5. Investments in Unconsolidated Ventures

Investments in Private Equity Funds

The Company completed the acquisition of a $118.0 million portfolio of PE Investments in February 2013 (“PE Investment I”), a $75.7 million portfolio of PE Investments in July 2013 (“PE Investment IIA”), an additional $26.5 million portfolio of PE Investment IIA in February 2016 (“PE Investment IIB”), and a $23.1 million portfolio of PE Investments in March 2016 (“PE Investment III”). PE Investment I, IIA, and IIB own PE Investments indirectly through unconsolidated ventures and PE Investment III owns PE Investments directly. The Company elected the fair value option for PE Investments. As a result, the Company records equity in earnings (losses) based on the change in fair value for its share of the projected future cash flow from one period to another. All PE Investments are considered voting interest entities, except for PE Investment III. PE Investment I, IIA and IIB are considered voting interest entities and are not consolidated by the Company due to the substantive participating rights of the partners in joint ventures that own the interests in the real estate private equity funds. The Company does not consolidate the underlying real estate private equity funds owned in PE Investment III as it neither owns a majority voting interest in any such funds nor is it the primary beneficiary of such funds.

Summary

The following table summarizes the Company’s PE Investment acquisitions (dollars in thousands):

PE Investment[(1)]	Initial Closing Date	NAV Reference Date[(2)]	Number of Funds	Purchase Price
PE Investment I	February 15, 2013	June 30, 2012	49	$ 118,035
PE Investment IIA	July 3, 2013	September 30, 2012	24	75,721
PE Investment IIB	February 9, 2016	September 30, 2015	—	26,498
PE Investment III	March 30, 2016	March 31, 2015	2	23,063
Total			75	$ 243,317

(1) At December 31, 2017, the Company’s contractual unfunded commitments for PE Investments totaled $11.5 million. As of December 31, 2017, the Company does not expect any additional future contributions related to such unfunded commitments.
(2) Represents the net asset value (“NAV”) date that served as the basis for the purchase price on which the Company agreed to acquire the respective PE Investment.

The following tables summarize the Company’s PE Investments as of December 31, 2017 and 2016 and activity for the years ended December 31, 2017 and 2016 (dollars in thousands):

PE Investment	Carrying Value December 31, 2017	Carrying Value December 31, 2016	Year Ended December 31, 2017 Equity in Earnings	Year Ended December 31, 2017 Distributions	Year Ended December 31, 2017 Contributions(1)	Year Ended December 31, 2016 Equity in Earnings	Year Ended December 31, 2016 Distributions	Year Ended December 31, 2016 Contributions(1)
PE Investment I(2)	$ 8,876	$ 31,655	$ 1,669	$ 20,174	$ 336	$ 9,441	$ 40,082	$ 415
PE Investment IIA(3)	11,878	23,360	1,506	21,548	12,563	5,974	24,897	8,842
PE Investment IIB(3)	11,084	19,329	2,647	21,573	11,670	6,950	21,420	33,798
PE Investment III(4)	9,321	16,235	19	2,730	275	1,771	2,126	16,591
Total	$ 41,159	$ 90,579	$ 5,841	$ 66,025	$ 24,844	$ 24,136	$ 88,525	$ 59,646

(1) Includes initial investments, before closing statement adjustments for distributions and contributions, and subsequent contributions, including deferred purchase price fundings.
(2) For PE Investment I, the Company recorded an unrealized loss of $4.6 million and $3.4 million for the years ended December 31, 2017 and 2016, respectively.
(3) For PE Investment IIA and PE Investment IIB, the Company recorded an unrealized loss of $4.0 million and $1.0 million, respectively, for the year ended December 31, 2017. As of December 31, 2017, the Company’s share of the combined deferred amount for PE Investment IIA and PE Investment IIB was $55.9 million. The deferred amount will be paid in multiple installments throughout 2018 and is expected to be paid from the distributions received from the underlying investments in PE Investment IIA and PE Investment IIB. The Company guaranteed its proportionate interest of the deferred amount. The Company determined there was an immaterial amount of fair value related to the guarantee. In January 2018, PE Investment IIA and PE Investment IIB collectively paid $46.6 million of the deferred amount.
(4) For PE Investment III, the Company recorded an unrealized loss of $4.5 million for the year ended December 31, 2017. As of December 31, 2017, the deferred purchase price for PE Investment III recorded in other liabilities was $3.4 million. The remaining portion of the purchase price was paid in January 2018.

The Company's ownership interest in PE Investments represents capital contributed to date and may not be reflective of the Company's economic interest in the entity because of provisions in operating agreements governing various matters. As of December 31, 2017, the Company’s ownership interest in investments range from 0.1% to 7.1%.

Summarized Financial Information

The combined balance sheets for the unconsolidated ventures, including PE Investments and excluding unconsolidated ventures accounted for under the cost method, as of December 31, 2017, and 2016 are as follows (dollars in thousands):

	As of December 31, 2017	As of December 31, 2016(1)
Assets		
Total assets	$ 624,037	$ 838,160
Liabilities and equity		
Total liabilities	$ 251,741	$ 313,739
Total equity	372,296	524,421
Total liabilities and equity	$ 624,037	$ 838,160

(1) Prior periods have been adjusted to conform to current period presentation.

The combined statements of operations for the unconsolidated ventures, including PE Investments and excluding unconsolidated ventures accounted for under the cost method, for the years ended December 31, 2017, 2016 and 2015 are as follows (dollars in thousands):

	Years Ended December 31, (1) 2017	2016(2)	2015(2)
Total revenues(3)	$ 2,272	$ 53,628	$ 119,157
Net income (loss)	2,272	53,628	119,143

(1) Includes summarized annual financial information for PE Investments on a one quarter lag, which is the most recent financial information available from the underlying funds.
(2) Prior periods have been adjusted to conform to current period presentation.
(3) Includes net investment income and unrealized and realized gains and losses for PE Investments.

Other

In June 2014, the Company entered into a joint venture with affiliates of RXR to originate a mezzanine loan. The mezzanine loan had a principal amount of $183.7 million, including future funding commitments. The joint venture owned 50.0% of the mezzanine loan, of which the Company's interest in the joint venture was 78.0%. In January 2016, the Company's participation was sold at par value of $59.8 million. For the years ended December 31, 2016, and 2015, the Company recognized equity in earnings of $0.8 million and $5.8 million, respectively.

6. Real Estate Securities, Available for Sale

Investments in CRE Securities

CRE securities are comprised of CMBS backed by a pool of CRE loans which are typically well-diversified by type and geography. The following table presents CMBS investments as of December 31, 2017 and 2016 (dollars in thousands):

				Cumulative Unrealized on Investments			Weighted Average	
As of Date:	**Count**	**Principal Amount[(1)]**	**Amortized Cost**	**Gain**	**(Loss)**	**Fair Value**	**Coupon[(2)]**	**Unleveraged Current Yield**
December 31, 2017	22	$ 221,657	$ 137,328	$ 22,360	$ (1,347)	$ 158,341	3.58%	9.75%
December 31, 2016	11	138,438	73,800	21,616	(1,441)	93,975	3.85%	10.78%

(1) Certain CRE securities serve as collateral for financing transactions including carrying value of $77.5 million for the CMBS Credit Facilities (refer to Note 7). The remainder is unleveraged.
(2) All CMBS are fixed rate.

The Company recorded unrealized gain in OCI for the year ended December 31, 2017 of $0.8 million. The Company recorded year ended unrealized losses of $1.7 million and $6.5 million in OCI for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2017, the Company held seven securities with an aggregate carrying value of $47.4 million with an unrealized loss of $1.3 million, one of which was in an unrealized loss position for a period of greater than 12 months. Based on management's quarterly evaluation, no OTTI was identified related to these securities. The Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell these securities prior to recovery of its amortized cost basis, which may be at maturity.

As of December 31, 2017, the weighted average contractual maturity of CRE securities was 30.6 years with an expected maturity of 6.8 years.

Investments in Investing VIEs

In June 2017, the Company purchased the subordinate tranches of the $959.0 million securitization trust (UBS 2017-C1), which is secured by a pool of 67 mortgage loans. The securitization trust issued $846.3 million of permanent, non-recourse, investment grade securitization bonds, or offered certificates, which were purchased by unrelated third parties, and $112.7 million of subordinate non-offered certificates. The Company purchased $102.6 million of the non-offered certificates at a discount to par of $51.4 million, or 50.1%. The non-offered certificates have a fixed coupon of 4.84% and produce a bond equivalent yield of 10.35%.

The Company is the securitization trust's directing certificate holder and has the ability to appoint and replace the special servicer on all mortgage loans. As such, U.S. GAAP requires the Company to consolidate the assets, liabilities, income and expenses of the securitization trust as an Investing VIE. Refer to Note 2, "Summary of Significant Accounting Policies" for further discussion on Investing VIEs.

Other than the securities represented by the Company's subordinate tranches of the securitization trust, the Company does not have any claim to the assets or exposure to the liabilities of the securitization trust. The original issuer, an unrelated third party, guarantees the interest and principal payments related to the investment grade securitization bonds in the securitization trust, therefore these obligations do not have any recourse to the general credit of the Company as the consolidator of the securitization trust. The Company's maximum exposure to loss would not exceed the carrying value of its retained investment in the securitization trust, or the subordinate tranches of the securitization trust.

The following table presents the assets and liabilities recorded on the consolidated balance sheets attributable to the securitization trust as of December 31, 2017 (dollars in thousands):

	December 31, 2017
Assets	
Mortgage loans held in a securitization trust, at fair value	$ 916,017
Receivables, net	3,998
Total assets	$ 920,015
Liabilities	
Mortgage obligations issued by a securitization trust, at fair value	$ 863,447
Accounts payable and accrued expenses	3,998
Total liabilities	$ 867,445

As of December 31, 2017, the mortgage loans and the related mortgage obligations held in the securitization trust had an unpaid principal balance of $955.9 million and $853.3 million, respectively.

The Company elected the fair value option to measure the assets and liabilities of the securitization trust, which requires that changes in valuations of the securitization trust be reflected in the Company's consolidated statements of operations.

The difference between the carrying values of the mortgage loans held in a securitization trust and the carrying value of the mortgage obligations issued by a securitization trust was $52.6 million as of December 31, 2017 and approximates the fair value of the Company's underlying investment in the subordinate tranches of the securitization trust. Refer to Note 12, "Fair Value" for a description of the valuation techniques used to measure fair value of assets and liabilities of the Investing VIE.

The following table presents the activity recorded for the year ended December 31, 2017 related to the consolidated securitization trust on the consolidated statement of operations. Approximately, $4.1 million for the year ended December 31, 2017 relates to net income attributable to the Company's common stockholders generated from the Company's investment in the subordinate tranches of the securitization trust (dollars in thousands):

	Year Ended December 31, 2017
Statement of Operations	
Interest income on mortgage loans held in a securitization trust	$ 27,646
Interest expense on mortgage obligations issued by a securitization trust	(24,777)
Net interest income	2,869
Other expenses related to securitization trust	(96)
Unrealized gain (loss) on mortgage loans and obligations held in a securitization trust, net	1,336
Net income attributable to NorthStar Real Estate Income Trust, Inc. common stockholders	$ 4,109

7. Borrowings

The following table presents borrowings as of December 31, 2017 and 2016 (dollars in thousands):

					December 31, 2017		December 31, 2016	
	Capacity ($)	Recourse vs. Non-Recourse	Final Maturity	Contractual Interest Rate	Principal Amount[1]	Carrying Value[1]	Principal Amount[1]	Carrying Value[1]
Securitization bonds payable, net								
Securitization financing transaction		Non-recourse[2]	Aug-29	LIBOR + 5.00%	$ —	$ —	$ 39,762	$ 39,762
Mortgage notes payable, net								
Multifamily 1		Non-recourse[2]	Dec-23	4.84%	43,500	43,036	43,500	42,967
Multifamily 2		Non-recourse[2]	Dec-23	4.94%	43,000	42,512	43,000	42,440
Office 1		Non-recourse[2]	Oct-24	4.47%	108,850	108,624	108,850	108,595
Office 2		Non-recourse[2]	Jan-25	4.30%	77,700	77,553	77,700	77,535
Student housing 1		Non-recourse[2]	Jan-24	5.15%	16,000	15,801	16,000	15,774
Student housing 2[3]		Non-recourse[2]	Dec-20	5.27%	12,193	12,367	12,411	12,644
Student housing 3		Non-recourse[2]	Nov-26	3.98%	24,714	24,477	24,750	24,485
Industrial 1		Non-recourse[2]	Apr-21	LIBOR + 2.50%	71,890	71,604	70,402	68,970
Subtotal mortgage notes payable, net					397,847	395,974	396,613	393,410
Term loan facilities								
Citibank facility	$ 150,000	Limited Recourse[4]	Oct-21[5]	LIBOR + 2.63% [6]	24,150	24,150	21,350	21,350
Deutsche Bank facility[7]	200,000	Limited Recourse[8]	Mar-18[9]	LIBOR + 2.34% [10]	86,948	86,948	112,919	112,919
Morgan Stanley facility	200,000	Limited Recourse[11]	Oct-18[12]	LIBOR + 2.30% [13]	55,055	55,055	92,700	92,700
Subtotal term loan facilities	$ 550,000				166,153	166,153	226,969	226,969
CMBS credit facilities								
UBS facility		Recourse	(14)		—	—	—	—
Morgan Stanley facility		Recourse	(14)		—	—	—	—
Citibank facility		Recourse	(14)	LIBOR + 1.42%	29,044	29,044	11,034	11,034
Merrill Lynch facility		Recourse	(14)	LIBOR + 1.42%	2,667	2,667	2,989	2,989
JP Morgan facility		Recourse	(14)	LIBOR + 1.48%	23,625	23,625	8,164	8,164
Subtotal CMBS credit facilities					55,336	55,336	22,187	22,187
Subtotal credit facilities					221,489	221,489	249,156	249,156
Loan collateral payable, net, related party								
Secured borrowing[15]		Non-recourse	May-19	LIBOR + 3.08%	23,729	23,458	23,729	23,261
Total					$ 643,065	$ 640,921	$ 709,260	$ 705,589

(1) Difference between principal amount and carrying value of mortgage notes payable, net and loan collateral payable, net, related party is attributable to deferred financing costs, net and premium on a mortgage note payable.
(2) Subject to customary non-recourse carveouts.
(3) Represents two separate senior mortgage notes with a weighted average maturity of December 1, 2020 and weighted average interest rate of 5.27%.
(4) Recourse solely with respect to 25.0% of the repurchase price for purchased assets with a lender debt yield equal to or greater than 10.0% at the time of financing plus 100.0% of the repurchase price for purchased assets with a lender debt yield less than 10.0% at the time of financing.
(5) The next maturity date is October 18, 2018, with three, one-year extensions available at the option of the Company, which may be exercised upon the satisfaction of certain customary conditions set forth in the governing documents.
(6) The contractual interest rate depends upon asset type and characteristics. As of December 31, 2017 the rate was one-month LIBOR plus 2.63%.
(7) On January 31, 2018, the Company repaid $46.9 million on the Deutsche Bank term loan facility pursuant to the Combination Agreement. Refer to Note 3, “Real Estate Debt Investments” for additional information.
(8) Recourse solely with respect to the greater of: (i) 25.0% of the financed amount of stabilized loans plus the financed amount of transitional loans or (ii) the lesser of $25.0 million or the aggregate financed amount of all loans.
(9) In January 2018, the Company extended the maturity date to July 2, 2018.
(10) Represents the weighted average spread as of December 31, 2017. The contractual interest rate depends upon asset type and characteristics and ranges from one-month LIBOR plus 2.25% to 2.42%.

(11) Recourse solely with respect to 25.0% of the financed amount.
(12) The initial maturity is October 13, 2018. The Company may, at its option, extend the facility for one-year periods indefinitely, subject to the approval of the global financial institution.
(13) Represents the weighted average spread as of December 31, 2017. The contractual interest rate depends upon asset type and characteristics and ranges from one-month LIBOR plus 2.25% to 2.50%.
(14) The terms of the CMBS Credit Facilities depend upon asset type and are typically three months in duration.
(15) Represents a secured borrowing financing transaction recorded in loan collateral payable, net, related party in connection with three first mortgage loans recorded in real estate debt investments, net. Refer to discussion below for additional detail.

The following table presents scheduled principal on borrowings, based on final maturity as of December 31, 2017 (dollars in thousands):

	Total	Mortgage Notes Payable, Net	Credit Facilities	Loan collateral payable, net, related party
Years Ending December 31:				
2018	$ 197,339	$ —	$ 197,339	$ —
2019	23,729	—	—	23,729
2020	12,193	12,193	—	—
2021	96,040	71,890	24,150	—
2022	—	—	—	—
Thereafter	313,764	313,764	—	—
Total	$ 643,065	$ 397,847	$ 221,489	$ 23,729

Securitization Financing Transactions

The Company entered into two securitization financing transactions collateralized by CRE debt investments. All of the securitization bonds related to the two securitization financing transactions were repaid in January 2015 and January 2017, respectively, and therefore, the Company no longer holds any interest in securitization financing transactions.

Term Loan Facilities

The Company, through subsidiaries, has entered into credit facility agreements with multiple global financial institutions to provide an aggregate principal amount of up to $550.0 million to finance the origination of first mortgage loans and senior loan participations secured by CRE (“Term Loan Facilities”). The Company agreed to guarantee certain obligations under the Term Loan Facilities, which contain representations, warranties, covenants, conditions precedent to funding, events of default and indemnities that are customary for agreements of this type. The Term Loan Facilities act as revolving loan facilities that can be paid down as assets are repaid or sold and re-drawn upon for new investments. As of December 31, 2017, the Company was in compliance with all of its financial covenants under the Term Loan Facilities.

As of December 31, 2017, the Company had $338.7 million carrying value of CRE debt investments, including loan collateral receivable, related party, financed with $166.2 million under the Term Loan Facilities. On January 31, 2018, the Company repaid $46.9 million on the Deutsche Bank term loan facility pursuant to the Combination Agreement. Refer to Note 3, “Real Estate Debt Investments” for additional information.

CMBS Credit Facilities

As of December 31, 2017, the Company has entered into five master repurchase agreements (collectively the “CMBS Credit Facilities”) to finance CMBS investments. The CMBS Credit Facilities are on a recourse basis and contain representations, warranties, covenants, conditions precedent to funding, events of default and indemnities that are customary for agreements of this type. As of December 31, 2017, the Company had $77.5 million carrying value of CRE securities, financed with $55.3 million under its CMBS Credit Facilities.

Secured Borrowing

In November 2016, the Company bifurcated three first mortgage loans with an aggregate principal amount of $44.4 million into senior participations in mortgage loans of $29.5 million and junior participations in the related mortgage loans of $14.9 million to facilitate the financing of the mortgage loans through a securitization financing transaction entered into by NorthStar Income II. The Company sold three senior participations at cost into the securitization transaction. The Company did not retain any legal interest in the senior participations and retained the junior participations on an unleveraged basis. As a result of U.S. GAAP requirements for transfers of financial assets, the senior participations transferred into the securitization financing transaction are accounted for as a secured borrowing and presented as loan collateral payable, net, related party on the Company's consolidated balance sheets. Refer to Note 2, "Summary of Significant Accounting Policies" for additional information. As of December 31, 2017, the carrying value of CRE debt investments recorded in real estate debt investments, net was $23.7 million with an offsetting secured borrowing recorded in loan collateral payable, net, related party of $23.5 million.

8. Related Party Arrangements

Advisor

Subject to certain restrictions and limitations, the Advisor is responsible for managing the Company's affairs on a day-to-day basis and for identifying, originating, acquiring and asset managing investments on behalf of the Company. The Advisor may delegate certain of its obligations to affiliated entities, which may be organized under the laws of the United States or foreign jurisdictions. References to the Advisor include the Advisor and any such affiliated entities. For such services, to the extent permitted by law and regulations, the Advisor receives fees and reimbursement from the Company. Pursuant to the advisory agreement, the Advisor may defer or waive fees in its discretion. Below is a description and table of the fees and reimbursements incurred to the Advisor.

In June 2017, the advisory agreement was renewed for an additional one-year term commencing on June 30, 2017 upon terms identical to those in effect through June 30, 2017.

Fees to Advisor

Asset Management Fee

The Advisor receives a monthly asset management fee equal to one-twelfth of 1.25% of the sum of the amount funded or allocated for CRE investments, including expenses and any financing attributable to such investments, less any principal received on debt and securities investments (or the proportionate share thereof in the case of an investment made through a joint venture).

Incentive Fee

The Advisor is entitled to receive distributions equal to 15.0% of net cash flows of the Company, whether from continuing operations, repayment of loans, disposition of assets or otherwise, but only after stockholders have received, in the aggregate, cumulative distributions equal to their invested capital plus an 8.0% cumulative, non-compounded annual pre-tax return on such invested capital.

Acquisition Fee

The Advisor also receives fees for providing structuring, diligence, underwriting advice and related services in connection with real estate acquisitions equal to 1.0% of the amount funded or allocated by the Company to originate or acquire investments, including acquisition costs and any financing attributable to such investments (or the proportionate share thereof in the case of an investment made through a joint venture). A fee paid to the Advisor in connection with the origination or acquisition of CRE debt investments is included in CRE debt investments, net on the consolidated balance sheets and is amortized to interest income over the life of the investment using the effective interest method. An acquisition fee incurred related to an equity investment will generally be expensed as incurred. A fee paid to the Advisor in connection with an acquisition of an equity or debt investment in an unconsolidated joint venture is included in investments in unconsolidated ventures on the consolidated balance sheets.

Disposition Fee

For substantial assistance in connection with the sale of investments and based on the services provided, as determined by the Company's independent directors, the Advisor receives a disposition fee up to 1.0% of the contract sales price of each CRE investment sold. The Company does not pay a disposition fee upon the maturity, prepayment, workout, modification or extension of a CRE debt investment unless there is a corresponding fee paid by the borrower, in which case the disposition fee is the lesser of: (i) 1.0% of the principal amount of the CRE debt investment prior to such transaction or (ii) the amount of the fee paid by the borrower in connection with such transaction. If the Company takes ownership of a property as a result of a workout or foreclosure of a CRE debt investment, the Company will pay a disposition fee upon the sale of such property. A disposition fee from the sale of a CRE investment is generally expensed and included in asset management and other fees, related party in the Company's consolidated statements of operations. A disposition fee for a CRE debt investment incurred in a transaction other than a sale is included in CRE debt investments, net on the consolidated balance sheets and is amortized to interest income over the life of the investment using the effective interest method.

Reimbursements to Advisor

Operating Costs

The Advisor is entitled to receive reimbursement for direct and indirect operating costs incurred by the Advisor in connection with administrative services provided to the Company. The Advisor allocates, in good faith, indirect costs to the Company related to the Advisor's and its affiliates' employees, occupancy and other general and administrative costs and expenses in accordance with the terms of, and subject to the limitations contained in, the advisory agreement with the Advisor. The indirect costs include the Company's allocable share of the Advisor's compensation and benefit costs associated with dedicated or partially dedicated personnel who spend all or a portion of their time managing the Company's affairs, based upon the percentage of time devoted by such personnel to the Company's affairs. The indirect costs also include rental and occupancy, technology, office supplies, travel and entertainment and other general and administrative costs and expenses. However, there is no reimbursement for personnel costs related to executive officers (although there may be reimbursement for certain executive officers of the Advisor) and other personnel involved in activities for which the Advisor receives an acquisition fee or a disposition fee. The Advisor allocates these costs to the Company relative to its and its affiliates' other managed companies in good faith and has reviewed the allocation with the Company's board of directors, including its independent directors. The Advisor updates the board of directors on a quarterly basis of any material changes to the expense allocation and provides a detailed review to the board of directors, at least annually, and as otherwise requested by the board of directors. The Company reimburses the Advisor quarterly for operating costs (including the asset management fee) based on a calculation for the four preceding fiscal quarters not to exceed the greater of: (i) 2.0% of its average invested assets or (ii) 25.0% of its net income determined without reduction for any additions to reserves for depreciation, loan losses or other similar non-cash reserves and excluding any gain from the sale of assets for that period. Notwithstanding the above, the Company may reimburse the Advisor for expenses in excess of this limitation if a majority of the Company's independent directors determines that such excess expenses are justified based on unusual and non-recurring factors. The Company calculates the expense reimbursement quarterly based upon the trailing twelve-month period.

Summary of Fees and Reimbursements

The following tables present the fees and reimbursements incurred to the Advisor for the years ended December 31, 2017 and 2016 and the amount due to related party as of December 31, 2017 and 2016 (dollars in thousands):

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2016[1]	Year Ended December 31, 2017 Incurred	Year Ended December 31, 2017 Paid	Due to Related Party as of December 31, 2017[1]
Fees to Advisor Entities					
Asset management	Asset management and other fees, related party	$ 10	$ 17,815	$ (17,807)	$ 18
Acquisition[2]	Real estate debt investments, net / Asset management and other fees, related party	40	1,197	(997)	240
Disposition[2]	Real estate debt investments, net / Asset management and other fees, related party	—	2,985	(2,985)	—
Reimbursements to Advisor Entities					
Operating costs[3]	General and administrative expenses	18	9,868	(9,839)	47
Total		$ 68	$ 31,865	$ (31,628)	$ 305

(1) The balance is included in accounts payable and accrued expenses on the Company's consolidated balance sheet.
(2) Acquisition/disposition fees incurred to the Advisor related to CRE debt investments are generally offset by origination/exit fees paid to the Company by borrowers if such fees are required from the borrower. Acquisition fees related to equity investments are included in asset management and other fees, related party in the consolidated statements of operations. Acquisition fees related to investments in unconsolidated joint ventures are included in investments in unconsolidated ventures on the consolidated balance sheets. From inception through December 31, 2017, the Advisor waived $2.0 million of acquisition fees and $0.4 million of disposition fees related to CRE securities.
(3) As of December 31, 2017, the Advisor has incurred unreimbursed operating costs on behalf of the Company of $10.8 million that remain eligible to allocate to the Company. Pursuant to the Combination Agreement, immediately prior to the closing of the Combination, CLNC agreed, if necessary, to declare a special distribution to an affiliate of the Sponsor in an amount intended to reimburse such affiliate for, among other things, the expected present value of the unreimbursed operating costs incurred by the Advisor on the Company's behalf. On February 1, 2018, CLNC settled an agreed upon amount for the unreimbursed operating costs incurred by the Advisor on the Company's behalf.

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2015(1)	Year Ended December 31, 2016 Incurred	Paid	Due to Related Party as of December 31, 2016(1)
Fees to Advisor Entities					
Asset management	Asset management and other fees, related party	$ —	$ 21,337	$ (21,327)	$ 10
Acquisition(2)	Real estate debt investments, net / Asset management and other fees, related party	—	3,254	(3,214)	40
Disposition(2)	Real estate debt investments, net / Asset management and other fees, related party	—	4,612	(4,612)	—
Reimbursements to Advisor Entities					
Operating costs(3)	General and administrative expenses	—	12,747	(12,729)	18
Total		$ —	$ 41,950	$ (41,882)	$ 68

(1) The balance is included in accounts payable and accrued expenses on the Company's consolidated balance sheet.
(2) Acquisition/disposition fees incurred to the Advisor related to CRE debt investments are generally offset by origination/exit fees paid to the Company by borrowers if such fees are required from the borrower. Acquisition fees related to equity investments are included in asset management and other fees - related party in the consolidated statements of operations. Acquisition fees related to investments in unconsolidated joint ventures are included in investments in unconsolidated ventures on the consolidated balance sheets. The Advisor may determine to defer fees or seek reimbursement. From inception through December 31, 2016, the Advisor waived $0.8 million of acquisition fees and $0.4 million of disposition fees related to CRE securities.
(3) As of December 31, 2016, the Advisor has incurred unreimbursed operating costs on behalf of the Company of $9.6 million that remain eligible to allocate to the Company.

PE Investments

In connection with PE Investments, the Company guaranteed all of its funding obligations that may be due and owed under the governing documents indirectly through an indemnification agreement with NorthStar Realty, which in turn guaranteed the obligations directly to the PE Investment entities. The Company and NorthStar Realty each agreed to indemnify the other proportionately for any losses that may arise in connection with the funding and other obligations as set forth in the governing documents in the case of a joint default by the Company and NorthStar Realty. The Company and NorthStar Realty further agreed to indemnify each other for all of the losses that may arise as a result of a default that was solely caused by the Company or NorthStar Realty, as the case may be. In connection with the mergers, the Sponsor assumed all of NorthStar Realty's obligations.

PE Investment I

In connection with PE Investment I, the Company assumed the rights to subscribe to 29.5% of PE Investment I from NorthStar Realty. The Company and NorthStar Realty contributed cash of $400.1 million, of which the Company and NorthStar Realty contributed $118.0 million and $282.1 million, respectively. In connection with the mergers, NorthStar Realty's interests in PE Investment I and its other obligations were assumed by the Sponsor. At December 31, 2017, three underlying real estate private equity funds owned in PE Investment I, totaling approximately $0.7 million, were managed by an affiliate of the Company.

PE Investment IIB

In February 2016, the Company's board of directors, including all of its independent directors, approved the purchase of an additional 14.0% of the PE Investment IIA transaction ("PE Investment IIB") from NorthStar Realty, which following the mergers became a subsidiary of the Sponsor. The Company purchased PE Investment IIB on the same terms and conditions negotiated by another existing and purchasing unrelated co-investor in the transaction. This increased the Company's total ownership from 15.0% to 29.0%. The Company acquired PE Investment IIB for $26.5 million, adjusted for distributions and contributions. With this add-on investment, PE Investment IIA and PE Investment IIB are collectively responsible for 29.0% of the deferred amount, or $55.9 million as of December 31, 2017. In January 2018, PE Investment IIA and PE Investment IIB collectively paid $46.6 million of the deferred amount.

Secured Borrowing

In November 2016, the Company bifurcated three first mortgage loans with an aggregate principal amount of $44.4 million into senior participations in mortgage loans of $29.5 million and junior participations in the related mortgage loans of $14.9 million to facilitate the financing of the mortgage loans through a securitization financing transaction entered into by NorthStar Income II. The Company sold three senior participations at cost into the securitization transaction. The Company did not retain any legal interest in the senior participations and retained the junior participations on an unleveraged basis. As a result of U.S. GAAP requirements for transfers of financial assets, the senior participations transferred into the securitization financing transaction are accounted for as a secured borrowing and presented as loan collateral payable, net, related party on the Company's consolidated balance sheets. Refer to Note 2, "Summary of Significant Accounting Policies" for additional information. As of December 31, 2017, the carrying value of CRE debt investments recorded in real estate debt investments, net was $23.7 million with an offsetting secured borrowing recorded in loan collateral payable, net, related party of $23.5 million.

9. Equity-Based Compensation

The Company adopted a long-term incentive plan, as amended (the "Plan"), which it may use to attract and retain qualified officers, directors, employees and consultants, as well as an independent directors compensation plan, which is a component of the Plan. Pursuant to the Plan, as of December 31, 2017, the Company's independent and non-management directors were granted a total of 121,364 shares of restricted common stock for an aggregate $1.2 million, based on the share price on the date of each grant. Unvested shares totaled 21,122, 20,462 and 17,687 as of December 31, 2017, 2016, and 2015, respectively. The restricted stock outstanding generally vests quarterly over two years. However, the stock will become fully vested on the earlier occurrence of: (i) the termination of the independent or non-management director's service as a director due to his or her death or disability or (ii) a change in control of the Company. A maximum of 2,000,000 shares of restricted common stock may be granted, of which 1,878,636 shares remain available for future grants as of December 31, 2017. Per the Combination Agreement, all unvested shares of restricted common stock vested on January 31, 2018.

The Company recognized equity-based compensation expense of $0.2 million, $0.2 million and $0.2 million for the years ended December 31, 2017, 2016, and 2015, respectively, related to the issuance of restricted stock to the independent and non-management directors, which was recorded in general and administrative expenses in the consolidated statements of operations.

10. Stockholders' Equity

Common Stock

The Company's Total Primary Offering was completed on July 1, 2013. From inception through the completion of the Total Primary Offering, the Company issued 107.6 million shares of common stock generating gross proceeds from the Total Primary Offering of $1.1 billion.

Distribution Reinvestment Plan

The Company adopted the DRP through which common stockholders may elect to reinvest an amount equal to the distributions declared on their shares in additional shares of the Company's common stock in lieu of receiving cash distributions. As a result of an additional registration statement to offer up to 10.0 million shares pursuant to the DRP, and until its suspension as described below, the Company continued to offer DRP shares beyond the Total Primary Offering.

Since April 2017, pursuant to the terms of the DRP, effective on April 14, 2017, the price per share purchased pursuant to the DRP was $9.92, which is equal to the estimated value per share of the Company's common stock as of December 31, 2016, until such time as the Company establishes a new estimated per share value, at which time the purchase price will adjust to 100% of such estimated value per share.

Prior to April 2017, the price per share purchased pursuant to the DRP was $9.87, which was equal to the estimated value per share of the Company's common stock as of December 31, 2015. Prior to April 2016, shares issued pursuant to the DRP were priced at 95.0% of the Company's estimated value per share as of October 31, 2014, or $9.52. Prior to 2015, shares issued pursuant to the DRP were priced at $9.50 per share.

No selling commissions or dealer manager fees are paid on shares issued pursuant to the DRP. The board of directors of the Company may amend, suspend or terminate the DRP for any reason upon ten-days' notice to participants. On August 25, 2017, in connection with the entry into the Original Combination Agreement, the Company's board of directors voted to suspend the DRP until further notice. Pursuant to the terms of the DRP, the suspension went into effect prior to the monthly distributions to be paid on or about October 1, 2017 and as a result, all stockholders received cash distributions through the completion of the Combination.

For the year ended December 31, 2017, the Company issued 2.7 million shares totaling $26.8 million of proceeds pursuant to the DRP. For the year ended December 31, 2016, the Company issued 4.5 million shares totaling $43.5 million of proceeds pursuant to the DRP. From inception through December 31, 2017, the Company issued 21.0 million shares totaling $201.3 million of proceeds pursuant to the DRP.

Distributions

Distributions to stockholders are declared quarterly by the board of directors of the Company and are paid monthly based on a daily amount of $0.001917808 per share, which is equivalent to an annual distribution of $0.70 per share of the Company's common stock. Distributions are generally paid to stockholders on the first business day of the month following the month for which the distribution has accrued.

The following table presents distributions declared for the years ended December 31, 2017, 2016 and 2015 (dollars in thousands):

	Distributions[(1)]		
Period	**Cash**	**DRP**	**Total**
2017			
First Quarter	$ 11,999	$ 8,770	$ 20,769
Second Quarter	12,247	8,657	20,904
Third Quarter	15,223	5,847	21,070
Fourth Quarter	21,055	—	21,055
Total	$ 60,524	$ 23,274	$ 83,798
2016			
First Quarter	$ 13,052	$ 10,987	$ 24,039
Second Quarter	13,184	10,864	24,048
Third Quarter	13,482	10,858	24,340
Fourth Quarter	13,690	10,628	24,318
Total	$ 53,408	$ 43,337	$ 96,745
2015			
First Quarter	$ 12,640	$ 10,720	$ 23,360
Second Quarter	12,910	10,882	23,792
Third Quarter	13,107	11,095	24,202
Fourth Quarter	13,169	11,145	24,314
Total	$ 51,826	$ 43,842	$ 95,668

(1) Represents distributions declared for the period, even though such distributions are actually paid to stockholders the month following such period. For the year ended December 31, 2017, approximately 55% of distributions paid was ordinary income, 23% was capital gain distribution and 22% was a return of capital.

Share Repurchase Program

The Company adopted a share repurchase program that may enable stockholders to sell their shares to the Company in limited circumstances (as amended, the "Share Repurchase Program"). The Company may not repurchase shares unless a stockholder has held shares for one year. However, the Company may repurchase shares held for less than one year in connection with a stockholder's death or qualifying disability. The Company is not obligated to repurchase shares under the Share Repurchase Program. The Company may amend, suspend or terminate the Share Repurchase Program at its discretion at any time, provided that any amendment that adversely affects the rights or obligations of a participant will take effect upon 10 days' prior written notice (or 10 business days' prior written notice if related to a change in the number of shares that can be repurchased in a calendar year).

On August 25, 2017, in connection with the entry into the Original Combination Agreement, the Company's board of directors voted to suspend the Share Repurchase Program until further notice. The suspension of the Share Repurchase Program was effective as of September 7, 2017 and as a result, no further share repurchases will be processed unless and until the Share Repurchase Program is reinstated.

Prior to the suspension of the Share Repurchase Program's suspension, for the year ended December 31, 2017, the Company repurchased 4.3 million shares of common stock for a total of $40.7 million or a weighted average price of $9.47 per share. For the year ended December 31, 2016, the Company repurchased 4.3 million shares of common stock for a total of $41.5 million or a weighted average price of $9.53 per share. Prior to the suspension of the Share Repurchase Program, the Company generally funded repurchase requests received during a quarter with proceeds set aside for that purpose, which were not expected to exceed proceeds received from its DRP.

11. Non-controlling Interests

Operating Partnership

Non-controlling interests include the aggregate limited partnership interests in the Operating Partnership held by limited partners, other than the Company. Income (loss) attributable to the non-controlling interests is based on the limited partners' ownership percentage of the Operating Partnership and was a de minimis amount for the year ended December 31, 2017, 2016 and 2015.

Other

Other non-controlling interests represent third-party equity interests in ventures that are consolidated with the Company's financial statements. Net income attributable to other non-controlling interests for the year ended December 31, 2017 and 2016 was $0.6 million and $0.3 million, respectively, and net loss attributable to other non-controlling interests for the year ended December 31, 2015 was de minimis.

12. Fair Value

Fair Value Measurement

The fair value of financial instruments is categorized based on the priority of the inputs to the valuation technique and categorized into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded at fair value on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1. Quoted prices for identical assets or liabilities in an active market.

Level 2. Financial assets and liabilities whose values are based on the following:

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in non-active markets.
- c) Pricing models whose inputs are observable for substantially the full term of the asset or liability.
- d) Pricing models whose inputs are derived principally from or corroborated by observable market data for substantially the full term of the asset or liability.

Level 3. Prices or valuation techniques based on inputs that are both unobservable and significant to the overall fair value measurement.

Determination of Fair Value

The following is a description of the valuation techniques used to measure fair value of assets accounted for at fair value on a recurring basis and the general classification of these instruments pursuant to the fair value hierarchy.

Investments in Private Equity Funds

The Company accounts for PE Investments at fair value which is determined based on a valuation model using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying assets in the funds and discount rate. This fair value measurement is generally based on unobservable inputs and, as such, is classified as Level 3 of the fair value hierarchy. The Company is not using the NAV (practical expedient) of the underlying funds for purposes of determining fair value.

Real Estate Securities

CRE securities are generally valued using a third-party pricing service or broker quotations. These quotations are not adjusted and are based on observable inputs that can be validated, and as such, are classified as Level 2 of the fair value hierarchy. Certain CRE securities may be valued based on a single broker quote or an internal price which may have less observable pricing, and as such, would be classified as Level 3 of the fair value hierarchy. Management determines the prices are representative of fair value through a review of available data, including observable inputs, recent transactions as well as its knowledge of and experience in the market.

Investing VIEs

As discussed in Note 6, "Real Estate Securities, Available for Sale," the Company has elected the fair value option for the financial assets and liabilities of the consolidated Investing VIE. The Investing VIE is "static," that is no reinvestment is permitted and there is very limited active management of the underlying assets. The Company is required to determine whether the fair value of the financial assets or the fair value of the financial liabilities of the Investing VIE is more observable, but in either case, the methodology results in the fair value of the assets of the securitization trust being equal to the fair value of their liabilities. The Company has determined that the fair value of the liabilities of the securitization trust is more observable, since market prices for the liabilities are available from a third-party pricing service or are based on quoted prices provided by dealers who make markets in similar financial instruments. The financial assets of the securitization trust are not readily marketable and their fair value measurement requires information that may be limited in availability.

In determining the fair value of the trusts financial liabilities, the dealers will consider contractual cash payments and yields expected by market participants. Dealers also incorporate common market pricing methods, including a spread measurement to the treasury curve or interest rate swap curve as well as underlying characteristics of the particular security including coupon, periodic and life caps, collateral type, rate reset period and seasoning or age of the security. The Company's collateralized mortgage obligations are classified as Level 2 of the fair value hierarchy, where a third-party pricing service or broker quotations are available, and as Level 3 of the fair value hierarchy, where internal price is utilized which may have less observable pricing. In accordance with ASC 810, Consolidation, the assets of the securitization trust is an aggregate value derived from the fair value of the trust liabilities, and the Company has determined that the valuation of the trust assets in their entirety including its retained interests from the securitization (eliminated in consolidation in accordance with U.S. GAAP) should be classified as Level 3 of the fair value hierarchy.

Derivative Instruments

Derivative instruments include listed derivatives with quoted prices in active markets for identical financial instruments as of the reporting date. The Company does not adjust the quoted price for these instruments, and as such, classifies derivative instruments as Level 1 of the fair value hierarchy. The derivative assets are recorded within deferred costs and other assets, net on the Company's consolidated balance sheets. The derivative liabilities are recorded within other liabilities on the Company's consolidated balance sheets.

Fair Value Hierarchy

Financial assets recorded at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table presents financial assets that were accounted for at fair value on a recurring basis as of December 31, 2017 and 2016 by level within the fair value hierarchy (dollars in thousands):

	December 31, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Investments in unconsolidated ventures	$ —	$ —	$ 41,159	$ 41,159	$ —	$ —	$ 90,579	$ 90,579
Real estate securities, available for sale	—	158,341	—	158,341	—	93,975	—	93,975
Mortgage loans held in a securitization trust, at fair value	—	—	916,017	916,017	—	—	—	—
Liabilities:								
Mortgage obligations issued by a securitization trust, at fair value	$ —	$ 863,447	$ —	$ 863,447	$ —	$ —	$ —	$ —
Derivative liabilities(1)	108	—	—	108	—	186	—	186

(1) Presented in other liabilities on the accompanying consolidated balance sheets.

The following table presents the changes in fair value of financial assets which are measured at fair value on a recurring basis using Level 3 inputs to determine fair value for the years ended December 31, 2017 and 2016 (dollars in thousands):

	Year Ended December 31, 2017		Year Ended December 31, 2016
	PE Investments	CRE Securities[1]	PE Investments
Beginning balance	$ 90,579	$ —	$ 98,754
Contributions[2]/purchases	24,844	926,886	59,646
Distributions/paydowns	(66,025)	—	(88,525)
Equity in earnings	5,841	—	24,136
Unrealized gain (loss)	(14,080)	(10,869)	(3,432)
Ending balance	$ 41,159	$ 916,017	$ 90,579

(1) For the year ended December 31, 2017, unrealized loss of $10.9 million related to mortgage loans held in a securitization trust, at fair value was offset by unrealized gain of $12.2 million related to mortgage obligations issued by a securitization trust, at fair value.
(2) Includes initial investments, before distribution and contribution closing statement adjustments, and subsequent contributions, including deferred purchase price fundings.

For the years ended December 31, 2017 and 2016, the Company used a discounted cash flow model to quantify Level 3 fair value measurements on a recurring basis. For the years ended December 31, 2017 and 2016, the key unobservable inputs used in the analysis of PE Investments included discount rates with a weighted average of 13.4% and 14.7%, respectively, and timing and amount of expected future cash flow. For the year ended December 31, 2017, the key unobservable inputs used in the analysis of CRE securities included a weighted average yield of 10.3% and a weighted average life of 9.5 years. Significant increases or decreases in any one of the inputs described above in isolation may result in significantly different fair value of the financial assets and liabilities using such Level 3 inputs.

For the year ended December 31, 2017, the Company recorded an unrealized gain of $1.3 million. These amounts, when incurred, are recorded as unrealized gain (loss) on mortgage loans and obligations held in a securitization trust, net in the consolidated statements of operations.

For the years ended December 31, 2017, 2016 and 2015, the Company recorded an unrealized loss of $14.1 million, $3.4 million and $12.1 million, respectively. These amounts, when incurred, are recorded as unrealized gain (loss) on investments in the consolidated statements of operations.

Fair Value Option

The Company may elect to apply the fair value option of accounting for certain of its financial assets or liabilities due to the nature of the instrument at the time of the initial recognition of the investment. The Company elected the fair value option for PE Investments and eligible financial assets and liabilities of its consolidated Investing VIEs because management believes it is a more useful presentation for such investments. The Company determined recording the PE Investments based on the change in fair value of projected future cash flow from one period to another better represents the underlying economics of the respective investment. As of December 31, 2017, the Company has elected not to apply the fair value option for any other eligible financial assets or liabilities.

Fair Value of Financial Instruments

In addition to the above disclosures regarding financial assets or liabilities which are recorded at fair value, U.S. GAAP requires disclosure of fair value about all financial instruments. The following disclosure of estimated fair value of financial instruments was determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value.

The following table presents the principal amount, carrying value and fair value of certain financial assets and liabilities as of December 31, 2017 and 2016 (dollars in thousands):

	December 31, 2017			December 31, 2016		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
Financial assets:[1]						
Real estate debt investments, net[2]	$ 324,074	$ 324,106	$ 324,074	$ 744,297	$ 745,323	$ 755,317
Real estate debt investments, held for sale	150,150	150,150	150,150	—	—	—
Real estate securities, available for sale[3]	221,657	158,341	158,341	138,438	93,975	93,975
Loan collateral receivable, related party[4]	50,314	50,314	50,314	52,204	52,204	50,941
Financial liabilities:[1]						
Securitization bonds payable, net	$ —	$ —	$ —	$ 39,762	$ 39,762	$ 39,961
Mortgage notes payable, net	397,847	395,974	397,847	396,613	393,410	356,031
Credit facilities	221,489	221,489	221,489	249,156	249,156	249,156
Loan collateral payable, net, related party[5]	23,729	23,458	23,729	23,729	23,261	23,050

(1) The fair value of other financial instruments not included in this table is estimated to approximate their carrying value.
(2) Principal amount excludes future funding commitments of $22.6 million and $23.2 million as of December 31, 2017 and 2016, respectively.
(3) Refer to “Determination of Fair Value” above for disclosure of methodologies used to determine fair value.
(4) Represents one senior loan participation interest in a first mortgage loan.
(5) Represents three senior loan participation interests in first mortgage loans (refer to Note 7).

Disclosure about fair value of financial instruments is based on pertinent information available to management as of the reporting date. Although management is not aware of any factors that would significantly affect fair value, such amounts have not been comprehensively revalued for purposes of these consolidated financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

Real Estate Debt Investments, Net / Loan Collateral Receivable, Related Party / Loan Collateral Payable, Net, Related Party

For CRE debt investments, including loan collateral receivable, related party and loan collateral payable, net, related party, fair values were determined: (i) by comparing the current yield to the estimated yield for newly originated loans with similar credit risk or the market yield at which a third party might expect to purchase such investment; or (ii) based on discounted cash flow projections of principal and interest expected to be collected, which includes consideration of the financial standing of the borrower or sponsor as well as operating results of the underlying collateral. As of the reporting date, the Company believes the principal amount approximates fair value. The fair value of CRE debt investments held for sale is determined based on the expected sales price. These fair value measurements of CRE debt, including loan collateral receivable, related party, are generally based on unobservable inputs and, as such, are classified as Level 3 of the fair value hierarchy.

Securitization Bonds Payable, Net

Securitization bonds payable, net are valued using quotations from nationally recognized financial institutions that generally acted as underwriter for the transactions. These quotations are not adjusted and are generally based on observable inputs that can be validated, and as such, are classified as Level 2 of the fair value hierarchy.

Mortgage Notes Payable, Net

For mortgage notes payable, net, the Company primarily uses rates currently available with similar terms and remaining maturities to estimate fair value. These measurements are determined using comparable U.S. Treasury rates as of the end of the reporting period. As of the reporting date, the Company believes the principal amount approximates fair value. These fair value measurements are based on observable inputs, and as such, are classified as Level 2 of the fair value hierarchy.

Credit Facilities

The Company has amounts outstanding under five credit facilities. All credit facilities bear floating rates of interest. As of the reporting date, the Company believes the carrying value approximates fair value. These fair value measurements are based on observable inputs, and as such, are classified as Level 2 of the fair value hierarchy.

13. Quarterly Financial Information (Unaudited)

The following tables present selected quarterly information for the years ended December 31, 2017 and 2016 (dollars in thousands, except per share data):

	Three Months Ended			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Net interest income	$ 17,312	$ 13,241	$ 12,733	$ 14,083
Property and other revenues	20,830	22,889	21,973	21,965
Expenses	32,037	38,944	32,240	30,093
Equity in earnings (losses) of unconsolidated ventures	(712)	1,040	2,483	3,030
Net income (loss)	(4,331)	(2,527)	4,768	8,578
Net income (loss) attributable to NorthStar Real Estate Income Trust, Inc. common stockholders	(4,859)	(2,282)	4,617	8,404
Net income (loss) per share of common stock, basic/diluted[(1)]	$ (0.04)	$ (0.02)	$ 0.04	$ 0.07

(1) The total for the year may differ from the sum of the quarters as a result of weighting.

	Three Months Ended			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Net interest income	$ 15,126	$ 14,646	$ 15,316	$ 15,895
Property and other revenues	20,272	21,843	20,116	16,371
Expenses	31,977	33,924	30,322	29,719
Equity in earnings (losses) of unconsolidated ventures	5,316	5,575	6,502	7,570
Net income (loss)	8,035	7,297	9,102	7,773
Net income (loss) attributable to NorthStar Real Estate Income Trust, Inc. common stockholders	7,869	7,491	8,904	7,688
Net income (loss) per share of common stock, basic/diluted[(1)]	$ 0.06	$ 0.06	$ 0.07	$ 0.06

(1) The total for the year may differ from the sum of the quarters as a result of weighting.

14. Segment Reporting

The Company currently conducts its business through the following four segments, which are based on how management reviews and manages its business:

- *Commercial Real Estate Debt* - Focused on originating, acquiring and asset managing CRE debt investments including first mortgage loans, subordinate interests and mezzanine loans and participations in such loans, as well as preferred equity interests.

- *Commercial Real Estate Equity* - Focused on direct ownership in real estate, which may be structurally senior to a third-party partner's equity and indirect interests in real estate through PE Investments since the underlying collateral in the funds is primarily real estate.

- *Commercial Real Estate Securities* - Focused on investing in CMBS, unsecured REIT debt, CDO notes and other securities.

- *Corporate* - The corporate segment includes corporate level asset management and other fees, related party and general and administrative expenses.

The Company may also own investments indirectly through a joint venture.

The Company primarily generates revenue from net interest income on the CRE debt and securities portfolios, equity in earnings of unconsolidated ventures, including from PE Investments, and from rental and other income from its real estate equity investments. CRE securities include the Company's investment in the subordinate tranches of the securitization trust which are eliminated in consolidation. The Company's income is primarily derived through the difference between revenue and the cost at which the Company is able to finance its investments. The Company may also acquire investments which generate attractive returns without any leverage.

The following tables present segment reporting for the years ended December 31, 2017, 2016, and 2015 (dollars in thousands):

Year Ended December 31, 2017	Real Estate Debt	Real Estate Equity	Real Estate Securities	Corporate	Subtotal	Investing VIE[(1)]	Total
Net interest income	$ 43,076	$ —	$ 13,279 [(2)]	$ 918	$ 57,273	$ 96 [(2)]	$ 57,369
Rental and other income	—	87,657	—	—	87,657	—	87,657
Asset management and other fees, related party	—	—	—	(17,815)	(17,815)	—	(17,815)
Mortgage notes interest expense	—	(18,895)	—	—	(18,895)	—	(18,895)
Other expenses related to securitization trust	—	—	—	—	—	(96)	(96)
Transaction costs	(115)	—	(216)	(7,124)	(7,455)	—	(7,455)
Property operating expenses	—	(40,028)	—	—	(40,028)	—	(40,028)
General and administrative expenses	(403)	(95)	(12)	(10,107)	(10,617)	—	(10,617)
Depreciation and amortization	—	(38,408)	—	—	(38,408)	—	(38,408)
Unrealized gain (loss) on mortgage loans and obligations held in a securitization trust, net	—	—	1,127	209	1,336	—	1,336
Unrealized gain (loss) on investments	—	(14,080)	—	—	(14,080)	—	(14,080)
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	42,558	(23,849)	14,178	(33,919)	(1,032)	—	(1,032)
Equity in earnings (losses) of unconsolidated ventures	—	5,841	—	—	5,841	—	5,841
Income tax benefit (expense)	—	1,679	—	—	1,679	—	1,679
Net income (loss)	$ 42,558	$ (16,329)	$ 14,178	$ (33,919)	$ 6,488	$ —	$ 6,488

(1) Investing VIEs are not considered to be a segment through which the Company conducts its business; however, U.S. GAAP requires the Company, as the primary beneficiary, to present the assets and liabilities of the securitization trust on its consolidated balance sheets and recognize the related interest income and interest expense as net interest income on the consolidated statements of operations. Though U.S. GAAP requires this presentation, the Company views its investment in the securitization trust as a net investment in CRE securities.

(2) Includes income earned from the CRE securities purchased at a discount, recognized using the effective interest method had the transaction been recorded as an available for sale security, at amortized cost. During the year ended December 31, 2017, $0.2 million was attributable to discount accretion income and was eliminated in consolidation in the corporate segment. The corresponding interest expense is recorded in net interest income in the Investing VIE column.

Year Ended December 31, 2016	Real Estate Debt	Real Estate Equity	Real Estate Securities	Corporate	Total
Net interest income	$ 53,638	$ —	$ 7,345	$ —	$ 60,983
Rental and other income	—	78,602	—	—	78,602
Asset management and other fees, related party	—	—	—	(23,765)	(23,765)
Mortgage notes interest expense	—	(17,519)	—	—	(17,519)
Transaction costs	—	(1,767)	—	(211)	(1,978)
Property operating expenses	—	(36,950)	—	—	(36,950)
General and administrative expenses	(733)	(194)	—	(13,576)	(14,503)
Depreciation and amortization	—	(31,227)	—	—	(31,227)
Unrealized gain (loss) on investments and other	—	(3,432)	—	—	(3,432)
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	52,905	(12,487)	7,345	(37,552)	10,211
Equity in earnings (losses) of unconsolidated ventures	827	24,136	—	—	24,963
Income tax benefit (expense)	—	(2,967)	—	—	(2,967)
Net income (loss)	$ 53,732	$ 8,682	$ 7,345	$ (37,552)	$ 32,207

Year Ended December 31, 2015	Real Estate Debt	Real Estate Equity	Real Estate Securities	Corporate	Total
Net interest income	$ 70,144	$ —	$ 4,959	$ 29	$ 75,132
Rental and other income	—	60,394	—	—	60,394
Asset management and other fees, related party	—	—	—	(23,965)	(23,965)
Mortgage notes interest expense	—	(14,832)	—	—	(14,832)
Transaction costs	(446)	(73)	—	(825)	(1,344)
Property operating expenses	—	(31,135)	—	—	(31,135)
General and administrative expenses	(841)	(100)	(51)	(14,483)	(15,475)
Depreciation and amortization	—	(25,982)	—	—	(25,982)
Unrealized gain (loss) on investments and other	—	(12,108)	—	—	(12,108)
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	68,857	(23,836)	4,908	(39,244)	10,685
Equity in earnings (losses) of unconsolidated ventures	5,799	30,218	—	—	36,017
Income tax benefit (expense)	—	(1,111)	—	—	(1,111)
Net income (loss)	$ 74,656	$ 5,271	$ 4,908	$ (39,244)	$ 45,591

The following table presents total assets by segment as of December 31, 2017 and 2016 (dollars in thousands):

Total Assets	Real Estate Debt	Real Estate Equity(1)	Real Estate Securities	Corporate(2)	Subtotal	Investing VIE(3)	Total
December 31, 2017	$ 558,883	$ 597,619	$ 218,048	$ 134,924	$ 1,509,474	$ 920,015	$ 2,429,489
December 31, 2016	871,600	665,643	105,830	125,407	1,768,480	—	1,768,480

(1) Includes investments in PE Investments totaling $41.2 million and $90.6 million as of December 31, 2017 and 2016, respectively.
(2) Includes cash, unallocated receivables, deferred costs and other assets, net and the elimination of the subordinate tranches of the securitization trust in consolidation.
(3) Investing VIEs are not considered to be a segment through which the Company conducts its business; however, U.S. GAAP requires the Company, as the primary beneficiary, to present the assets and liabilities of the securitization trust on its consolidated balance sheets and recognize the related interest income and interest expense as net interest income on the consolidated statements of operations. Though U.S. GAAP requires this presentation, the Company views its investment in the securitization trust as a net investment in CRE securities. As such, the Company has presented the statements of operations and balance sheets within this note in a manner consistent with the views of the Company's management and chief decision makers.

15. Subsequent Events

New Investments

In January 2018, the Company originated a $173.5 million first mortgage CRE debt investment, including $6.9 million of future funding commitments.

Distributions

On January 30, 2018, the Company declared and paid to stockholders an aggregate $7.1 million monthly cash distribution for the month of January. Additionally, pursuant to the Combination Agreement, the Company declared and paid special cash distribution to the Company's stockholders in the aggregate amount of approximately $1.6 million in order to true-up the agreed contribution values of the Company and NorthStar Income II in relation to each other in connection with the Combination.

Combination Agreement

On January 31, 2018, the Company closed the transactions contemplated by the Combination Agreement. Pursuant to the terms of the Contribution Agreement, among other things, the Company merged with and into CLNC, with CLNC continuing as the surviving corporation in a stock-for-stock merger, and the Company's stockholders received approximately 42.1 million shares of CLNC's Class A common stock. CLNC's Class A common stock began trading on the New York Stock Exchange on February 1, 2018 under the symbol "CLNC". Upon completion of the Combination, the Company's stockholders, the Sponsor and NorthStar

Income II’s stockholders owned approximately 32%, 37% and 31%, respectively, of CLNC’s Class A common stock on a fully diluted basis.

On January 31, 2018, in connection with the closing of the transactions contemplated by the Combination Agreement, the Company sold to a subsidiary of the Sponsor a $65 million senior interest in one $150.2 million first mortgage loan at par. The remaining junior interest of such loan was transferred to a liquidating trust for the benefit of the Company’s stockholders. The Company also repaid the term loan facility on the first mortgage loan for a total of $46.9 million.

NORTHSTAR REAL ESTATE INCOME II, INC.

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders of
Colony NorthStar Credit Real Estate, Inc.

Opinion on the financial statements
We have audited the accompanying consolidated balance sheets of NorthStar Real Estate Income II, Inc. (a Maryland corporation) and subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2012.

New York, New York
March 23, 2018

NORTHSTAR REAL ESTATE INCOME II, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands, Except Per Share Data)

	December 31, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$ 58,213	$ 78,081
Restricted cash	63,830	69,699
Real estate debt investments, net	793,449	806,485
Operating real estate, net	393,276	399,237
Investments in unconsolidated ventures (refer to Note 5)	253,152	299,681
Real estate securities, available for sale	95,756	86,937
Receivables, net	13,111	12,001
Deferred costs and other assets, net	38,965	31,151
Loan collateral receivable, related party	23,728	23,728
Total assets[(1)]	$ 1,733,480	$ 1,807,000
Liabilities		
Mortgage and other notes payable, net	$ 384,404	$ 376,181
Credit facilities	355,407	241,407
Securitization bonds payable, net	79,634	191,315
Due to related party (refer to Note 8)	6,841	5,347
Accounts payable and accrued expenses	5,421	3,727
Escrow deposits payable	38,541	40,720
Distribution payable	6,704	6,618
Deferred purchase price, net	—	19,523
Other liabilities	4,995	10,771
Total liabilities[(1)]	881,947	895,609
Commitments and contingencies		
Equity		
NorthStar Real Estate Income II, Inc. Stockholders' Equity		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding as of December 31, 2017 and 2016	—	—
Class A common stock, $0.01 par value, 320,000,000 shares authorized, 97,740,433 and 96,892,562 shares issued and outstanding as of December 31, 2017 and 2016, respectively	977	969
Class T common stock, $0.01 par value, 80,000,000 shares authorized, 17,202,405 and 16,881,086 shares issued and outstanding as of December 31, 2017 and 2016, respectively	172	169
Additional paid-in capital	1,021,851	1,011,599
Retained earnings (accumulated deficit)	(177,213)	(104,649)
Accumulated other comprehensive income (loss)	3,920	1,164
Total NorthStar Real Estate Income II, Inc. stockholders' equity	849,707	909,252
Non-controlling interests	1,826	2,139
Total equity	851,533	911,391
Total liabilities and equity	$ 1,733,480	$ 1,807,000

(1) Represents the consolidated assets and liabilities of NorthStar Real Estate Income Operating Partnership II, LP (the "Operating Partnership"). The Operating Partnership is a consolidated variable interest entity ("VIE"), of which the Company is the sole general partner and owns approximately 99.98%. As of December 31, 2017, the Operating Partnership includes $135.9 million and $99.4 million of assets and liabilities, respectively, of certain VIEs that are consolidated by the Operating Partnership. Refer to Note 2, "Summary of Significant Accounting Policies."

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REAL ESTATE INCOME II, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars and Shares in Thousands, Except Per Share Data)

	Year Ended December 31,		
	2017	2016	2015
Net interest income			
Interest income	$ 70,857	$ 64,333	$ 35,555
Interest expense	(21,122)	(15,475)	(10,001)
Net interest income	49,735	48,858	25,554
Property and other revenues			
Rental and other income	43,606	43,121	19,603
Total property and other revenues	43,606	43,121	19,603
Expenses			
Asset management and other fees - related party	21,381	20,222	16,463
Mortgage notes interest expense	14,327	13,612	6,778
Transaction costs	5,609	1,681	7,022
Property operating expenses	12,838	13,557	5,860
General and administrative expenses (refer to Note 8)	14,042	9,964	8,275
Depreciation and amortization	18,772	20,745	11,812
Total expenses	86,969	79,781	56,210
Other income (loss)			
Unrealized gain (loss) on investments	(27,773)	553	—
Realized gain (loss) on investments	(650)	(34)	—
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	(22,051)	12,717	(11,053)
Equity in earnings (losses) of unconsolidated ventures	30,166	11,611	6,021
Income tax benefit (expense)	(1,867)	(1,879)	(359)
Net income (loss)	6,248	22,449	(5,391)
Net (income) loss attributable to non-controlling interests	(119)	(84)	54
Net income (loss) attributable to NorthStar Real Estate Income II, Inc. common stockholders	$ 6,129	$ 22,365	$ (5,337)
Net income (loss) per share of common stock, basic/diluted	$ 0.05	$ 0.22	$ (0.09)
Weighted average number of shares of common stock outstanding, basic/diluted	114,631	102,712	62,370

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REAL ESTATE INCOME II, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in Thousands)

	Years Ended December 31,		
	2017	2016	2015
Net income (loss)	$ 6,248	$ 22,449	$ (5,391)
Other comprehensive income (loss)			
Unrealized gain (loss) on real estate securities, available for sale	2,756	1,607	(443)
Total other comprehensive income (loss)	2,756	1,607	(443)
Comprehensive income (loss)	9,004	24,056	(5,834)
Comprehensive (income) loss attributable to non-controlling interests	(119)	(84)	54
Comprehensive income (loss) attributable to NorthStar Real Estate Income II, Inc. common stockholders	$ 8,885	$ 23,972	$ (5,780)

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REAL ESTATE INCOME II, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(Dollars and Shares in Thousands)

	Common Stock									
	Class A		Class T							
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Company's Stockholders' Equity	Non-controlling Interests	Total Equity
Balance as of December 31, 2014	30,965	$ 310	—	$ —	$ 273,151	$ (7,321)	$ —	$ 266,140	$ 2	$ 266,142
Net proceeds from issuance of common stock	51,752	517	1,793	18	478,289	—	—	478,824	—	478,824
Issuance and amortization of equity-based compensation	11	—	—	—	89	—	—	89	—	89
Non-controlling interests - contributions	—	—	—	—	—	—	—	—	2,404	2,404
Non-controlling interests - distributions	—	—	—	—	—	—	—	—	(25)	(25)
Other comprehensive income (loss)	—	—	—	—	—	—	(443)	(443)	—	(443)
Distributions declared	—	—	—	—	—	(43,501)	—	(43,501)	—	(43,501)
Proceeds from distribution reinvestment plan	2,011	20	—	—	19,152	—	—	19,172	—	19,172
Shares redeemed for cash	(222)	(2)	—	—	(2,187)	—	—	(2,189)	—	(2,189)
Net income (loss)	—	—	—	—	—	(5,337)	—	(5,337)	(54)	(5,391)
Balance as of December 31, 2015	84,517	$ 845	1,793	$ 18	$ 768,494	$ (56,159)	$ (443)	$ 712,755	$ 2,327	$ 715,082
Net proceeds from issuance of common stock	10,346	104	14,781	148	220,316	—	—	220,568	—	220,568
Issuance and amortization of equity-based compensation	19	—	—	—	164	—	—	164	—	164
Non-controlling interests - distributions	—	—	—	—	—	—	—	—	(272)	(272)
Other comprehensive income (loss)	—	—	—	—	—	—	1,607	1,607	—	1,607
Distributions declared	—	—	—	—	—	(70,855)	—	(70,855)	—	(70,855)
Proceeds from distribution reinvestment plan	3,007	30	315	3	32,110	—	—	32,143	—	32,143
Shares redeemed for cash	(996)	(10)	(8)	—	(9,485)	—	—	(9,495)	—	(9,495)
Net income (loss)	—	—	—	—	—	22,365	—	22,365	84	22,449
Balance as of December 31, 2016	96,893	$ 969	16,881	$ 169	$ 1,011,599	$ (104,649)	$ 1,164	$ 909,252	$ 2,139	$ 911,391
Accretion of distribution fees on Class T shares	—	—	—	—	(293)	—	—	(293)	—	(293)
Issuance and amortization of equity-based compensation	30	—	—	—	259	—	—	259	—	259
Non-controlling interests - distributions	—	—	—	—	—	—	—	—	(432)	(432)
Other comprehensive income (loss)	—	—	—	—	—	—	2,756	2,756	—	2,756
Distributions declared	—	—	—	—	—	(78,693)	—	(78,693)	—	(78,693)
Proceeds from distribution reinvestment plan	2,416	24	431	4	26,350	—	—	26,378	—	26,378
Shares redeemed for cash	(1,599)	(16)	(110)	(1)	(16,064)	—	—	(16,081)	—	(16,081)
Net income (loss)	—	—	—	—	—	6,129	—	6,129	119	6,248
Balance as of December 31, 2017	97,740	$ 977	17,202	$ 172	$ 1,021,851	$ (177,213)	$ 3,920	$ 849,707	$ 1,826	$ 851,533

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REAL ESTATE INCOME II, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Years Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income (loss)	$ 6,248	$ 22,449	$ (5,391)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Equity in (earnings) losses of unconsolidated ventures	(30,166)	(11,611)	(6,021)
Amortization of equity-based compensation	259	164	89
Amortization of deferred financing costs	3,317	1,697	793
Amortization of fees / accretion of discount on investments	(4,029)	(2,136)	949
Amortization of above/below market leases	275	460	152
Depreciation and amortization	18,772	20,745	11,812
Unrealized (gain) loss on investments	27,773	(553)	—
Realized (gain) loss on investments	650	34	—
Distributions of cumulative earnings from unconsolidated ventures (refer to Note 5)	27,375	11,611	6,021
Straight line rental income	(1,327)	(1,357)	(488)
Deferred income tax (benefit) expense	(15,136)	(207)	137
Other non-cash adjustments	—	(128)	—
Changes in assets and liabilities:			
Restricted cash	97	(1,165)	(218)
Receivables, net	217	(473)	(1,846)
Deferred costs and other assets, net	(6,725)	(3,337)	(1,736)
Due to related party	1,201	(440)	(491)
Accounts payable and accrued expenses	1,694	(1,308)	4,743
Other liabilities	184	146	3,473
Net cash provided by (used in) operating activities	30,679	34,591	11,978
Cash flows from investing activities:			
Acquisition of real estate debt investments, net	—	(37,912)	—
Origination and funding of real estate debt investments, net	(193,783)	(211,549)	(420,519)
Proceeds from sale of real estate debt investments	—	212,329	—
Repayment on real estate debt investments	206,341	94,544	52,830
Loan collateral receivable, related party	—	(24,933)	—
Repayment on loan collateral receivable, related party	—	1,205	—
Acquisition of operating real estate	—	—	(405,973)
Improvements to operating real estate	(4,810)	(8,475)	(679)
Investment in unconsolidated ventures (refer to Note 5)	(73,467)	(308,928)	(59,622)
Acquisition of real estate securities, available for sale	(1,556)	(64,180)	(18,310)
Distributions in excess of cumulative earnings from unconsolidated ventures (refer to Note 5)	74,842	70,458	18,453
Deferred costs and other assets, net	—	—	(40,956)
Other liabilities	—	—	2,729
Change in restricted cash	2,347	(1,236)	(12,580)
Net cash provided by (used in) investing activities	9,914	(278,677)	(884,627)
Cash flows from financing activities:			
Borrowings from credit facilities	141,853	138,947	215,357
Repayment on credit facilities	(27,853)	(359,308)	(31,452)
Borrowings from mortgage and other notes payable	7,495	5,670	372,368
Repayment on securitization bonds	(113,155)	—	—
Proceeds from securitization bonds	—	193,980	—
Net proceeds from issuance of common stock	—	225,450	478,289
Net proceeds from issuance of common stock, related party	—	1,890	804
Shares redeemed for cash	(16,081)	(9,495)	(2,189)
Distributions paid on common stock	(78,607)	(69,240)	(40,211)
Proceeds from distribution reinvestment plan	26,378	32,143	19,172
Payment of deferred financing costs	(1,305)	(3,687)	(3,638)
Change in restricted cash	1,246	(13,781)	—
Contributions from non-controlling interests	—	—	2,404
Distributions to non-controlling interests	(432)	(272)	(25)

Net cash provided by (used in) financing activities	(60,461)	142,297	1,010,879
Net increase (decrease) in cash and cash equivalents	(19,868)	(101,789)	138,230
Cash and cash equivalents - beginning of period	78,081	179,870	41,640
Cash and cash equivalents - end of period	$ 58,213	$ 78,081	$ 179,870

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REAL ESTATE INCOME II, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Dollars in Thousands)

	Year Ended December 31,		
	2017	2016	2015
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 31,024	$ 26,506	$ 14,530
Cash paid for income taxes	18,876	2,905	38
Supplemental disclosure of non-cash investing and financing activities:			
Accrued cost of capital	$ 293	$ 5,234	677
Subscriptions receivable, gross	—	—	1,685
Distribution payable	6,704	6,618	5,003
Accrual of distribution payable	—	—	19
Escrow deposits payable	2,179	4,889	15,693
Non-cash related to PE Investments (refer to Note 5)	707	24,037	13,696
CRE debt investment payoff due from servicer	—	—	1,937
Reclassification of deferred financing costs to mortgage and other notes payable, net	—	—	2,490

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REAL ESTATE INCOME II, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Organization

NorthStar Real Estate Income II, Inc. (the "Company") was formed to originate, acquire and asset manage a diversified portfolio of commercial real estate ("CRE") debt, equity and securities investments predominantly in the United States. CRE debt investments include first mortgage loans, subordinate mortgage and mezzanine loans and participations in such loans and preferred equity interests. Real estate equity investments include the Company's direct ownership in properties, which may be structurally senior to a third-party partner's equity, as well as indirect interests in real estate through real estate private equity funds ("PE Investments"). CRE securities primarily consist of commercial mortgage-backed securities ("CMBS") and may include unsecured real estate investment trust ("REIT") debt, collateralized debt obligation ("CDO") notes and other securities. The Company may also invest internationally. In addition, the Company owns investments through joint ventures. The Company was formed in December 2012 as a Maryland corporation and commenced operations in September 2013. The Company elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), commencing with the taxable year ended December 31, 2013. The Company conducts its operations so as to continue to qualify as a REIT for U.S. federal income tax purposes.

As of December 31, 2017, the Company was externally managed and had no employees. Prior to January 11, 2017, the Company was managed by an affiliate of NorthStar Asset Management Group Inc. (NYSE: NSAM) ("NSAM"). Effective January 10, 2017, NSAM completed its previously announced merger with Colony Capital, Inc. ("Colony"), NorthStar Realty Finance Corp. ("NorthStar Realty"), and Colony NorthStar, Inc. ("Colony NorthStar"), a wholly-owned subsidiary of NSAM, which the Company refers to as the mergers, with Colony NorthStar surviving the mergers and succeeding NSAM as the Company's sponsor (the "Sponsor"). As a result of the mergers, the Sponsor became an internally-managed equity REIT, with a diversified real estate and investment management platform and publicly-traded on the NYSE under the ticker symbol "CLNS." In addition, following the mergers, CNI NSII Advisors, LLC (formerly known as NSAM J-NSII Ltd, an affiliate of NSAM), (the "Advisor"), became a subsidiary of Colony NorthStar. The Advisor manages the Company's day-to-day operations pursuant to an advisory agreement. The mergers had no material impact on the Company's operations.

Colony NorthStar manages capital on behalf of its stockholders, as well as institutional and retail investors in private funds, non-traded and traded REITs and registered investment companies.

Substantially all of the Company's business is conducted through NorthStar Real Estate Income Operating Partnership II, LP (the "Operating Partnership"). The Company is the sole general partner and a limited partner of the Operating Partnership. The other limited partners of the Operating Partnership are NS Real Estate Income Advisor II, LLC (the "Prior Advisor") and NorthStar OP Holdings II, LLC (the "Special Unit Holder"), each an affiliate of the Sponsor. The Prior Advisor invested $1,000 in the Operating Partnership in exchange for common units and the Special Unit Holder invested $1,000 in the Operating Partnership and was issued a separate class of limited partnership units (the "Special Units"), which are collectively recorded as non-controlling interests on the consolidated balance sheets as of December 31, 2017 and 2016. As the Company accepted subscriptions for shares in its continuous public offering, which closed in November 2016, it contributed substantially all of the net proceeds to the Operating Partnership as a capital contribution. As of December 31, 2017, the Company's limited partnership interest in the Operating Partnership was 99.98%.

The Company's charter authorizes the issuance of up to 400.0 million shares of common stock with a par value of $0.01 per share, of which 320.0 million are designated as Class A shares and 80.0 million are designated as Class T shares, and up to 50.0 million shares of preferred stock with a par value of $0.01 per share. The board of directors of the Company is authorized to amend its charter, without the approval of the stockholders, to increase the aggregate number of authorized shares of capital stock or the number of shares of any class or series that the Company has authority to issue.

On December 18, 2012, as part of its formation, the Company issued 22,223 shares of Class A common stock to NorthStar Realty for $0.2 million. On May 6, 2013, the Company's registration statement on Form S-11 with the U.S. Securities and Exchange Commission (the "SEC") was declared effective. Pursuant to such registration statement, the Company offered a maximum of $1.65 billion in any combination of Class A and Class T shares of common stock, excluding the initial shares, in a continuous, public offering, of which up to $1.5 billion in shares were offered pursuant to its primary offering (the "Primary Offering") to the public and up to $150.0 million in shares were offered pursuant to its distribution reinvestment plan (the "DRP"), which are herein collectively referred to as the Offering.

The Company retained NorthStar Securities, LLC (the "Dealer Manager"), formerly a subsidiary of NSAM that became a subsidiary of the Sponsor upon completion of the mergers, to serve as the dealer manager responsible for marketing the shares offered pursuant to the Primary Offering. On September 18, 2013, the Company commenced operations by satisfying the minimum offering requirement in its Primary Offering as a result of NorthStar Realty purchasing 222,223 Class A shares of common stock for $2.0 million.

The Primary Offering closed effective November 9, 2016. Following the Primary Offering and until its suspension as described below, the Company continued to offer and sell shares pursuant to the DRP at the most recently disclosed estimated value per share of each share class. Prior to the closing of the Primary Offering, $150.0 million of the unsold shares remaining from the Primary Offering were allocated to the DRP, for a total of $300.0 million in shares offered pursuant to the DRP. The Company may amend, suspend or terminate the DRP for any reason, except to eliminate a participant’s ability to withdraw from the DRP, upon ten days written notice. On August 25, 2017, in connection with the entry into the Original Combination Agreement (defined below), the Company’s board of directors, including all of its independent directors, voted to suspend the DRP until further notice. Pursuant to the terms of the DRP, the suspension went into effect prior to the monthly distributions paid on or about October 1, 2017 and as a result, all stockholders will receive only cash distributions through the completion of the Combination (defined below) unless and until the DRP is reinstated.

From inception through January 31, 2018, the Company raised total gross proceeds of $1.2 billion pursuant to the Offering, including gross proceeds of $81.7 million pursuant to the DRP.

On August 25, 2017, the Company entered into a master combination agreement (the “Original Combination Agreement”) with, among others, Colony Capital Operating Company, LLC, (“CLNS OP”), the operating company of the Sponsor, and NorthStar Real Estate Income I, Inc. (“NorthStar Income”), a company managed by an affiliate of the Sponsor, pursuant to which a select portfolio of the assets and liabilities of the Sponsor would be combined with all of the assets and liabilities of the Company and substantially all of the assets and liabilities of NorthStar Income in an all-stock combination transaction to create an externally managed commercial real estate credit REIT (the transactions collectively referred to as the “Combination”). On November 20, 2017, the parties amended and restated the Original Combination Agreement (the “Combination Agreement”). The Combination, which had been unanimously approved by the special committees and the boards of directors of both the Company and NorthStar Income and approved by the board of directors of the Sponsor, closed on January 31, 2018, at which time the Company merged with and into Colony NorthStar Credit Real Estate, Inc. (“CLNC”), with CLNC continuing as the surviving corporation.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements and related notes of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”).

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the Operating Partnership and their consolidated subsidiaries. The Company consolidates variable interest entities (“VIEs”), if any, where the Company is the primary beneficiary and voting interest entities which are generally majority owned or otherwise controlled by the Company. All significant intercompany balances are eliminated in consolidation.

Variable Interest Entities

A VIE is an entity that lacks one or more of the characteristics of a voting interest entity. A VIE is defined as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The determination of whether an entity is a VIE includes both a qualitative and quantitative analysis. The Company bases its qualitative analysis on its review of the design of the entity, its organizational structure including decision-making ability and relevant financial agreements and the quantitative analysis on the forecasted cash flow of the entity. The Company reassesses its initial evaluation of an entity as a VIE upon the occurrence of certain reconsideration events.

A VIE must be consolidated only by its primary beneficiary, which is defined as the party who, along with its affiliates and agents has both the: (i) power to direct the activities that most significantly impact the VIE’s economic performance; and (ii) obligation to absorb the losses of the VIE or the right to receive the benefits from the VIE, which could be significant to the VIE. The Company determines whether it is the primary beneficiary of a VIE by considering qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE’s economic performance and which party controls such activities; the amount and characteristics of its investment; the obligation or likelihood for the Company or other interests to provide financial support; consideration of the VIE’s purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders and the similarity with and significance to the business activities of the Company and the other interests. The Company reassesses its determination of whether it is the primary beneficiary of a VIE each reporting period.

Significant judgments related to these determinations include estimates about the current and future fair value and performance of investments held by these VIEs and general market conditions.

The Company evaluates its investments and financings, including investments in unconsolidated ventures and securitization financing transactions, if any, to determine whether each investment or financing is a VIE. The Company analyzes new investments and financings, as well as reconsideration events for existing investments and financings, which vary depending on type of investment or financing.

The most significant consolidated VIEs are the Operating Partnership and certain properties that have non-controlling interests. These entities are VIEs because the non-controlling interests do not have substantive kick-out or participating rights. The Company consolidates these entities because it controls all significant business activities.

The Operating Partnership consolidates certain properties that have non-controlling interests. Included in operating real estate, net on the Company's consolidated balance sheet as of December 31, 2017 is $119.5 million related to such consolidated VIEs. Included in mortgage and other notes payable, net on the Company's consolidated balance sheet as of December 31, 2017 is $95.2 million, collateralized by the real estate assets of the related consolidated VIEs.

As of December 31, 2017, the Company identified unconsolidated VIEs related to its CRE debt investments, an investment in a mezzanine loan through a joint venture, PE Investments and CRE securities. Assets of each of the VIEs may only be used to settle obligations of the respective VIE. Creditors of each of the VIEs have no recourse to the general credit of the Company.

The following table presents the Company's classification, carrying value and maximum exposure of unconsolidated VIEs as of December 31, 2017 (dollars in thousands):

	Carrying Value	Maximum Exposure to Loss[(1)]
Real estate debt investments, net	$ 160,455	$ 165,731
Investments in unconsolidated ventures	253,152	259,317
Real estate securities, available for sale	95,756	95,756
Total assets of unconsolidated VIEs	$ 509,363	$ 520,804

(1) As of December 31, 2017, maximum exposure to loss includes future funding commitments of $5.3 million for real estate debt investments, net and $6.2 million for an investment in a mezzanine loan through a joint venture.

Based on management's analysis, the Company determined that it is not the primary beneficiary of the above VIEs. Accordingly, the VIEs are not consolidated in the Company's financial statements as of December 31, 2017. The Company did not provide financial support to the unconsolidated VIEs during the year ended December 31, 2017. As of December 31, 2017, there were no explicit arrangements or implicit variable interests that could require the Company to provide financial support to the unconsolidated VIEs outside of the future funding commitments disclosed above.

Voting Interest Entities

A voting interest entity is an entity in which the total equity investment at risk is sufficient to enable it to finance its activities independently and the equity holders have the power to direct the activities of the entity that most significantly impact its economic performance, the obligation to absorb the losses of the entity and the right to receive the residual returns of the entity. The usual condition for a controlling financial interest in a voting interest entity is ownership of a majority voting interest. If the Company has a majority voting interest in a voting interest entity, the entity will generally be consolidated. The Company does not consolidate a voting interest entity if there are substantive participating rights by other parties and/or kick-out rights by a single party or a simple majority vote.

The Company performs on-going reassessments of whether entities previously evaluated under the voting interest framework have become VIEs, based on certain events, and therefore subject to the VIE consolidation framework.

Investments in Unconsolidated Ventures

A non-controlling, unconsolidated ownership interest in an entity may be accounted for using the equity method or the cost method, and for either method, the Company may elect the fair value option. The Company will account for an investment in an unconsolidated entity that does not qualify for equity method accounting or for which the fair value option was not elected using the cost method if the Company determines that it does not have significant influence. Under the cost method, equity in earnings is recorded as dividends are received to the extent they are not considered a return of capital, which is recorded as a reduction of cost of the investment.

Under the equity method, the investment is adjusted each period for capital contributions and distributions and its share of the entity's net income (loss). Capital contributions, distributions and net income (loss) of such entities are recorded in accordance with the terms of the governing documents. An allocation of net income (loss) may differ from the stated ownership percentage interest in such entity as a result of preferred returns and allocation formulas, if any, as described in such governing documents. Equity method investments are recognized using a cost accumulation model in which the investment is recognized based on the cost to the investor, which includes acquisition fees. The Company records as an expense certain acquisition costs and fees associated with consolidated investments deemed to be business combinations and capitalizes these costs for investments deemed to be acquisitions of an asset, including an equity method investment.

The Company may account for an investment in an unconsolidated entity at fair value by electing the fair value option. The Company elected the fair value option for PE Investments. The Company records the change in fair value for its share of the projected future cash flow of such investments from one period to another in equity in earnings (losses) of unconsolidated ventures in the consolidated statements of operations. Any change in fair value attributed to market related assumptions is considered unrealized gain (loss).

Non-controlling Interests

A non-controlling interest in a consolidated subsidiary is defined as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to the Company. A non-controlling interest is required to be presented as a separate component of equity on the consolidated balance sheets and presented separately as net income (loss) and comprehensive income (loss) attributable to non-controlling interests. An allocation to a non-controlling interest may differ from the stated ownership percentage interest in such entity as a result of a preferred return and allocation formula, if any, as described in such governing documents.

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that could affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates and assumptions.

Comprehensive Income (Loss)

The Company reports consolidated comprehensive income (loss) in separate statements following the consolidated statements of operations. Comprehensive income (loss) is defined as the change in equity resulting from net income (loss) and other comprehensive income (loss) ("OCI"). The only component of OCI is unrealized gain (loss) on CRE securities available for sale for which the fair value option was not elected.

Fair Value Option

The fair value option provides an election that allows a company to irrevocably elect to record certain financial assets and liabilities at fair value on an instrument-by-instrument basis at initial recognition. The Company has elected the fair value option for PE Investments. Any change in fair value for assets and liabilities for which the election is made is recognized in earnings.

Cash and Cash Equivalents

The Company considers all highly-liquid investments with an original maturity date of three months or less to be cash equivalents. Cash, including amounts restricted, may at times exceed the Federal Deposit Insurance Corporation deposit insurance limit of $250,000 per institution. The Company mitigates credit risk by placing cash and cash equivalents with major financial institutions. To date, the Company has not experienced any losses on cash and cash equivalents.

Restricted Cash

Restricted cash consists of amounts related to loan origination (escrow deposits) and operating real estate (escrows for taxes, insurance, capital expenditures and payments required under certain lease agreements).

Real Estate Debt Investments

CRE debt investments are generally intended to be held to maturity and, accordingly, are carried at cost, net of unamortized loan fees, premium and discount. CRE debt investments that are deemed to be impaired are carried at amortized cost less a loan loss reserve, if deemed appropriate, which approximates fair value. CRE debt investments where the Company does not have the intent to hold the loan for the foreseeable future or until its expected payoff are classified as held for sale and recorded at the lower of cost or estimated fair value.

The Company may syndicate a portion of the CRE debt investments that it originates or sell the CRE debt investments individually. When a transaction meets the criteria for sale accounting, the Company will no longer recognize the CRE debt investment sold as an asset and will recognize gain or loss based on the difference between the sales price and the carrying value of the CRE debt investment sold. Any related unamortized deferred origination fees, original issue discounts, loan origination costs, discounts or premiums at the time of sale are recognized as an adjustment to the gain or loss on sale, which is included in interest income on the consolidated statement of operations. Any fees received at the time of sale or syndication are recognized as part of interest income.

Operating Real Estate

Operating real estate is carried at historical cost less accumulated depreciation. Ordinary repairs and maintenance are expensed as incurred. Major replacements and betterments which improve or extend the life of the asset are capitalized and depreciated over their useful life. The Company accounts for purchases of operating real estate that qualify as business combinations using the acquisition method, where the purchase price is allocated to tangible assets such as land, building, improvements and other identified intangibles. Costs directly related to an acquisition deemed to be a business combination are expensed and included in transaction costs in the consolidated statements of operations.

Operating real estate is depreciated using the straight-line method over the estimated useful lives of the assets, summarized as follows:

Category:	Term:
Building	40 years
Building improvements	Lesser of the useful life or remaining life of the building
Land improvements	10 to 30 years
Tenant improvements	Lesser of the useful life or remaining term of the lease
Furniture, fixtures and equipment	3 to 10 years

Real Estate Securities

The Company classifies its CRE securities investments as available for sale on the acquisition date, which are carried at fair value. Unrealized gains (losses) are recorded as a component of accumulated OCI in the consolidated statements of equity.

Deferred Costs

Deferred costs primarily include deferred financing costs and deferred lease costs. Deferred financing costs represent commitment fees, legal and other third-party costs associated with obtaining financing. Costs related to revolving credit facilities are recorded in deferred costs and other assets, net and are amortized to interest expense using the straight-line basis over the term of the facility. Costs related to other borrowings are recorded net against the carrying value of such borrowings and are amortized to interest expense using the effective interest method. Unamortized deferred financing costs are expensed to realized gain (loss) when the associated facility is repaid before maturity. Costs incurred in seeking financing transactions, which do not close, are expensed in the period in which it is determined that the financing will not occur. Deferred lease costs consist of fees incurred to initiate and renew operating leases, which are amortized on a straight-line basis over the remaining lease term and are recorded to depreciation and amortization in the consolidated statements of operations.

Identified Intangibles

The Company records acquired identified intangibles, which includes intangible assets (such as the value of the above-market leases, in-place leases, and other intangibles) and intangible liabilities (such as the value of below market leases), based on estimated fair value. The value allocated to the identified intangibles are amortized over the remaining lease term. Above/below-market leases are amortized into rental income, below-market ground leases are amortized into real estate properties-operating expense and in-place leases are amortized into depreciation and amortization expense. Identified intangible assets are recorded in deferred costs and other assets, net, and identified intangible liabilities are recorded in other liabilities on the accompanying consolidated balance sheets. As of December 31, 2017, the weighted average amortization period for above-market leases, below-market leases and in-place lease costs is 6.7 years, 2.7 years and 4.0 years, respectively.

The following table presents a summary of intangible assets and intangible liabilities, presented in deferred costs and other assets, net and other liabilities, respectively, on the consolidated balance sheets, as of December 31, 2017 and 2016 (dollars in thousands):

	December 31, 2017				December 31, 2016			
	Intangible Assets			Intangible Liabilities	Intangible Assets			Intangible Liabilities
	In-place Leases	Above-market Leases	Total	Below-market Leases	In-place Leases	Above-market Leases	Total	Below-market Leases
Gross amount	$ 35,701	$ 5,255	$ 40,956	$ 2,729	$ 35,701	$ 5,255	$ 40,956	$ 2,729
Accumulated amortization	(23,602)	(2,422)	(26,024)	(1,536)	(16,298)	(1,541)	(17,839)	(930)
Total	$ 12,099	$ 2,833	$ 14,932	$ 1,193	$ 19,403	$ 3,714	$ 23,117	$ 1,799

The Company recorded amortization of acquired above-market leases, net of acquired below-market leases of $0.3 million, $0.5 million, and $0.2 million for the years ended December 31, 2017, 2016, and 2015, respectively. Amortization of acquired in-place leases intangible assets was $7.3 million, $9.7 million, and $6.6 million for the years ended December 31, 2017, 2016, and 2015, respectively.

The following table presents annual amortization of intangible assets and liabilities (dollars in thousands):

	Intangible Assets			Intangible Liabilities
Years Ending December 31:	In-place Leases, net[(1)]	Above-market Leases, net[(1)]	Total	Below-market Leases, net[(1)]
2018	$ 4,777	$ 820	$ 5,597	$ 549
2019	2,890	522	3,412	337
2020	1,646	315	1,961	203
2021	1,018	202	1,220	73
2022	723	165	888	31
Thereafter	1,045	809	1,854	—
Total	$ 12,099	$ 2,833	$ 14,932	$ 1,193

(1) Identified intangibles will be amortized through periods ending May 2028.

Deferred Costs and Other Assets, Net and Other Liabilities

The following table presents a summary of deferred costs and other assets, net and other liabilities as of December 31, 2017 and 2016 (dollars in thousands):

	December 31, 2017	December 31, 2016
Deferred costs and other assets, net		
Intangible assets, net(1)	$ 14,932	$ 23,117
Deferred financing costs, net - credit facilities	2,101	1,911
Deferred commissions and leasing costs	5,254	3,446
Prepaid expenses	5,751	1,527
Deferred tax asset	10,858	1,077
Other	69	73
Total	$ 38,965	$ 31,151
Other liabilities:		
Intangible liabilities, net(2)	1,193	1,799
Tenant security deposits	1,462	1,439
Tenant prepaid rent	2,081	1,797
Deferred tax liability(3)	—	5,355
Other	259	381
Total	$ 4,995	$ 10,771

(1) Represents in-place leases and above-market leases, net.
(2) Represents below-market leases, net.
(3) Includes $4.3 million of tax related liabilities assumed upon the purchase of PE Investment III. Refer to Note 5, “Investments in Unconsolidated Ventures,” for additional information on PE Investment III.

Acquisition Fees and Expenses

The total of all acquisition fees and expenses for an investment, including acquisition fees to the Advisor, cannot exceed, in the aggregate, 6.0% of the contract purchase price of such investment unless such excess is approved by a majority of the Company’s directors, including a majority of its independent directors. For the year ended December 31, 2017, total acquisition fees and expenses did not exceed the allowed limit for any investment. An acquisition fee incurred related to an equity investment will generally be expensed as incurred. An acquisition fee paid to the Advisor related to the acquisition of an equity or debt investment in an unconsolidated joint venture is included in investments in unconsolidated ventures on the consolidated balance sheets. An acquisition fee paid to the Advisor related to the origination or acquisition of debt investments is included in debt investments, net on the consolidated balance sheets and is amortized to interest income over the life of the investment using the effective interest method. The Company records as an expense certain acquisition costs and fees associated with transactions deemed to be business combinations in which it consolidates the asset and capitalizes these costs for transactions deemed to be acquisitions of an asset, including an equity investment.

Revenue Recognition

Real Estate Debt Investments

Interest income is recognized on an accrual basis and any related premium, discount, origination costs and fees are amortized over the life of the investment using the effective interest method. The amortization is reflected as an adjustment to interest income in the consolidated statements of operations. The amortization of a premium or accretion of a discount is discontinued if such loan is reclassified to held for sale.

Operating Real Estate

Rental and other income from operating real estate is derived from the leasing of space to various types of tenants. Rental revenue recognition commences when the tenant takes legal possession of the leased space and the leased space is substantially ready for its intended use. The leases are for fixed terms of varying length and generally provide for annual rentals and expense reimbursements to be paid in monthly installments. Rental income from leases is recognized on a straight-line basis over the term of the respective leases. The excess of rent recognized over the amount contractually due pursuant to the underlying leases is included in receivables on the consolidated balance sheets. The Company amortizes any tenant inducements as a reduction of revenue utilizing the straight-line method over the term of the lease. Other income represents revenue from tenant/operator leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes paid by the Company on behalf of the respective property. This revenue is recognized in the same period as the expenses are incurred.

In a situation in which a lease(s) associated with a significant tenant have been, or are expected to be, terminated early, the Company evaluates the remaining useful life of depreciable or amortizable assets in the asset group related to the lease that will be terminated (i.e., tenant improvements, above- and below-market lease intangibles, in-place lease value and deferred leasing costs). Based upon consideration of the facts and circumstances surrounding the termination, the Company may write-off or accelerate the depreciation and amortization associated with the asset group. Such amounts are included within rental and other income for above- and below-market lease intangibles and depreciation and amortization for the remaining lease related asset groups in the consolidated statements of operations.

Real Estate Securities

Interest income is recognized using the effective interest method with any premium or discount amortized or accreted through earnings based on expected cash flow through the expected maturity date of the security. Changes to expected cash flow may result in a change to the yield which is then applied retrospectively for high-credit quality securities that cannot be prepaid or otherwise settled in such a way that the holder would not recover substantially all of the investment or prospectively for all other securities to recognize interest income.

Credit Losses and Impairment on Investments

Real Estate Debt Investments

Loans are considered impaired when, based on current information and events, it is probable that the Company will not be able to collect all principal and interest amounts due according to the contractual terms. The Company assesses the credit quality of the portfolio and adequacy of loan loss reserves on a quarterly basis or more frequently as necessary. Significant judgment of the Company is required in this analysis. The Company considers the estimated net recoverable value of the loan as well as other factors, including but not limited to the fair value of any collateral, the amount and the status of any senior debt, the quality and financial condition of the borrower and the competitive situation of the area where the underlying collateral is located. Because this determination is based on projections of future economic events, which are inherently subjective, the amount ultimately realized may differ materially from the carrying value as of the balance sheet date. If upon completion of the assessment, the estimated fair value of the underlying collateral is less than the net carrying value of the loan, a loan loss reserve is recorded with a corresponding charge to provision for loan losses. The loan loss reserve for each loan is maintained at a level that is determined to be adequate by management to absorb probable losses.

Income recognition is suspended for a loan at the earlier of the date at which payments become 90-days past due or when, in the opinion of the Company, a full recovery of income and principal becomes doubtful. When the ultimate collectability of the principal of an impaired loan is in doubt, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the principal of an impaired loan is not in doubt, contractual interest is recorded as interest income when received, under the cash basis method until an accrual is resumed when the loan becomes contractually current and performance is demonstrated to be resumed. Interest accrued and not collected will be reversed against interest income. A loan is written off when it is no longer realizable and/or legally discharged. As of December 31, 2017, the Company did not have any impaired CRE debt investments.

Operating Real Estate

The Company's real estate portfolio is reviewed on a quarterly basis, or more frequently as necessary, to assess whether there are any indicators that the value of its operating real estate may be impaired or that its carrying value may not be recoverable. A property's value is considered impaired if the Company's estimate of the aggregate expected future undiscounted cash flow generated by the property is less than the carrying value. In conducting this review, the Company considers U.S. macroeconomic factors, real estate sector conditions and asset specific and other factors. To the extent an impairment has occurred, the loss is measured as the excess of the carrying value of the property over the estimated fair value and recorded in impairment on operating real estate in the consolidated statements of operations. As of December 31, 2017, the Company did not have any impaired operating real estate.

An allowance for a doubtful account for a tenant receivable is established based on a periodic review of aged receivables resulting from estimated losses due to the inability of tenants to make required rent and other payments contractually due. Additionally, the Company establishes, on a current basis, an allowance for future tenant credit losses on unbilled rent receivable based on an evaluation of the collectability of such amounts.

Real Estate Securities

CRE securities for which the fair value option is elected are not evaluated for other-than-temporary impairment ("OTTI") as any change in fair value is recorded in the consolidated statements of operations. Realized losses on such securities are reclassified to realized gain (loss) on investments as losses occur.

CRE securities for which the fair value option is not elected are evaluated for OTTI quarterly. Impairment of a security is considered to be other-than-temporary when: (i) the holder has the intent to sell the impaired security; (ii) it is more likely than not the holder will be required to sell the security; or (iii) the holder does not expect to recover the entire amortized cost of the security. When a CRE security has been deemed to be other-than-temporarily impaired due to (i) or (ii), the security is written down to its fair value and an OTTI is recognized in the consolidated statements of operations. In the case of (iii), the security is written down to its fair value and the amount of OTTI is then bifurcated into: (a) the amount related to expected credit losses; and (b) the amount related to fair value adjustments in excess of expected credit losses. The portion of OTTI related to expected credit losses is recognized in the consolidated statements of operations. The remaining OTTI related to the valuation adjustment is recognized as a component of accumulated OCI in the consolidated statements of equity. CRE securities which are not high-credit quality are considered to have an OTTI if the security has an unrealized loss and there has been an adverse change in expected cash flow. The amount of OTTI is then bifurcated as discussed above. As of December 31, 2017, the Company did not have any OTTI recorded on its CRE securities.

Foreign Currency

Assets and liabilities denominated in a foreign currency for which the functional currency is a foreign currency are translated using the currency exchange rate in effect at the end of the period presented and the results of operations for such entities are translated into U.S. dollars using the average currency exchange rate in effect during the period. The resulting foreign currency translation adjustment is recorded as a component of accumulated OCI in the consolidated statements of equity.

Assets and liabilities denominated in a foreign currency for which the functional currency is the U.S. dollar are remeasured using the currency exchange rate in effect at the end of the period presented and the results of operations for such entities are remeasured into U.S. dollars using the average currency exchange rate in effect during the period. The resulting foreign currency remeasurement adjustment is recorded in unrealized gain (loss) on investments and other in the consolidated statements of operations.

As of December 31, 2017, the Company had no deferred purchase price obligations denominated in foreign currency related to its PE Investments. As of December 31, 2016, the Company had $5.2 million of deferred purchase price obligations denominated in foreign currency related to its PE Investments.

Equity-Based Compensation

The Company accounts for equity-based compensation awards using the fair value method, which requires an estimate of fair value of the award at the time of grant. All fixed equity-based awards to directors, which have no vesting conditions other than time of service, are amortized to compensation expense over the awards' vesting period on a straight-line basis. Equity-based compensation is classified within general and administrative expense in the consolidated statements of operations.

Income Taxes

The Company elected to be taxed as a REIT and to comply with the related provisions of the Internal Revenue Code beginning in its taxable year ended December 31, 2013. Accordingly, the Company will generally not be subject to U.S. federal income tax to the extent of its distributions to stockholders as long as certain asset, income and share ownership tests are met. To maintain its qualification as a REIT, the Company must annually distribute at least 90.0% of its REIT taxable income to its stockholders and meet certain other requirements. The Company believes that all of the criteria to maintain the Company's REIT qualification have been met for the applicable periods, but there can be no assurance that these criteria will continue to be met in subsequent periods. If the Company were to fail to meet these requirements, it would be subject to U.S. federal income tax and potential interest and penalties, which could have a material adverse impact on its results of operations and amounts available for distributions to its stockholders. The Company's accounting policy with respect to interest and penalties is to classify these amounts as a component of income tax expense, where applicable. The Company has not recognized any such amounts related to uncertain tax positions for the years ended December 31, 2017, 2016, and 2015.

The Company may also be subject to certain state, local and franchise taxes. Under certain circumstances, U.S. federal income and excise taxes may be due on its undistributed taxable income.

The Company made joint elections to treat certain subsidiaries as taxable REIT subsidiaries ("TRS") which may be subject to U.S. federal, state and local income taxes. In general, a TRS of the Company may perform non-customary services for tenants, hold assets that the REIT cannot hold directly and may engage in most real estate or non-real estate-related business.

Certain subsidiaries of the Company are subject to taxation by federal, state and local authorities for the periods presented. Income taxes are accounted for by the asset/liability approach in accordance with U.S. GAAP. Deferred taxes, if any, represent the expected future tax consequences when the reported amounts of assets and liabilities are recovered or paid. Such amounts arise from differences between the financial reporting and tax bases of assets and liabilities and are adjusted for changes in tax laws and tax rates in the period which such changes are enacted. A provision for income tax represents the total of income taxes paid or payable for the current period, plus the change in deferred taxes. Current and deferred taxes are recorded on the portion of earnings (losses) recognized by the Company with respect to its interest in TRSs. Deferred income tax assets and liabilities are calculated based on temporary differences between the Company's U.S. GAAP consolidated financial statements and the federal, state and local tax basis of assets and liabilities as of the consolidated balance sheet date. The Company evaluates the realizability of its deferred tax assets (e.g., net operating loss and capital loss carryforwards) and recognizes a valuation allowance if, based on the available evidence, it is more likely than not that some portion or all of its deferred tax assets will not be realized. When evaluating the realizability of its deferred tax assets, the Company considers estimates of expected future taxable income, existing and projected book/tax differences, tax planning strategies available and the general and industry specific economic outlook. This realizability analysis is inherently subjective, as it requires the Company to forecast its business and general economic environment in future periods. Changes in estimate of deferred tax asset realizability, if any, are included in income tax benefit (expense) in the consolidated statements of operations.

On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA") was enacted, which provides for a reduction in the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018. The Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. The Company is still analyzing certain aspects of the TCJA and refining its calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts.

For the years ended December 31, 2017, 2016, and 2015, the Company recorded income tax expense of $1.9 million, $1.9 million, and $0.4 million, respectively. Additionally, as of December 31, 2017 the Company recorded a deferred tax asset of $10.9 million. As of December 31, 2016, the Company recorded a deferred tax asset of $1.1 million and a deferred tax liability of $5.4 million.

Transfers of Financial Assets

Sale accounting for transfers of financial assets requires the transfer of an entire financial asset, a group of financial assets in its entirety or if a component of the financial asset is transferred, that component meets the definition of a participating interest by having characteristics that mirror the original financial asset.

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. If the Company has any continuing involvement, rights or obligations with the transferred financial asset (outside of standard representations and warranties), sale accounting would require that the transfer meets the following sale conditions: (1) the transferred asset has been legally isolated; (2) the transferee has the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred asset; and (3) the Company does not maintain effective control over the transferred asset through an agreement that provides for (a) both an entitlement and an obligation by the Company to repurchase or redeem the asset before its maturity, or (b) the unilateral ability by the Company to reclaim the asset and a more than trivial benefit attributable to that ability, or (c) the transferee requiring the Company to repurchase the asset at a price so favorable to the transferee that it is probable the repurchase will occur.

If sale accounting is met, the transferred financial asset is removed from the balance sheet and a net gain or loss is recognized upon sale, taking into account any retained interests. Transfers of financial assets that do not meet the criteria for sale are accounted for as financing transactions, or secured borrowings.

As a result of the requirements of sale accounting, senior participations in first mortgage loans purchased in connection with a securitization financing transaction are recorded as Loan collateral receivable, related party, on the Company's consolidated balance sheets. Refer to Note 7, "Borrowings," for additional information.

Recent Accounting Pronouncements

Revenue Recognition - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, requiring a company to recognize as revenue the amount of consideration it expects to be entitled to in connection with the transfer of promised goods or services to customers. The Company has adopted the Revenue Recognition standard on its required effective date of January 1, 2018 using the modified retrospective approach, and has applied the guidance to contracts not yet completed as of the date of adoption. The new revenue standard specifically excludes revenue streams for which specific guidance is stipulated in other sections of the codification, therefore it will not impact rental income or interest income generated on financial instruments such as preferred equity investments. The Company is the lessor for triple net and gross leases classified as operating leases in which rental income and tenant reimbursements are recorded. The revenue from these leases are scoped out of the new revenue recognition guidance. All leases are accounted for under ASC 840 until the adoption of the new leasing guidance within ASC 842.

Financial Instruments - In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities.* ASU 2016-01 addresses certain aspects of accounting and disclosure requirements of financial instruments, including the requirement that equity investments with readily determinable fair value be measured at fair value with changes in fair value recognized in results of operations. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company does not have any equity investments with readily determinable fair value recorded as available-for-sale. The Company does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures.

Leases - In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The update will require that lessees and lessors capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease. The new guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period in the financial statements and is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

The Company expects to adopt the package of practical expedients under the guidance and the Company will not need to reassess whether any expired or expiring contracts contain leases; will not need to revisit lease classification for any expired or expiring leases; and will not need to reassess initial direct costs for any existing leases. In addition, the Company expects to adopt the practical expedient which allows lessors to consider lease and non-lease components as a single performance obligation to the extent that the timing and pattern of revenue recognition is the same and the lease is classified an operating lease. The Company continues to assess the potential effect the adoption of this guidance will have on its consolidated financial statements and related disclosures.

Equity Method of Accounting - In March 2016, the FASB issued ASU No. 2016-07, *Investments- Equity Method and Joint Ventures (Topic 323), Simplifying the Transition to the Equity Method of Accounting*, which eliminates the requirement for an investor to retroactively apply the equity method when its increase in ownership interest (or degree of influence) in an investee triggers equity method accounting. The update requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The update should be applied prospectively upon its effective date to increases in the level of ownership interests or degree of influence that results in the adoption of the equity method. The guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. The Company adopted the new guidance prospectively on January 1, 2017 and the adoption of this standard did not have a material impact on its consolidated financial statements and related disclosures.

Equity-Based Compensation - In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Share-Based Payment Accounting*, which amends several aspects of the accounting for equity-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statements of cash flows. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. The Company adopted the new guidance prospectively on January 1, 2017 and the adoption of this standard did not have a material impact on its consolidated financial statements and related disclosures.

Credit Losses - In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments- Credit Losses*, which changes the impairment model for certain financial instruments by requiring companies to recognize an allowance for expected losses, rather than incurred losses as required currently by the incurred loss approach. The guidance will apply to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases and off-balance-sheet credit exposures (e.g., loan commitments). The new guidance is effective for reporting periods beginning after December 15, 2019 and will be applied as a cumulative adjustment to retained earnings as of the effective date. The Company is currently assessing the potential effect the adoption of this guidance will have on its consolidated financial statements and related disclosures.

Cash Flow Classifications - In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, which makes eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The new guidance requires adoption on a retrospective basis unless it is impracticable to apply, in which case the company would be required to apply the amendments prospectively as of the earliest date practicable. The Company does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures.

Restricted Cash - In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash,* which requires entities to show the changes in the total of cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. Entities will no longer be permitted to present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The guidance is effective for reporting periods beginning after December 15, 2017 and will be applied retrospectively to all periods presented. The Company expects the new guidance will result in a change in presentation of restricted cash on the face of the consolidated statement of cash flows; otherwise this guidance will not have a significant impact on the consolidated statements of cash flows and disclosures.

Business Combinations - In January 2017, the FASB issued ASU No. 2017-01, *Clarifying the Definition of a Business,* which amends the guidance for determining whether a transaction involves the purchase or disposal of a business or an asset. The amendments clarify that when substantially all of the fair value of the gross assets acquired or disposed of is concentrated in a single identifiable asset or a group of similar identifiable assets, the set of transferred assets and activities is not a business. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The amendments in this update will be applied on a prospective basis. The Company expects that most acquisitions of real estate or in-substance real estate will not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e. land, buildings, and related intangible assets). A significant difference between the accounting for an asset acquisition and a business combination is that transaction costs are capitalized for an asset acquisition, rather than expensed for a business combination. The Company plans to adopt the standard on its required effective date of January 1, 2018. The Company does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures.

Derecognition and Partial Sales of Nonfinancial Assets- In February 2017, the FASB issued ASU No. 2017-05, *Clarifying the Scope of Asset Derecognition and Accounting for Partial Sales of Nonfinancial Assets*, which clarifies the scope and application of recently established guidance on recognition of gains and losses from derecognition of non-financial assets, and defines in-substance non-financial assets. In addition, the guidance clarifies the accounting for partial sales of non-financial assets to be more consistent with the accounting for sale of a business. Specifically, in a partial sale to a non-customer, when a non-controlling interest is received or retained, the latter is considered a non-cash consideration and measured at fair value, which would result in full gain or loss recognized upon sale. This guidance has the same effective date as the new revenue guidance, which is January 1, 2018, with early adoption permitted beginning January 1, 2017. Both the revenue guidance and this update must be adopted concurrently. While the transition method is similar to the new revenue guidance, either full retrospective or modified retrospective, the transition approach need not be aligned between both updates. The Company plans to adopt this standard on January 1, 2018, consistent with its adoption of the new revenue standard, using the modified retrospective approach. Under the new standard, if the Company sells a partial interest in its real estate assets to noncustomers or contributes real estate assets to unconsolidated ventures, and the Company retains a noncontrolling interest in the asset, such transactions could result in a larger gain on sale. The adoption of this standard could have a material impact to the Company's results of operations in a period if the Company sells a significant partial interest in a real estate asset. There were no such sales for the year ended December 31, 2017.

3. Real Estate Debt Investments

The following table presents CRE debt investments as of December 31, 2017 (dollars in thousands):

Asset type:	Count	Principal Amount(1)(2)	Carrying Value(3)	Allocation by Investment Type(4)	Weighted Average Fixed Rate	Weighted Average Spread over LIBOR(5)	Weighted Average Total Unleveraged Current Yield	Floating Rate as % of Principal Amount
First mortgage loans(5) (6)	20	$ 659,327	$ 632,994	80.0%	—	5.20%	6.37%	100.0%
Subordinate interests(5)	3	164,877	160,455	20.0%	12.81%	12.75%	13.03%	17.4%
Total/ Weighted average	23	$ 824,204	$ 793,449	100.0%	12.81%	5.49%	7.72%	83.5%

(1) Includes future funding commitments of $26.8 million for first mortgage loans and $5.3 million for subordinate interests.
(2) During the year ended December 31, 2017, the Company originated six first mortgage loans with an aggregate committed principal balance of $199.9 million, including future funding commitments. During the year ended December 31, 2017, the Company received repayments on five first mortgage loans, one mezzanine loan, and one subordinate interest with aggregate committed principal balances of $161.0 million, $20.5 million, and $24.9 million, respectively.
(3) Certain CRE debt investments serve as collateral for financing transactions, including carrying value of $498.3 million for Term Loan Facilities, as defined in Note 7, "Borrowings," and other notes payable as well as $134.7 million for a securitization financing transaction executed in November 2016, Securitization 2016-1, as defined in Note 7. The remainder is unleveraged.
(4) Based on principal amount.
(5) Includes a fixed minimum LIBOR rate ("LIBOR floor"), as applicable. As of December 31, 2017, the Company had $480.1 million principal amount of floating-rate loans subject to a LIBOR floor with the weighted average LIBOR floor of 0.45%.
(6) Excludes three senior participation interests in first mortgage loans, which are recorded as "Loan collateral receivable, related party" on the Company's consolidated balance sheets, totaling $28.3 million, including future funding commitments of $4.6 million. Refer to Note 7, "Borrowings," for additional information.

The following table presents CRE debt investments as of December 31, 2016 (dollars in thousands):

Asset type:	Count	Principal Amount(1)	Carrying Value(2)	Allocation by Investment Type(3)	Weighted Average Fixed Rate	Weighted Average Spread over LIBOR(4)	Weighted Average Total Unleveraged Current Yield	Floating Rate as % of Principal Amount
First mortgage loans	19	$ 620,389	$ 604,510	74.7%	—	5.26%	5.74%	100.0%
Mezzanine loan	1	20,528	20,631	2.5%	14.00%	—	14.00%	—
Subordinate interests	4	189,740	181,344	22.8%	12.69%	12.75%	12.81%	15.1%
Total/Weighted average	24	$ 830,657	$ 806,485	100.0%	12.84%	5.53%	7.54%	78.1%

(1) Includes future funding commitments of $15.9 million for first mortgage loans and $9.3 million for subordinate interests.
(2) Certain CRE debt investments serve as collateral for financing transactions, including carrying value of $359.3 million for Term Loan Facilities, as defined in Note 7, "Borrowings," and other notes payable and $245.2 million for a securitization financing transaction executed in November 2016, Securitization 2016-1, as defined in Note 7. The remainder is unleveraged.
(3) Based on principal amount.
(4) Includes a fixed minimum LIBOR floor, as applicable. As of December 31, 2016, the Company had $493.9 million principal amount of floating-rate loans subject to a LIBOR floor with the weighted average LIBOR floor of 0.29%.

The following table presents maturities of CRE debt investments based on principal amount, which includes future funding commitments, as of December 31, 2017 (dollars in thousands):

	Current Maturity	Maturity Including Extensions(1)
Years Ending December 31:		
2018	$ 341,017	$ —
2019	291,637	160,917
2020	71,850	235,950
2021	21,314	179,063
2022	—	128,574
Thereafter	98,386	119,700
Total	$ 824,204	$ 824,204

(1) Assumes that all debt with extension options will qualify for extension at such maturity according to the conditions set forth in the governing documents.

As of December 31, 2017, the weighted average maturity, including extensions, of CRE debt investments was 3.7 years.

Credit Quality Monitoring

CRE debt investments are typically loans secured by direct senior priority liens on real estate properties or by interests in entities that directly own real estate properties, which serve as the primary source of cash for the payment of principal and interest. The Company evaluates its debt investments at least quarterly and differentiates the relative credit quality principally based on: (i) whether the borrower is currently paying contractual debt service in accordance with its contractual terms; and (ii) whether the Company believes the borrower will be able to perform under its contractual terms in the future, as well as the Company's expectations as to the ultimate recovery of principal at maturity. The Company categorizes a debt investment for which it expects to receive full payment of contractual principal and interest payments as "performing." The Company will categorize a weaker credit quality debt investment that is currently performing, but for which it believes future collection of all or some portion of principal and interest is in doubt, into a category called "performing with a loan loss reserve." The Company will categorize a weaker credit quality debt investment that is not performing, which the Company defines as a loan in maturity default and/or past due at least 90 days on its contractual debt service payments, as a non-performing loan ("NPL"). The Company's definition of an NPL may differ from that of other companies that track NPLs.

As of December 31, 2017, all CRE debt investments were performing in accordance with the contractual terms of their governing documents and were categorized as performing loans. There were no real estate debt investments with contractual payments past due as of December 31, 2017 and 2016. For the year ended December 31, 2017, one debt investment contributed more than 10.0% of interest income.

4. Operating Real Estate

The following table presents operating real estate, net as of December 31, 2017 and 2016 (dollars in thousands):

	December 31, 2017	December 31, 2016
Land and improvements	$ 93,956	$ 93,707
Buildings and improvements[1]	325,981	321,420
Subtotal	419,937	415,127
Less: Accumulated depreciation	(26,661)	(15,890)
Operating real estate, net	$ 393,276	$ 399,237

(1) Includes tenant improvements as well as furniture, fixtures, and equipment.

For the years ended December 31, 2017, 2016, and 2015, depreciation expense was $10.8 million, $10.7 million, and $5.2 million, respectively.

Minimum Future Rents

Minimum rental amounts due under leases are generally either subject to scheduled fixed increases or adjustments. The following table presents approximate future minimum rental income under non-cancellable operating leases to be received over the next five years and thereafter as of December 31, 2017 (dollars in thousands):

Years Ending December 31:	
2018	$ 31,530
2019	26,887
2020	24,386
2021	19,266
2022	15,268
Thereafter	31,870
Total	$ 149,207

The rental properties owned at December 31, 2017 are leased under non-cancellable operating leases with current expirations ranging from 2018 to 2028, with certain tenant renewal rights. For certain properties, the tenants pay the Company, in addition to the contractual base rent, their pro rata share of real estate taxes and operating expenses. Certain lease agreements provide for periodic rental increases and others provide for increases based on the consumer price index.

For the years ended December 31, 2017 and 2016, the Company had one single property with rental and other income equal to or greater than 10.0% of total revenue.

5. Investments in Unconsolidated Ventures

Investments in Private Equity Funds

The following is a description of investments in private equity funds that own PE Investments either through unconsolidated ventures or direct investments which are recorded as investments in unconsolidated ventures on the consolidated balance sheets. The Company elected the fair value option for PE Investments, which include both cost method and equity method investments. As a result, the Company records equity in earnings (losses) based on the change in fair value for its share of the projected future cash flow from one period to another. All PE Investments are considered VIEs. Refer to Note 2, "Summary of Significant Accounting Policies," for additional information.

The following table summarizes the Company's PE Investment acquisitions (dollars in thousands):

PE Investment(1)	Initial Closing Date	NAV Reference Date(2)	Number of Funds(3)	Purchase Price
PE Investment I	March 20, 2015	September 30, 2014	6	$ 45,045
PE Investment II	August 4, 2015	December 31, 2014	3	27,788
PE Investment III(4)	September 20, 2016	March 31, 2016	41	317,587
Total			50	$ 390,420

(1) At December 31, 2017, the Company's contractual unfunded commitments for PE Investments totaled $63.2 million. As of December 31, 2017, the Company does not expect any additional future contributions related to such unfunded commitments.
(2) Represents the net asset value ("NAV") date that served as the basis for the purchase price on which the Company agreed to acquire the PE Investment.
(3) Represents number of underlying fund investments at initial closing date.
(4) At the time of closing in September 2016, the Company paid $33.9 million to acquire PE Investment III and paid an additional $204.7 million in December 2016. In addition, the Company assumed $44.7 million of deferred purchase price obligations to third parties from the seller, which includes the proportionate share of an obligation owed through a joint investment within PE Investment III, totaling $5.6 million. As of December 31, 2017, all deferred purchase price obligations have been paid. Refer to Note 8, "Related Party Arrangements," for additional information.

The following tables present PE Investments as of December 31, 2017 and 2016 and activity for the (dollars in thousands):

	Carrying Value(1)		Year Ended December 31, 2017			Year Ended December 31, 2016		
PE Investment	December 31, 2017	December 31, 2016	Equity in Earnings	Distributions	Contributions(2)	Equity in Earnings	Distributions	Contributions(2)
PE Investment I	$ 21,143	$ 26,949	$ 2,201	$ 4,495	$ 80	$ 3,459	$ 14,198	$ 255
PE Investment II	7,159	11,964	1,519	6,413	—	2,821	8,729	13,894
PE Investment III	169,611	260,768	23,655	91,309	24,210	5,331	59,142	294,779
Total	$ 197,913	$ 299,681	$ 27,375	$ 102,217	$ 24,290	$ 11,611	$ 82,069	$ 308,928

(1) Includes a cumulative unrealized loss of $5.8 million, an unrealized gain of $2.5 million and an unrealized loss of $24.3 million for PE Investment I, II and III, respectively, as of December 31, 2017. Includes a cumulative unrealized loss of $2.2 million and an unrealized gain of $2.5 million for PE Investment I and II, respectively, as of December 31, 2016.
(2) Includes initial investments, before closing statement adjustments for distributions and contributions, and subsequent contributions, including deferred purchase price fundings.

The Company's ownership interest in PE Investments represents capital contributed to date and may not be reflective of the Company's economic interest in the entity because of provisions in operating agreements governing various matters. As of December 31, 2017, the Company's ownership interest in investments range from 0.3% to 34.4%.

Other

In July 2017, the Company entered into a joint venture with an affiliate of the Sponsor to invest $60.0 million, on a pari passu basis, in a $180.0 million mezzanine loan which was originated by such affiliate of the Sponsor. Pursuant to the joint venture, the Company and the affiliate of the Sponsor have equal decision making rights with respect to the venture. The transaction was approved by the Company's board of directors, including all of its independent directors.

As of December 31, 2017, the Company has $6.2 million in unfunded commitments remaining out of its total $60.0 million commitment. For the year ended December 31, 2017, the Company recognized equity in earnings of $2.8 million. As of

December 31, 2017, the carrying value of the investment was $55.2 million. Refer to Note 8, “Related Party Arrangements,” for additional information.

Summarized Financial Information

The combined balance sheets for the unconsolidated ventures, including PE Investments and excluding unconsolidated ventures accounted for under the cost method, as of December 31, 2017, and 2016 are as follows (dollars in thousands):

	As of December 31,	
	2017	2016
Assets		
Total assets	$ 1,466,102	$ 2,098,093
Liabilities and equity		
Total liabilities	$ 121,507	$ 143,763
Total equity	1,344,595	1,954,330
Total liabilities and equity	$ 1,466,102	$ 2,098,093

The combined statements of operations for the unconsolidated ventures, including PE Investments and excluding unconsolidated ventures accounted for under the cost method, for the years ended December 31, 2017 and 2016 are as follows (dollars in thousands):

	Years Ended December 31, [(1)]		
	2017	2016	2015
Total revenues[(2)]	$ 30,837	$ 23,876	$ 1,857
Net income (loss)	(45,830)	15,965	23,710

(1) Includes summarized annual financial information for PE Investments on a one quarter lag, which is the most recent financial information available from the underlying funds.
(2) Includes net investment income and unrealized and realized gains and losses for PE Investments.

6. Real Estate Securities, Available for Sale

CRE securities are comprised of CMBS backed by a pool of CRE loans which are typically well-diversified by type and geography. The following table presents CMBS investments as of December 31, 2017 and 2016 (dollars in thousands):

				Cumulative Unrealized on Investments			Weighted Average	
As of Date:	Count	Principal Amount[(1)]	Amortized Cost	Gain	(Loss)	Fair Value	Coupon	Unleveraged Current Yield
December 31, 2017[(1)(2)]	14	$ 130,191	$ 91,836	$ 4,371	$ (451)	$ 95,756	3.42%	9.73%
December 31, 2016[(2)]	11	128,181	85,773	2,042	(878)	86,937	3.42%	9.73%

(1) As of December 31, 2017, certain CRE securities serve as collateral for financing transactions including carrying value of $62.9 million for the CMBS Credit Facilities, as defined in Note 7, “Borrowings.” The remainder is unleveraged.
(2) Includes a CRE security with an underlying loan that was non-performing at acquisition. The CRE security was purchased for $26.9 million, net of a $21.3 million discount. As of December 31, 2017, the non-accretable amount of total cash flows was $5.7 million.

The Company recorded net unrealized gains in OCI of $2.8 million and $1.6 million for the years ended December 31, 2017 and 2016, respectively. The Company recorded a net unrealized loss in OCI of $0.4 million for the year ended December 31, 2015.

As of December 31, 2017, the Company held three securities with an aggregate carrying value of $37.3 million with a cumulative unrealized loss of $0.5 million, one of which was in an unrealized loss position for a period of greater than 12 months. Based on management’s quarterly evaluation, no OTTI was identified related to these securities. The Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell these securities prior to recovery of its amortized cost basis, which may be at maturity.

As of December 31, 2017, the weighted average contractual maturity of CRE securities was 29.8 years with an expected maturity of 6.4 years.

7. Borrowings

The following table presents borrowings as of December 31, 2017 and 2016 (dollars in thousands):

	Capacity	Recourse vs. Non-Recourse		Final Maturity		Contractual Interest Rate		December 31, 2017 Principal Amount[1]	December 31, 2017 Carrying Value[1]	December 31, 2016 Principal Amount[1]	December 31, 2016 Carrying Value[1]
Securitization bonds payable, net											
Securitization 2016-1		Non-recourse	(2)	Sep-31		LIBOR + 2.74%		$ 80,825	$ 79,634	$ 193,980	$ 191,315
Mortgage and other notes payable, net											
Industrial		Non-recourse	(2)	Jul-25		4.31%		250,000	249,307	250,000	249,215
Multi-tenant office		Non-recourse	(2)	Aug-20	(3)	LIBOR + 1.90%		95,504	95,229	88,170	87,426
Other notes payable[4]		Limited Recourse	(4)	Dec-20	(5)	LIBOR + 2.65%		40,029	39,868	39,868	39,540
Subtotal mortgage and other notes payable, net								385,533	384,404	378,038	376,181
Term loan facilities											
Citibank facility	$ 150,000	Limited Recourse	(6)	Oct-19	(7)	LIBOR + 2.50%	(8)	48,750	48,750	54,750	54,750
Deutsche Bank facility	200,000	Limited Recourse	(9)	Jul-19	(10)	LIBOR + 2.42%	(8)	26,742	26,742	47,242	47,242
Morgan Stanley facility	300,000	Limited Recourse	(4)	(11)		LIBOR + 2.49%	(8)	234,434	234,434	101,000	101,000
Subtotal term loan facilities	$ 650,000							309,926	309,926	202,992	202,992
CMBS credit facilities											
Citibank facility		Recourse		Various	(12)	LIBOR + 1.47%	(8)	10,661	10,661	9,887	9,887
JP Morgan facility		Recourse		Various	(12)	LIBOR + 1.50%	(8)	34,820	34,820	28,528	28,528
Subtotal CMBS credit facilities								45,481	45,481	38,415	38,415
Subtotal								355,407	355,407	241,407	241,407
Total[13]								$ 821,765	$ 819,445	$ 813,425	$ 808,903

(1) Difference between principal amount and carrying value of securitization bonds payable and mortgage and other notes payable is attributable to deferred financing costs, net.
(2) Subject to customary non-recourse carveouts.
(3) The initial maturity of the mortgage payable is August 2018, with a two-year extension available at the Company's option, which may be subject to the satisfaction of certain customary conditions set forth in the governing documents.
(4) Recourse solely with respect to 25.0% of the financed amount. Relates to financing obtained for a CRE debt investment.
(5) The initial maturity of the note payable is December 2018, with two one-year extensions available at the Company's option, which may be subject to the satisfaction of certain customary conditions set forth in the governing documents.
(6) Recourse solely with respect to 25.0% of the financed amount for assets with a lender debt yield equal to or greater than 10.0% at the time of financing plus 100.0% of the financed amount for assets with a lender debt yield less than 10.0% at the time of financing.
(7) The initial maturity of the Citibank Facility is October 2018, with a one-year extension available, which may be subject to the satisfaction of certain customary conditions set forth in the governing documents.
(8) Represents the weighted average spread as of December 31, 2017. The contractual interest rate depends upon asset type and characteristics and ranges from one-month to three-month LIBOR plus 1.45% to 2.75%.
(9) Recourse solely with respect to the greater of: (i) 25.0% of the financed amount of stabilized loans plus the financed amount of transitional loans, as further defined in the governing documents; or (ii) the lesser of $25.0 million or the aggregate financed amount of all loans.
(10) The Company has exercised the third of four, one-year extensions available at the Company's option, respectively. These extensions may be subject to the satisfaction of certain customary conditions set forth in the governing documents.
(11) The initial maturity of the Morgan Stanley Facility is June 2019. The Company may, at its option, extend the facility for one-year periods indefinitely, subject to the approval of Morgan Stanley.
(12) The maturity dates on the CMBS Credit Facilities are typically three months.
(13) Secured by collateral comprised of certain CRE debt, securities, equity investments and loan collateral receivable with a carrying value of $1.1 billion as of December 31, 2017.

The following table presents scheduled principal on borrowings, based on final maturity as of December 31, 2017 (dollars in thousands):

	Total	Securitization Bonds Payable	Mortgage and Other Notes Payable	Credit Facilities
Years Ending December 31:				
2018	$ 45,481	$ —	$ —	$ 45,481 (1)
2019	75,492	—	—	75,492
2020	369,967	—	135,533	234,434
2021	—	—	—	—
2022	—	—	—	—
Thereafter	330,825	80,825	250,000	—
Total	$ 821,765	$ 80,825	$ 385,533	$ 355,407

(1) Represents CMBS Credit Facilities borrowings, which have maturities typically ranging and renewing on a continuous three month basis.

Securitization Financing Transactions

In November 2016, the Company entered into a $284.2 million securitization financing transaction ("Securitization 2016-1"). Securitization 2016-1 was collateralized by a pool of 10 CRE debt investments with a committed aggregate principal balance of $254.7 million primarily originated by the Company and three senior participations with a committed aggregate principal balance of $29.5 million originated by NorthStar Income, a company managed by an affiliate of the Sponsor. A total of $194.0 million of permanent, non-recourse, non-mark-to-market investment-grade securitization bonds were issued, representing an advance rate of 68.3%.

An affiliate of NorthStar Income retained $14.9 million of junior participations in the collateral it contributed. As a result of U.S. GAAP requirements for transfers of financial assets, the senior participations are recorded as loan collateral receivable, related party, on the Company's consolidated balance sheets. Refer to Note 2, "Summary of Significant Accounting Policies" for additional information.

Securitization 2016-1 is considered a voting interest entity as the Company has all of the controlling financial interest in the entity and as such, is consolidated by the Company. An affiliate of the Sponsor was appointed special servicer of Securitization 2016-1.

In the event of breaches of certain representations and warranties or a defect in the document of any of the contributed assets to Securitization 2016-1 provided at the time the Company entered into Securitization 2016-1 and contributed the loans that serve as collateral for Securitization 2016-1, the Company may be required to repurchase certain of those loans or replace the affected contributed asset or make a loss of value payment. These obligations do not relate to the credit performance of the loans contributed to Securitization 2016-1, but only to breaches of specific representations and warranties or a defect in the document of any of the contributed assets to Securitization 2016-1. Since inception, the Company has not been required to make any repurchases or replace the affected contributed asset or make a loss of value payment nor has the Company received any notice of assertion of a potential breach of representation and warranty or a defect in the document of any of the contributed assets to Securitization 2016-1. Any payment to repurchase a loan or replace the affected contributed asset or make a loss of value payment would impact the Company's liquidity. Dependent upon the size of any such payment, the impact to liquidity could be material.

Term Loan Facilities

The Company, through subsidiaries, has entered into credit facility agreements with multiple global financial institutions to provide an aggregate principal amount of up to $650.0 million to finance the origination of first mortgage loans and senior loan participations secured by CRE ("Term Loan Facilities"). The Company agreed to guarantee certain obligations under the Term Loan Facilities, which contain representations, warranties, covenants, conditions precedent to funding, events of default and indemnities that are customary for agreements of this type. The Term Loan Facilities act as revolving loan facilities that can be paid down as assets are repaid or sold and re-drawn upon for new investments. As of December 31, 2017, the Company was in compliance with all of its financial covenants under the Term Loan Facilities.

As of December 31, 2017, the Company had $498.3 million carrying value of CRE debt investments financed with $309.9 million under the Term Loan Facilities.

CMBS Credit Facilities

In October 2015, January 2016, and April 2016, the Company entered into master repurchase agreements ("Merrill Lynch Facility," "Citibank Facility," and "JP Morgan Facility," respectively, and collectively the "CMBS Credit Facilities") to finance CMBS investments. The CMBS Credit Facilities are on a recourse basis and contain representations, warranties, covenants, conditions precedent to funding, events of default and indemnities that are customary for agreements of this type.

As of December 31, 2017, the Company had $62.9 million carrying value of CRE securities financed with $45.5 million under its CMBS Credit Facilities. As of December 31, 2017, the Company has not utilized the Merrill Lynch Facility.

8. Related Party Arrangements

Advisor

Subject to certain restrictions and limitations, the Advisor is responsible for managing the Company's affairs on a day-to-day basis and for identifying, originating, acquiring and asset managing investments on behalf of the Company. The Advisor may delegate certain of its obligations to affiliated entities, which may be organized under the laws of the United States or foreign jurisdictions. References to the Advisor include the Advisor and any such affiliated entities. For such services, to the extent permitted by law and regulations, the Advisor receives fees and reimbursement from the Company. Pursuant to the advisory agreement, the Advisor may defer or waive fees in its discretion. Below is a description and table of the fees and reimbursements incurred to the Advisor.

In June 2017, the advisory agreement was renewed for an additional one-year term commencing on June 30, 2017, with terms identical to those in effect through June 30, 2017.

Fees to Advisor

Asset Management Fee

The Advisor receives a monthly asset management fee equal to one-twelfth of 1.25% of the sum of the amount funded or allocated for CRE investments, including expenses and any financing attributable to such investments, less any principal received on debt and securities investments (or the proportionate share thereof in the case of an investment made through a joint venture).

Incentive Fee

The Advisor is entitled to receive distributions equal to 15.0% of net cash flows of the Company, whether from continuing operations, repayment of loans, disposition of assets or otherwise, but only after stockholders have received, in the aggregate, cumulative distributions equal to their invested capital plus a 7.0% cumulative, non-compounded annual pre-tax return on such invested capital.

Acquisition Fee

The Advisor also receives fees for providing structuring, diligence, underwriting advice and related services in connection with real estate acquisitions equal to 1.0% of the amount funded or allocated by the Company to originate or acquire investments, including acquisition costs and any financing attributable to such investments (or the proportionate share thereof in the case of an investment made through a joint venture). A fee paid to the Advisor in connection with or related to the origination or acquisition of CRE debt investments is included in CRE debt investments, net on the consolidated balance sheets and is amortized to interest income over the life of the investment using the effective interest method. An acquisition fee incurred related to an equity investment will generally be expensed as incurred. A fee paid to the Advisor in connection with an acquisition of an equity or debt investment in an unconsolidated joint venture is included in investments in unconsolidated ventures on the consolidated balance sheets.

Disposition Fee

For substantial assistance in connection with the sale of investments and based on the services provided, as determined by the Company's independent directors, the Advisor receives a disposition fee up to 1.0% of the contract sales price of each CRE investment sold. The Company does not pay a disposition fee upon the maturity, prepayment, workout, modification or extension of a CRE debt investment unless there is a corresponding fee paid by the borrower, in which case the disposition fee is the lesser of: (i) 1.0% of the principal amount of the CRE debt investment prior to such transaction; or (ii) the amount of the fee paid by the borrower in connection with such transaction. If the Company takes ownership of a property as a result of a workout or foreclosure of a CRE debt investment, the Company will pay a disposition fee upon the sale of such property. A disposition fee from the sale of a CRE investment is generally expensed and included in asset management and other fees - related party in the Company's consolidated statements of operations. A disposition fee for a CRE debt investment incurred in a transaction other than a sale is included in CRE debt investments, net on the consolidated balance sheets and is amortized to interest income over the life of the investment using the effective interest method.

Reimbursements to Advisor

Operating Costs

The Advisor is entitled to receive reimbursement for direct and indirect operating costs incurred by the Advisor in connection with administrative services provided to the Company. The Advisor allocates, in good faith, indirect costs to the Company related to the Advisor's and its affiliates' employees, occupancy and other general and administrative costs and expenses in accordance with the terms of, and subject to the limitations contained in, the advisory agreement with the Advisor. The indirect costs include the Company's allocable share of the Advisor's compensation and benefit costs associated with dedicated or partially dedicated personnel who spend all or a portion of their time managing the Company's affairs, based upon the percentage of time devoted by such personnel to the Company's affairs. The indirect costs also include rental and occupancy, technology, office supplies, travel and entertainment and other general and administrative costs and expenses. However, there is no reimbursement for personnel costs related to executive officers (although there may be reimbursement for certain executive officers of the Advisor) and other personnel involved in activities for which the Advisor receives an acquisition fee or a disposition fee. The Advisor allocates these costs to the Company relative to its and its affiliates' other managed companies in good faith and has reviewed the allocation with the Company's board of directors, including its independent directors. The Advisor will update the board of directors on a quarterly basis of any material changes to the expense allocation and will provide a detailed review to the board of directors, at least annually, and as otherwise requested by the board of directors. The Company reimburses the Advisor quarterly for operating costs (including the asset management fee) based on a calculation for the four preceding fiscal quarters not to exceed the greater of: (i) 2.0% of its average invested assets; or (ii) 25.0% of its net income determined without reduction for any additions to reserves for depreciation, loan losses or other similar non-cash reserves and excluding any gain from the sale of assets for that period. Notwithstanding the above, the Company may reimburse the Advisor for expenses in excess of this limitation if a majority of the Company's independent directors determines that such excess expenses are justified based on unusual and non-recurring factors. The Company calculates the expense reimbursement quarterly based upon the trailing twelve-month period.

Organization and Offering Costs

The Advisor was entitled to receive reimbursement for organization and offering costs paid on behalf of the Company in connection with the Offering. The Company was obligated to reimburse the Advisor for organization and offering costs to the extent the aggregate of selling commissions, dealer manager fees, distribution fees and other organization and offering costs did not exceed 15.0% of gross proceeds from the Offering. The Advisor initially expected cumulative organization and offering costs, excluding selling commissions and dealer manager fees, would not exceed $15.0 million, or 1.0% of the total proceeds available to be raised from the Primary Offering. The Company incurred reimbursable organization and offering costs, excluding selling commissions and dealer manager fees, of $13.0 million, or 1.2% of the gross proceeds of $1.1 billion from the Primary Offering. The Company's independent directors did not determine that any of the organization and offering costs were unfair or commercially unreasonable.

Dealer Manager

Selling Commissions, Dealer Manager Fees, and Distribution Fees

As a result of the Primary Offering closing, effective November 9, 2016, the Company no longer pays the Dealer Manager selling commissions and dealer manager fees under a dealer manager agreement.

Pursuant to a dealer manager agreement, the Company pays the Dealer Manager an ongoing distribution fee of up to 1.0% annually of gross proceeds from the sale of Class T shares sold in the Primary Offering, all of which is available to be reallowed to participating broker-dealers. The Dealer Manager will cease receiving distribution fees with respect to each Class T share upon the earliest to occur of the following: (i) a listing of the Company's shares of common stock on a national securities exchange; (ii) such Class T share is no longer outstanding; (iii) the Dealer Manager's determination that total underwriting compensation, with respect to all Class A shares and Class T shares would be in excess of 10.0% of the gross proceeds of the Primary Offering; or (iv) the end of the month in which total underwriting compensation, with respect to the Class T shares held by a stockholder within his or her particular account, would be in excess of 10.0% of the stockholder's total gross investment amount at the time of purchase of the primary Class T shares held in such account.

During the year ended December 31, 2017, the Company recorded a present value adjustment to the estimated liability of distribution fees totaling $0.3 million. As of December 31, 2017, the estimated liability for the present value of the expected future distribution fees payable to the Dealer Manager, which is included in due to related party on the Company's consolidated balance sheets, with an offset to additional paid-in capital, was $3.8 million. The Company began issuing Class T shares in October 2015 and during the second quarter of 2016, commenced recording the estimated liability for future distribution fees payable related to all outstanding Class T shares. As of December 31, 2016, the estimated liability was $5.0 million.

No selling commissions, dealer manager fees, or distribution fees are paid for sales pursuant to the DRP or for shares that were sold pursuant to the Company's distribution support agreement ("Distribution Support Agreement").

Summary of Fees and Reimbursements

The following table presents the fees and reimbursements incurred and paid to the Advisor and the Dealer Manager for the years ended December 31, 2017, 2016 and 2015 and the amounts due to (from) related party as of December 31, 2017, 2016 and 2015 (dollars in thousands):

Type of Fee or Reimbursement	Financial Statement Location	Due to (from) Related Party as of December 31, 2016	Year Ended December 31, 2017		Due to (from) Related Party as of December 31, 2017
			Incurred	Paid	
Fees to Advisor Entities					
Asset management	Asset management and other fees-related party	$ 17	$ 21,381	$ (21,422)	$ (24)
Acquisition[1]	Real estate debt investments, net / Investments in unconsolidated ventures / Asset management and other fees-related party	—	2,599	(2,599)	—
Disposition[1]	Real estate debt investments, net / Asset management and other fees-related party	85	1,946	(2,031)	—
Reimbursements to Advisor Entities					
Operating costs[2]	General and administrative expenses	11	12,441	(9,337)	3,115
Offering	Cost of capital[3]	272	—	(272)	—
Distribution Fees	Cost of capital[3]	4,962	293	(1,505)	3,750
Total		$ 5,347	$ 38,660	$ (37,166)	$ 6,841

(1) Acquisition/disposition fees incurred to the Advisor related to CRE debt investments are generally offset by origination/exit fees paid to the Company by borrowers if such fees are required from the borrower. Acquisition fees related to equity investments are included in asset management and other fees - related party in the consolidated statements of operations. From inception through December 31, 2017, the Advisor waived $3.7 million of acquisition fees related to CRE securities and PE Investments.
(2) As of December 31, 2017, the Advisor has incurred unreimbursed operating costs on behalf of the Company of $14.1 million, that remain eligible to allocate to the Company. Pursuant to the Combination Agreement, immediately prior to the closing of the Combination, CLNC agreed, if necessary, to declare a special distribution to an affiliate of the Sponsor in an amount intended to reimburse such affiliate for, among other things, the expected present value of the unreimbursed operating costs incurred by the Advisor on the Company's behalf. On February 1, 2018, CLNC settled an agreed upon amount for the unreimbursed operating costs incurred by the Advisor on the Company's behalf.
(3) Cost of capital is included in net proceeds from issuance of common stock in the Company's consolidated statements of equity.

Type of Fee or Reimbursement	Financial Statement Location	Due to Related Party as of December 31, 2015	Year Ended December 31, 2016		Due to Related Party as of December 31, 2016
			Incurred	Paid	
Fees to Advisor Entities					
Asset management	Asset management and other fees-related party	$ 1	$ 18,098	$ (18,082)	$ 17
Acquisition[1]	Real estate debt investments, net / Asset management and other fees-related party	—	2,515	(2,515)	—
Disposition[1]	Real estate debt investments, net / Asset management and other fees-related party	19	2,944	(2,878)	85
Reimbursements to Advisor Entities					
Operating costs[2]	General and administrative expenses	1	8,976	(8,966)	11
Offering	Cost of capital[3]	524	3,508	(3,760)	272
Selling Commissions	Cost of capital[3]	—	9,349	(9,349)	—
Dealer Manager Fees	Cost of capital[3]	—	6,851	(6,851)	—
Distribution Fees	Cost of capital[3]	8	5,797	(843)	4,962
Total		$ 553	$ 58,038	$ (53,244)	$ 5,347

(1) Acquisition/disposition fees incurred to the Advisor related to CRE debt investments are generally offset by origination/exit fees paid to the Company by borrowers if such fees are required from the borrower. Acquisition fees related to equity investments are included in asset management and other fees - related party in the consolidated statements of operations. The Advisor may determine to defer fees or seek reimbursement. From inception through December 31, 2016, the Advisor waived $3.7 million of acquisition fees related to CRE securities and PE Investments.
(2) As of December 31, 2016, the Advisor has incurred unreimbursed operating costs on behalf of the Company of $15.5 million, that remain eligible to allocate to the Company.
(3) Cost of capital is included in net proceeds from issuance of common stock in the Company's consolidated statements of equity.

Investment Activity

In September 2016, the Company completed the acquisition of a diversified portfolio of limited partnership or similar equity interests in real estate private equity funds, from NorthStar Realty ("PE Investment III"). At acquisition, PE Investment III was comprised of interests in 41 funds managed by 20 institutional-quality sponsors and had an aggregate reported NAV of approximately $344.3 million as of March 31, 2016 (the "Record Date"). The funds hold interests in assets that are diversified geographically across 24 states and internationally and diversified by investment type, including mixed-use, multifamily, office and hotel properties.

The Company acquired PE Investment III at a price equal to 92.25% of the NAV as of the Record Date with $33.9 million paid at the closing (reflecting $34.3 million of net distributions due to the Company as of the closing date) and $204.7 million paid in December 2016. In addition, the Company assumed approximately $44.7 million of deferred purchase price obligations to third parties from whom NorthStar Realty had originally acquired certain of the fund interests within PE Investment III, which includes the proportionate share of an obligation owed through a joint investment within PE Investment III, totaling $5.6 million. As of December 31, 2017, all deferred purchase price obligations have been paid. The Company additionally recorded a receivable of $4.0 million in connection with deferred tax liabilities assumed in the acquisition of PE Investment III. The transaction was approved by the Company's board of directors, including all of its independent directors, and supported by an independent third-party valuation of PE Investment III. At December 31, 2017, one underlying real estate private equity fund owned in PE Investment III, totaling approximately $0.7 million, was managed by an affiliate of the Company.

In September 2016, the Company originated a $98.4 million subordinate interest in an industrial portfolio (the "Industrial Portfolio"), sponsored and owned by an unaffiliated third party. In connection with the transaction, the third-party sponsor redeemed an interest in an industrial portfolio historically held by NorthStar Realty.

In November 2016, the Company entered into a $284.2 million securitization financing transaction. Securitization 2016-1 was collateralized by a pool of 10 CRE debt investments with a committed aggregate principal balance of $254.7 million primarily originated by the Company and three senior participations with a committed aggregate principal balance of $29.5 million originated by NorthStar Income, a company managed by an affiliate of the Sponsor. An affiliate of the Sponsor was appointed special servicer of Securitization 2016-1. The transaction was approved by the Company's board of directors, including all of its independent directors.

In July 2017, the Company entered into a joint venture with an affiliate of the Sponsor to make a $60.0 million investment in a $180.0 million mezzanine loan which was originated by such affiliate of the Sponsor. The Company's interest in the joint venture is 50.0% and its interest in the underlying mezzanine loan is 33.3%. The Company's total commitment is $60.0 million. The transaction was approved by the Company's board of directors, including all of its independent directors. Refer to Note 5, "Investments in Unconsolidated Ventures," for additional information.

9. Equity-Based Compensation

The Company adopted a long-term incentive plan, as amended (the "Plan"), which it may use to attract and retain qualified officers, directors, employees and consultants, as well as an independent directors compensation plan, which is a component of the Plan. Pursuant to the Plan, as of December 31, 2017, the Company's independent and non-management directors were granted a total of 81,385 Class A shares of restricted common stock for an aggregate $0.8 million, based on the share price on the date of each grant. Unvested shares totaled 25,084, 21,651 and 19,126 as of December 31, 2017, 2016 and 2015, respectively. The restricted stock granted prior to 2015 generally vests quarterly over four years and the restricted stock granted in and subsequent to 2015 generally vests quarterly over two years. However, the stock will become fully vested on the earlier occurrence of: (i) the termination of the independent or non-management director's service as a director due to his or her death or disability; or (ii) a change in control of the Company. A maximum of 2,000,000 shares of restricted common stock may be granted, of which 1,918,615 remain available for future grants as of December 31, 2017. Per the Combination Agreement, all unvested shares of restricted common stock vested on January 31, 2018.

The Company recognized equity-based compensation expense of $0.3 million, $0.2 million and $0.1 million for the years ended December 31, 2017, 2016 and 2015, respectively, related to the issuance of restricted stock to the independent and non-management directors, which was recorded in general and administrative expenses in the consolidated statements of operations.

10. Stockholders' Equity

Common Stock from Primary Offering

The Company's Primary Offering closed effective November 9, 2016. From inception through the close of the Primary Offering, the Company issued 109.2 million shares of common stock, generating gross proceeds of $1.1 billion.

Distribution Reinvestment Plan

The Company adopted a DRP through which common stockholders may elect to reinvest an amount equal to the distributions declared on their shares in additional shares of the Company's common stock in lieu of receiving cash distributions. As a result of a reallocation of $150.0 million in unsold shares from the Primary Offering to the DRP, the Company may offer up to $300.0 million in shares pursuant to the DRP.

Effective on December 28, 2016, the purchase price for shares in the DRP was $9.26, which is equal to the estimated value per share of the Company's common stock as of September 30, 2016 (the "Valuation Date") until such time as the Company establishes a new estimated per share value, at which time the purchase price will adjust to 100.0% of such estimated value per share.

Previously, following the close of the Primary Offering effective November 9, 2016, the purchase price for shares in the DRP was equal to $9.05, which was equal to the estimated value per share of the Company's common stock as of September 30, 2015. During the Primary Offering from November 16, 2015 to November 9, 2016, the purchase price for shares in the DRP was $9.79 for Class A shares and $9.25 for Class T shares. Until November 16, 2015, the initial purchase price per share in the DRP was $9.50.

No selling commissions or dealer manager fees are paid on shares issued pursuant to the DRP. The board of directors of the Company may amend, suspend or terminate the DRP for any reason upon ten-days' notice to participants, except that the Company may not amend the DRP to eliminate a participant's ability to withdraw from the DRP. On August 25, 2017, in connection with the entry into the Original Combination Agreement, the Company's board of directors voted to suspend the DRP until further notice. Pursuant to the terms of the DRP, the suspension went into effect prior to the monthly distributions paid on or about October 1, 2017 and as a result, all stockholders received cash distributions through the completion of the Combination.

For the year ended December 31, 2017, the Company issued 2.8 million shares of common stock totaling $26.4 million of gross offering proceeds pursuant to the DRP. For the year ended December 31, 2016, the Company issued 3.3 million shares of common stock totaling $32.1 million of gross offering proceeds pursuant to the DRP. From inception through December 31, 2017, the Company issued 8.6 million shares of common stock totaling $81.7 million of gross offering proceeds pursuant to the DRP.

Distributions

Distributions to stockholders are declared quarterly by the board of directors of the Company and are paid monthly based on a daily amount of $0.001917808 per share of Class A common stock and $0.001917808 per share of Class T common stock less the distribution fees that are payable with respect to such Class T shares, which is equivalent to an annualized distribution amount of $0.70 per share of the Company's common stock, less the distribution fee on Class T shares. Distributions are generally paid to stockholders on the first business day of the month following the month for which the distribution has accrued.

Distributions

The following table summarizes distributions declared for the years ended December 31, 2017, 2016, and 2015 (dollars in thousands):

	Distributions(1)(2)		
Period	**Cash**	**DRP**	**Total**
2017			
First Quarter	$ 10,650	$ 8,721	$ 19,371
Second Quarter	10,831	8,719	19,550
Third Quarter	13,940	5,937	19,877
Fourth Quarter	19,895	—	19,895
Total	$ 55,316	$ 23,377	$ 78,693
2016			
First Quarter	$ 8,379	$ 7,378	$ 15,757
Second Quarter	9,170	8,006	17,176
Third Quarter	9,939	8,533	18,472
Fourth Quarter	10,593	8,857	19,450
Total	$ 38,081	$ 32,774	$ 70,855
2015			
First Quarter	$ 3,500	$ 3,024	$ 6,524
Second Quarter	5,209	4,791	10,000
Third Quarter	6,542	6,048	12,590
Fourth Quarter	7,506	6,881	14,387
Total	$ 22,757	$ 20,744	$ 43,501

(1) Represents distributions declared for such period, even though such distributions are actually paid to stockholders the month following such period.
(2) On November 8, 2017, the board of directors of the Company approved a daily cash distribution of $0.001917808 per share of Class A common stock and $0.001917808 per share of Class T common stock less the distribution fees that are payable with respect to such Class T common stock, for each of the three months ended March 31, 2018.

Share Repurchase Program

The Company adopted a share repurchase program that may enable stockholders to sell their shares to the Company in limited circumstances (the “Share Repurchase Program”). The Company may not repurchase shares unless a stockholder has held shares for one year. However, the Company may repurchase shares held less than one year in connection with a stockholder’s death or qualifying disability. The Company is not obligated to repurchase shares under the Share Repurchase Program. The Company may amend, suspend or terminate the Share Repurchase Program at its discretion at any time, subject to certain notice requirements.

On August 25, 2017, in connection with the entry into the Original Combination Agreement, the Company’s board of directors voted to suspend the Share Repurchase Program until further notice. The suspension of the Share Repurchase Program was effective as of September 7, 2017 and as a result, pursuant to the terms of the Share Repurchase Program, no further share repurchases will be processed unless and until the Share Repurchase Program is reinstated.

Prior to the suspension of the Share Repurchase Program in connection with the Combination, for the year ended December 31, 2017, the Company repurchased 1.7 million shares totaling $16.1 million pursuant to the Share Repurchase Program. For the year ended December 31, 2016, the Company repurchased 1.0 million shares totaling $9.5 million pursuant to the Share Repurchase Program. Prior to its suspension, the Company generally funded repurchase requests received during a quarter with proceeds set aside for that purpose which were not expected to exceed proceeds received from its DRP.

11. Non-controlling Interests

Operating Partnership

Non-controlling interests include the aggregate limited partnership interests in the Operating Partnership held by limited partners, other than the Company. Income (loss) attributable to the non-controlling interests is based on the limited partners’ ownership percentage of the Operating Partnership and was de minimis for the years ended December 31, 2017, 2016 and 2015.

Other

Other non-controlling interests represent third-party equity interests in ventures that are consolidated with the Company's financial statements. Net loss attributable to other non-controlling interests for the years ended December 31, 2017 and 2016 was $0.1 million. Net income attributable to other non-controlling interests for the year ended December 31, 2015 was $0.1 million.

12. Fair Value

Fair Value Measurement

The fair value of financial instruments is categorized based on the priority of the inputs to the valuation technique and categorized into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded at fair value on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1. Quoted prices for identical assets or liabilities in an active market.

Level 2. Financial assets and liabilities whose values are based on the following:

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in non-active markets.
- c) Pricing models whose inputs are observable for substantially the full term of the asset or liability.
- d) Pricing models whose inputs are derived principally from or corroborated by observable market data for substantially the full term of the asset or liability.

Level 3. Prices or valuation techniques based on inputs that are both unobservable and significant to the overall fair value measurement.

Determination of Fair Value

The following is a description of the valuation techniques used to measure fair value of assets accounted for at fair value on a recurring basis and the general classification of these instruments pursuant to the fair value hierarchy.

<u>PE Investments</u>

The Company accounts for PE Investments at fair value which is determined based on a valuation model using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying assets in the funds and discount rate. This fair value measurement is generally based on unobservable inputs and, as such, is classified as Level 3 of the fair value hierarchy. The Company is not using the NAV (practical expedient) of the underlying funds for purposes of determining fair value.

<u>Real Estate Securities</u>

CRE securities are generally valued using a third-party pricing service or broker quotations. These quotations are not adjusted and are based on observable inputs that can be validated, and as such, are classified as Level 2 of the fair value hierarchy. Certain CRE securities may be valued based on a single broker quote or an internal price which may have less observable pricing, and as such, would be classified as Level 3 of the fair value hierarchy. Management determines the prices are representative of fair value through a review of available data, including observable inputs, recent transactions as well as its knowledge of and experience in the market.

<u>Derivative Instruments</u>

Derivative instruments include listed derivatives with quoted prices in active markets for identical financial instruments as of the reporting date. The Company does not adjust the quoted price for these instruments, and as such, classifies derivative instruments as Level 1 of the fair value hierarchy. The derivative assets are recorded within deferred costs and other assets, net on the Company's consolidated balance sheets. The derivative liabilities are recorded within other liabilities on the Company's consolidated balance sheets.

Fair Value Hierarchy

Financial assets recorded at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table presents financial assets that were accounted for at fair value on a recurring basis as of December 31, 2017 and 2016 by level within the fair value hierarchy (dollars in thousands):

	December 31, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
PE Investments, at fair value[1]	$ —	$ —	$ 197,913	$ 197,913	$ —	$ —	$ 299,681	$ 299,681
Real estate securities, available for sale	—	95,756	—	95,756	—	86,937	—	86,937
Liabilities:								
Derivative liabilities[2]	$ 88	$ —	$ —	$ 88	$ —	$ 381	$ —	$ 381

(1) Presented in investments in unconsolidated ventures on the accompanying consolidated balance sheets.
(2) Presented in other liabilities on the accompanying consolidated balance sheets.

The following table presents additional information about PE Investments which are measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016 for which the Company has used Level 3 inputs to determine fair value (dollars in thousands):

	Years Ended December 31,	
	2017	2016
Beginning balance	$ 299,681	$ 54,865
Purchases/contributions, net[1]	849	315,033
Distributions	(102,217)	(82,069)
Equity in earnings	27,375	11,611
Unrealized gains included in earnings	87	2,455
Unrealized losses included in earnings	(27,862)	(2,214)
Ending balance	$ 197,913	$ 299,681

(1) Includes contributions subsequent to closing and accretion of discount on deferred purchase price obligations. In the period of acquisition, includes initial investment, gross of adjustments and deferred purchase price obligations, net of discount. For the year ended December 31, 2016, includes $19.5 million of outstanding deferred purchase price obligations, net.

For the years ended December 31, 2017 and 2016, the Company used a discounted cash flow model to quantify Level 3 fair value measurements on a recurring basis. For the years ended December 31, 2017 and 2016, the key unobservable inputs used in this analysis included discount rates with a weighted average of 14.0% and 13.1%, respectively, and timing and amount of expected future cash flow.

Significant increases (decreases) in any one of the inputs described above in isolation may result in a significantly different fair value for the financial assets using such Level 3 inputs.

Fair Value Option

The Company elected the fair value option for PE Investments because management believes it is a more useful presentation for such investments. The Company determined recording the PE Investments based on the change in fair value of projected future cash flow from one period to another better represents the underlying economics of the respective investment. As of December 31, 2017, the Company has elected not to apply the fair value option for any other eligible financial assets or liabilities.

Fair Value of Financial Instruments

In addition to the above disclosures regarding financial assets or liabilities which are recorded at fair value, U.S. GAAP requires disclosure of fair value about all financial instruments. The following disclosure of estimated fair value of financial instruments was determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value.

The following table presents the principal amount, carrying value and fair value of certain financial assets and liabilities as of December 31, 2017 and 2016 (dollars in thousands):

	December 31, 2017			December 31, 2016		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
Financial assets:[1]						
Real estate debt investments, net [2]	$ 792,116	$ 793,449	$ 792,116	$ 805,489	$ 806,485	$ 835,589
Real estate securities, available for sale	130,191	95,756	95,756	128,181	86,937	86,937
Loan collateral receivable, related party [3]	23,728	23,728	23,728	23,728	23,728	23,051
Financial liabilities:[1]						
Mortgage and other notes payable, net	$ 385,533	$ 384,404	$ 385,533	$ 378,038	$ 376,181	$ 357,397
Credit facilities	355,407	355,407	355,407	241,407	241,407	241,407
Securitization bonds payable, net	80,825	79,634	80,825	193,980	191,315	193,980

(1) The fair value of other financial instruments not included in this table is estimated to approximate their carrying value.
(2) Principal amount excludes future funding commitments of $32.1 million and $25.2 million as of December 31, 2017 and 2016, respectively.
(3) Represents three senior loan participation interests in first mortgage loans. Principal amount excludes future funding commitments of $4.6 million as of December 31, 2017 and 2016, respectively.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of the reporting date. Although management is not aware of any factors that would significantly affect fair value, such amounts have not been comprehensively revalued for purposes of these consolidated financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

Real Estate Debt Investments, net / Loan Collateral Receivable, Related Party

For CRE debt investments, including loan collateral receivable, related party, fair values were determined: (i) by comparing the current yield to the estimated yield for newly originated loans with similar credit risk or the market yield at which a third party might expect to purchase such investment; or (ii) based on discounted cash flow projections of principal and interest expected to be collected, which includes consideration of the financial standing of the borrower or sponsor as well as operating results of the underlying collateral. As of the reporting date, the Company believes the principal amount approximates fair value. These fair value measurements of CRE debt, including loan collateral receivable, related party, are generally based on unobservable inputs, and as such, are classified as Level 3 of the fair value hierarchy.

Securitization Bonds Payable, net

Securitization bonds payable, net are valued using quotations from nationally recognized financial institutions that generally acted as underwriter for the transactions. These quotations are not adjusted and are generally based on observable inputs that can be validated, and as such, are classified as Level 2 of the fair value hierarchy.

Credit Facilities

The Company has amounts outstanding under Term Loan Facilities. The Term Loan Facilities bear floating rates of interest. As of the reporting date, the Company believes the carrying value approximates fair value. This fair value measurement is based on observable inputs, and as such, is classified as Level 2 of the fair value hierarchy.

Mortgage and Other Notes Payable, net

For mortgage and other notes payable, the Company primarily uses rates currently available with similar terms and remaining maturities to estimate fair value. These measurements are determined using comparable U.S. Treasury rates as of the end of the reporting period. As of the reporting date, the Company believes the principal amount approximates fair value. These fair value measurements are based on observable inputs, and as such, are classified as Level 2 of the fair value hierarchy.

13. Quarterly Financial Information (Unaudited)

The following tables present selected quarterly information for the years ended December 31, 2017 and 2016 (dollars in thousands, except per share data):

	Three Months Ended			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Net interest income	$ 12,765	$ 12,474	$ 11,872	$ 12,624
Property and other revenues	10,982	11,093	10,871	10,660
Expenses	21,331	24,119	21,108	20,411
Equity in earnings (losses) of unconsolidated ventures	4,893	7,326	8,337	9,610
Net income (loss)	(17,528)	5,320	7,956	10,500
Net income (loss) attributable to NorthStar Real Estate Income Trust, Inc. common stockholders	(17,546)	5,288	7,920	10,467
Net income (loss) per share of common stock, basic/diluted[(1)]	$ (0.15)	$ 0.05	$ 0.07	$ 0.09

(1) The total for the year may differ from the sum of the quarters as a result of weighting.

	Three Months Ended			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Net interest income	$ 14,074	$ 11,306	$ 8,748	$ 14,730
Property and other revenues	10,892	10,973	10,843	10,413
Expenses	20,459	19,492	20,121	19,709
Equity in earnings (losses) of unconsolidated ventures	6,618	2,438	1,262	1,293
Net income (loss)	10,284	4,928	614	6,623
Net income (loss) attributable to NorthStar Real Estate Income Trust, Inc. common stockholders	10,277	4,895	571	6,622
Net income (loss) per share of common stock, basic/diluted[(1)]	$ 0.09	$ 0.05	$ 0.01	$ 0.07

(1) The total for the year may differ from the sum of the quarters as a result of weighting.

14. Segment Reporting

The Company currently conducts its business through the following four segments, which are based on how management reviews and manages its business:

- *Commercial Real Estate Debt* - Focused on originating, acquiring and asset managing CRE debt investments including first mortgage loans, subordinate interests and mezzanine loans and participations in such loans, as well as preferred equity interests.

- *Commercial Real Estate Equity* - Focused on direct and indirect ownership in real estate and real estate assets that may be structurally senior to a third-party partner's equity and indirect interests in real estate through PE Investments since the underlying collateral in the funds is primarily real estate.

- *Commercial Real Estate Securities* - Focused on investing in CMBS, unsecured REIT debt, CDO notes and other securities.

- *Corporate* - The corporate segment includes corporate level asset management and other fees - related party and general and administrative expenses.

The Company may also invest in CRE debt investments and equity investments indirectly through joint ventures.

The Company primarily generates revenue from net interest income on its CRE debt and securities investments and rental and other income from its real estate properties. Additionally, the Company records equity in earnings of unconsolidated ventures, including PE Investments and an investment in a joint venture. The Company's income is primarily derived through the difference between revenue and the cost at which the Company is able to finance its investments. The Company may also acquire investments which generate attractive returns without any leverage.

The following tables present segment reporting for the years ended December 31, 2017, 2016 and 2015 (dollars in thousands):

Year Ended December 31, 2017	Real Estate Debt	Real Estate Equity	Real Estate Securities	Corporate	Total
Net interest income	$ 42,042	$ 4	$ 7,207	$ 482	$ 49,735
Rental and other income	—	43,606	—	—	43,606
Asset management and other fees - related party	—	—	—	(21,381)	(21,381)
Mortgage notes interest expense	—	(14,327)	—	—	(14,327)
Transaction costs	—	—	—	(5,609)	(5,609)
Property operating expenses	—	(12,838)	—	—	(12,838)
General and administrative expenses	(666)	(27)	(39)	(13,310)	(14,042)
Depreciation and amortization	—	(18,772)	—	—	(18,772)
Unrealized gain (loss) on investments	—	(27,773)	—	—	(27,773)
Realized gain (loss) on investments	—	(650)	—	—	(650)
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	41,376	(30,777)	7,168	(39,818)	(22,051)
Equity in earnings (losses) of unconsolidated ventures	2,791	27,375	—	—	30,166
Income tax benefit (expense)	—	(1,867)	—	—	(1,867)
Net income (loss)	$ 44,167	$ (5,269)	$ 7,168	$ (39,818)	$ 6,248

Year Ended December 31, 2016	Real Estate Debt	Real Estate Equity	Real Estate Securities	Corporate	Total
Net interest income	$ 42,548	$ 6	$ 6,076	$ 228	$ 48,858
Rental and other income	—	43,121	—	—	43,121
Asset management and other fees - related party	—	—	—	(20,222)	(20,222)
Mortgage notes interest expense	—	(13,612)	—	—	(13,612)
Transaction costs	(1,384)	(297)	—	—	(1,681)
Property operating expenses	—	(13,557)	—	—	(13,557)
General and administrative expenses	(391)	(34)	(26)	(9,513)	(9,964)
Depreciation and amortization	—	(20,745)	—	—	(20,745)
Unrealized gain (loss) on investments	—	553	—	—	553
Realized gain (loss) on investments	—	(34)	—	—	(34)
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	40,773	(4,599)	6,050	(29,507)	12,717
Equity in earnings (losses) of unconsolidated ventures	—	11,611	—	—	11,611
Income tax benefit (expense)	—	(1,879)	—	—	(1,879)
Net income (loss)	$ 40,773	$ 5,133	$ 6,050	$ (29,507)	$ 22,449

Year Ended December 31, 2015	Real Estate Debt	Real Estate Equity	Real Estate Securities	Corporate	Total
Net interest income	$ 25,340	$ 4	$ 202	$ 8	$ 25,554
Rental and other income	—	19,603	—	—	19,603
Asset management and other fees - related party	—	—	—	(16,463)	(16,463)
Mortgage notes interest expense	—	(6,778)	—	—	(6,778)
Transaction costs	(1,457)	(5,565)	—	—	(7,022)
Property operating expenses	—	(5,860)	—	—	(5,860)
General and administrative expenses	(336)	—	(4)	(7,935)	(8,275)
Depreciation and amortization	—	(11,812)	—	—	(11,812)
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	23,547	(10,408)	198	(24,390)	(11,053)
Equity in earnings (losses) of unconsolidated ventures	—	6,021	—	—	6,021
Income tax benefit (expense)	—	(359)	—	—	(359)
Net income (loss)	$ 23,547	$ (4,746)	$ 198	$ (24,390)	$ (5,391)

The following table presents total assets by segment as of December 31, 2017 and 2016 (dollars in thousands):

Total Assets	Real Estate Debt	Real Estate Equity(1)	Real Estate Securities	Corporate(2)	Total
December 31, 2017	$ 945,992	$ 659,879	$ 105,896	$ 21,713	$ 1,733,480
December 31, 2016	909,240	753,690	92,451	51,619	1,807,000

(1) Includes investments in private equity funds totaling $197.9 million and $299.7 million as of December 31, 2017 and 2016, respectively.
(2) Includes cash and cash equivalents, unallocated receivables and deferred costs and other assets, net.

15. Subsequent Events

Distributions

On January 30, 2018, the Company declared and paid to stockholders an aggregate $6.7 million monthly cash distribution for the month of January.

Combination Agreement

On January 31, 2018, the Company closed the transactions contemplated by the Combination Agreement. Pursuant to the terms of the Contribution Agreement, among other things, the Company merged with and into CLNC, with CLNC continuing as the surviving corporation in a stock-for-stock merger, and the Company's stockholders received approximately 40.4 million shares of CLNC's Class A common stock. CLNC's Class A common stock began trading on the New York Stock Exchange on February 1, 2018 under the symbol "CLNC". Upon completion of the Combination, the Company's stockholders, the Sponsor and NorthStar Income's stockholders owned approximately 31%, 37% and 32%, respectively, of CLNC's Class A common stock on a fully diluted basis.

COLONY NORTHSTAR, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

COLONY NORTHSTAR, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On August 25, 2017, as amended and restated on November 20, 2017, certain subsidiaries of Colony NorthStar, Inc. (the "Company") entered into a master combination agreement (the "Combination Agreement") with (i) Colony NorthStar Credit Real Estate, Inc., a Maryland corporation ("Colony NorthStar Credit"), (ii) Credit RE Operating Company, LLC, a Delaware limited liability company and wholly owned subsidiary of Colony NorthStar Credit ("Credit OP"), (iii) NorthStar Real Estate Income Trust, Inc., a Maryland corporation and a public, non-traded real estate investment trust ("REIT") managed by a subsidiary of the Company ("NorthStar I"), (iv) NorthStar Real Estate Income Trust Operating Partnership, LP, a Delaware limited partnership and the operating partnership of NorthStar I ("NorthStar I OP"), (v) NorthStar Real Estate Income II, Inc., a Maryland corporation and a public, non-traded REIT managed by a subsidiary of the Company ("NorthStar II"), and (vi) NorthStar Real Estate Income Operating Partnership II, LP, a Delaware limited partnership and the operating partnership of NorthStar II ("NorthStar II OP").

Pursuant to the Combination Agreement, (i) certain subsidiaries of the Company agreed to contribute a select portfolio of assets and liabilities of the Company (the "CLNS Contributed Portfolio") represented by their ownership interests ranging from 38% to 100% (which interests represent the "CLNS Contributions") in certain investment entities (the "CLNS Investment Entities") to Colony NorthStar Credit and Credit OP, (ii) NorthStar I merged with and into Colony NorthStar Credit, with Colony NorthStar Credit surviving the merger (the "NorthStar I Merger"), (iii) NorthStar II merged with and into Colony NorthStar Credit, with Colony NorthStar Credit surviving the merger (the "NorthStar II Merger" and, together with the NorthStar I Merger, the "Mergers"), and (iv) immediately following the Mergers, Colony NorthStar Credit contributed and conveyed to Credit OP the CLNS Contributed Portfolio and the equity interests of each of NorthStar I OP and NorthStar II OP then owned by Colony NorthStar Credit in exchange for units of membership interest in Credit OP (the "Credit Contribution" and, collectively with the Mergers and the CLNS Contributions, the "Combination").

The CLNS Investment Entities are subsidiaries of the entities that were contributed to the Company in connection with the Combination (such directly contributed entities, the "Contributed Entities"). The CLNS Contributions comprises the Company's interests in certain of its commercial real estate loans, net lease properties and limited partnership interests in third party sponsored funds, which represent a select portfolio of U.S. investments within the Company's other equity and debt segment that are transferable assets consistent with Colony NorthStar Credit's strategy.

On January 18, 2018, the Combination was approved by the stockholders of NorthStar I and NorthStar II. The Combination closed on January 31, 2018 (the "Closing Date") and Colony NorthStar Credit's class A common stock began trading on the New York Stock Exchange on February 1, 2018 under the symbol "CLNC."

The following pro forma condensed consolidated financial statements and notes thereto are based upon the historical financial condition and results of operations of the Company and give effect to: (i) contribution to Colony NorthStar Credit of the CLNS Contributions (remaining interests in the CLNS Investment Entities not owned by subsidiaries of the Company were not contributed) in exchange for shares of Colony NorthStar Credit's Class B-3 common stock and common membership interests in Credit OP; (ii) cash settlement between the Company and Colony NorthStar Credit with respect to the Pre-Closing Adjustments (as described in Note 1), as defined in the Combination Agreement; (iii) acquisition by the Company of a senior interest in a loan receivable previously held by NorthStar I that was not transferred to Colony NorthStar Credit at the Closing Date; and (iv) cancellation of management agreements between the Company and each of NorthStar I and NorthStar II, and establishment of a new management agreement between Colony NorthStar Credit and a subsidiary of the Company.

The pro forma condensed consolidated financial statements are presented for illustrative purposes only and are not necessarily indicative of the financial position or results of operations of the Company had the Combination and related transactions been completed as of the beginning of the earliest period presented, nor are they necessarily indicative of future results of operations or future financial position of the Company.

The pro forma condensed consolidated financial statements of the Company should be read in conjunction with the historical consolidated financial statements and notes thereto of the Company included in Item 15 of the Company's Annual Report on Form 10-K for the year ended December 31, 2017, the historical combined financial statements and notes thereto of the CLNS Investment Entities included in Item 8 of Colony NorthStar Credit's Annual Report on Form 10-K for the year ended December 31, 2017, as well as the pro forma condensed combined financial statements of Colony NorthStar Credit included as Exhibit 99.3 in Colony NorthStar Credit's Annual Report on Form 10-K for the year ended December 31, 2017.

COLONY NORTHSTAR, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
December 31, 2017
(In thousands)

	Colony NorthStar As Reported	Pro Forma Adjustments: Disposition and Acquisition (a)		Pro Forma Adjustments: Other		Colony NorthStar Pro Forma
Assets						
Cash and cash equivalents	$ 921,822	$ (25,204)		$ (122,017)	(c)(d)	$ 774,601
Restricted cash	471,078	(41,901)		7,641	(d)	436,818
Real estate, net	14,464,258	(219,740)		—		14,244,518
Loans receivable, net	3,223,762	(1,300,784)		65,000	(d)	1,987,978
Investments in unconsolidated ventures	1,655,239	(203,720)		(11,620)	(e)	2,625,848
		1,174,533	(b)	11,416	(e)	
Securities, at fair value	383,942	—		—		383,942
Goodwill	1,534,561	—		—		1,534,561
Deferred leasing costs and intangible assets, net	852,872	(11,014)		(140,282)	(f)	701,576
Assets held for sale	781,630	—		—		781,630
Other assets	444,968	(37,039)		—		407,929
Due from affiliates	51,518	—		(18,108)	(g)	33,410
Total assets	$ 24,785,650	$ (664,869)		$ (207,970)		$ 23,912,811
Liabilities						
Debt, net	$ 10,827,810	$ (389,661)		$ —		$ 10,438,149
Accrued and other liabilities	898,161	(42,135)		7,641	(d)	863,667
Intangible liabilities, net	191,109	(36)		—		191,073
Liabilities related to assets held for sale	273,298	—		—		273,298
Due to affiliates	23,534	—		—		23,534
Dividends and distributions payable	188,202	—		—		188,202
Total liabilities	12,402,114	(431,832)		7,641		11,977,923
Commitments and contingencies						
Redeemable noncontrolling interests	34,144	—		—		34,144
Equity						
Stockholders' equity	8,407,925	89,414		(203,522)	(h)	8,293,817
Noncontrolling interests in investment entities	3,539,072	(327,762)		—		3,211,310
Noncontrolling interests in Operating Company	402,395	5,311	(i)	(12,089)	(i)	395,617
Total equity	12,349,392	(233,037)		(215,611)		11,900,744
Total liabilities, redeemable noncontrolling interests and equity	$ 24,785,650	$ (664,869)		$ (207,970)		$ 23,912,811

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

COLONY NORTHSTAR, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
Year Ended December 31, 2017
(In thousands, except per share data)

		Pro Forma Adjustments		
	Colony NorthStar As Reported	Disposition and Acquisition (aa)	Other	Colony NorthStar Pro Forma
Revenues				
Property operating income	$ 2,113,837	$ (23,750)	$ —	$ 2,090,087
Interest income	416,625	(140,214)	5,475 (ad)	281,886
Fee income	220,789	—	1,638 (ae)	222,427
Other income	45,483	(791)	8,084 (af)(ag)	52,776
Total revenues	2,796,734	(164,755)	15,197	2,647,176
Expenses				
Property operating expense	1,113,509	(7,978)	—	1,105,531
Interest expense	574,822	(26,114)	—	548,708
Investment, servicing and commission expense	67,597	(2,389)	534 (af)	65,742
Transaction costs	95,859	(181)	(1,965) (ah)	93,713
Depreciation and amortization	617,779	(9,137)	(15,168) (ai)	593,474
Provision for loan loss	19,741	(518)	—	19,223
Impairment loss	420,360	—	—	420,360
Compensation expense	346,885	—	—	346,885
Administrative expenses	113,456	(524) (ab)	—	112,932
Total expenses	3,370,008	(46,841)	(16,599)	3,306,568
Other income (loss)				
Gain on sale of real estate	137,370	—	—	137,370
Other gain (loss), net	(25,814)	390	—	(25,424)
Earnings from investments in unconsolidated ventures	285,151	(24,709)	—	293,219
		32,777 (ac)		
Income (loss) before income taxes	(176,567)	(109,456)	31,796	(254,227)
Income tax benefit	98,399	2,208	—	100,607
Net income (loss) from continuing operations	(78,168)	(107,248)	31,796	(153,620)
Net income (loss) from continuing operations attributable to noncontrolling interests:				
Redeemable noncontrolling interests	23,543	—	—	23,543
Investment entities	129,996	(39,376)	—	90,620
Operating Company	(20,261)	(3,805) (aj)	1,782 (aj)	(22,284)
Net income (loss) from continuing operations attributable to Colony NorthStar, Inc.	(211,446)	(64,067)	30,014	(245,499)
Preferred stock redemption	4,530	—	—	4,530
Preferred stock dividends	130,672	—	—	130,672
Net income (loss) from continuing operations attributable to common stockholders	$ (346,648)	$ (64,067)	$ 30,014	$ (380,701)
Loss per share from continuing operations:				
Basic	$ (0.66)			$ (0.73)
Diluted	$ (0.66)			$ (0.73)
Weighted average number of shares:				
Basic	532,600			532,600
Diluted	532,600			532,600

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

1. Description of the Combination

Upon closing of the Combination, the Company and its affiliates, NorthStar I stockholders and NorthStar II stockholders each owned approximately 37%, 32% and 31%, respectively, of Colony NorthStar Credit on a fully diluted basis.

The Company, through certain of its subsidiaries, received 44,399,444 shares of the Colony NorthStar Credit's class B-3 common stock ("CLNC Class B-3 common stock") and 3,075,623 common membership interests in Credit OP (the "CLNC OP Units") in exchange for its contribution of the CLNS Contributed Portfolio. Each share of the CLNC Class B-3 common stock will automatically convert into Colony NorthStar Credit's class A common stock (the "CLNC Class A common stock") on a one-for-one basis upon close of trading on February 1, 2019. The CLNC OP Units are redeemable for cash or CLNC Class A common stock on a one-for-one basis, in the sole discretion of Colony NorthStar Credit. Subject to certain limited exceptions, the Company has agreed not to make any transfers of the CLNC OP Units to non-affiliates until the one year anniversary of the closing of the Combination, unless such transfer is approved by a majority of Colony NorthStar Credit's board of directors, including a majority of the independent directors.

Each share of NorthStar I and NorthStar II common stock issued and outstanding immediately prior to the effective time of the NorthStar I Merger and NorthStar II Merger, respectively, was converted into the right to receive 0.3532 shares (the "NorthStar I Exchange Ratio") and 0.3511 shares (the "NorthStar II Exchange Ratio") of CLNC class A common stock, respectively.

Following the CLNS Contribution, but prior to the NorthStar I Merger and NorthStar II Merger, there was a cash settlement of the Pre-Closing Adjustments (as described herein) between the Company and Colony NorthStar Credit for the difference between (i) the sum of (a) the loss in value of NorthStar I and NorthStar II as a result of the distributions made by NorthStar I and NorthStar II in excess of FFO (as such term is defined in the Combination Agreement) from July 1, 2017 through the day immediately preceding the Closing Date (excluding the dividend payment made by each of NorthStar I and NorthStar II on July 1, 2017), (b) FFO for the Contributed Entities from July 1, 2017 through the day immediately preceding the Closing Date, (c) cash contributions or contributions of certain intercompany receivables made to the Contributed Entities from July 1, 2017 through the day immediately preceding the Closing Date, and (d) the expected present value of certain unreimbursed operating expenses of NorthStar I and NorthStar II paid on each company's behalf by their respective advisors; and (ii) cash distributions made by the Contributed Entities from July 1, 2017 through the day immediately preceding the Closing Date, excluding that certain distribution made by the Contributed Entities in July 2017 relating to the partial repayment of a certain investment (collectively, the "Pre-Closing Adjustments").

As contemplated in the Combination Agreement, a certain loan receivable previously held by NorthStar I in the original principal amount of $150.2 million was not transferred to Colony NorthStar Credit (the "NorthStar I Excluded Asset"), and at the Closing Date, the Company acquired a $65 million senior participation interest in the NorthStar I Excluded Asset at par. The remaining junior participation interest in the NorthStar I Excluded Asset was transferred to a liquidating trust in exchange for 100% of the outstanding units of beneficial interest in the liquidating trust. The beneficial interests of the liquidating trust were distributed pro rata to NorthStar I stockholders.

In connection with the closing of the Combination, a wholly-owned subsidiary of the Company entered into a management agreement with Colony NorthStar Credit. The management agreement provides for a base management fee of 1.5% per annum of Colony NorthStar Credit's stockholders' equity (as defined in the management agreement) and incentive fees subject to the achievement of minimum return hurdles in accordance with terms set out in the management agreement, each payable quarterly in arrears in cash. The management agreement has an initial term of three years and will be automatically renewed for a one-year term thereafter unless earlier terminated. Following the initial term, the management agreement may be terminated each year if there has been an affirmative vote of at least two-thirds of Colony NorthStar Credit's independent directors determining that (i) there has been unsatisfactory performance by the manager that is materially detrimental to Colony NorthStar Credit or (ii) the compensation payable to the manager is not fair to Colony NorthStar Credit, subject to the manager's right to prevent such termination due to unfair fees by accepting reduced compensation as agreed to by at least two-thirds of Colony NorthStar Credit's independent directors.

2. Basis of Presentation

The pro forma condensed consolidated financial statements as of and for the year ended December 31, 2017 have been prepared in accordance with Article 11 of Regulation S-X and, in the opinion of management, reflect all necessary adjustments to give pro forma effect to all significant events that are: (i) directly attributable to the transactions; (ii) factually supportable; and (iii) with respect to the unaudited pro forma condensed consolidated statement of operations, expected to have a continuing impact on the results of the Company.

The pro forma condensed consolidated balance sheet at December 31, 2017 is presented as if the Combination and related transactions had been completed on December 31, 2017. The pro forma condensed consolidated statement of operations for the year ended December 31, 2017 is presented as if the Combination and related transactions had been completed on January 1, 2017.

Upon closing of the Combination, the contribution by the Company to Colony NorthStar Credit of the CLNS Contributions, and the Mergers, resulted in the deconsolidation of the CLNS Investment Entities. The Company does not control Colony NorthStar Credit as the Company's role as the manager of Colony NorthStar Credit is under the supervision and direction of the Board of Directors of Colony NorthStar Credit, the majority of whom are independent directors. The Company has significant influence over Colony NorthStar Credit through its representation on the Board of Directors and through its role as manager. The Company accounts for its 37% ownership interest in Colony NorthStar Credit, received in exchange for its contribution of the CLNS Contributions, under the equity method. The Company measured its interest in Colony NorthStar Credit based upon its proportionate share of Colony NorthStar Credit's fair value at the closing of the Combination.

3. Adjustments to Unaudited Pro Forma Condensed Consolidated Balance Sheet

Disposition and Acquisition Pro Forma Adjustments

(a) *Disposition of CLNS Contributions*—Unless otherwise noted, adjustments reflect the elimination of the accounts of the CLNS Investment Entities upon their deconsolidation as described in Note 2.

(b) *Acquisition of interest in Colony NorthStar Credit*—In exchange for the Company’s contribution of the CLNS Contributions to Colony NorthStar Credit, the Company received a combination of CLNC Class B-3 common stock and CLNC OP units. The Company accounts for its interest in Colony NorthStar Credit under the equity method (see Note 2), measured based upon its approximately 37% share of Colony NorthStar Credit's fair value upon closing of the Combination, as follows.

(In thousands, except share per share amounts)	CLNC Class B-3 common stock	CLNC OP units	Total
Shares and units received by the Company for CLNS Contributions	44,399,444	3,075,623	
Fair value per share of Colony NorthStar Credit[(i)]	$ 24.74	$ 24.74	
Fair value of the Company’s interests in Colony NorthStar Credit	$ 1,098,442	$ 76,091	$ 1,174,533

[(i)] Based upon the combined estimated fair values of assets, liabilities and noncontrolling interests of Colony NorthStar Credit at closing of the Combination.

The net impact from the Company’s deconsolidation of the CLNS Investment Entities and acquisition of its interest in Colony NorthStar Credit is reflected in stockholders’ equity. This includes the difference between fair value and carrying value of the Company's retained interests in the CLNS Investment Entities through its approximately 37% interest in Colony NorthStar Credit, reflected in retained earnings.

Other Pro Forma Adjustments

(c) *Pre-Closing Adjustments*—As described in Note 1, the Pre-Closing Adjustments represent the Company’s settlement of $57.0 million payable in cash to Colony NorthStar Credit, calculated as follows:

The sum of:

- Special distribution to the Company from NorthStar II (which had greater cash leakage than NorthStar I, measured as cash distributions, excluding distributions in shares, in excess of its FFO, as described in Note 1) of $7.4 million for the period from July 1, 2017 through the day immediately preceding the Closing Date;
- FFO of the Contributed Entities of $67.1 million for the period from July 1, 2017 through the day immediately preceding the Closing Date;

- Cash contributions by the Company to the CLNS Investment Entities totaling $25.4 million for the period from July 1, 2017 through the day immediately preceding the Closing Date;
- Contribution of intercompany notes receivable and distribution receivable by the Company to Colony NorthStar Credit of $38.5 million; and
- Certain unreimbursed operating expenses of NorthStar I and NorthStar II paid on each entity's behalf by subsidiaries of the Company, as their respective advisors, totaling $18.1 million;

Less:

- Distributions made by the Contributed Entities to the Company of $213.5 million for the period from July 1, 2017 through the day immediately preceding the Closing Date.

(d) *NorthStar I Excluded Asset*—Adjustments related to the NorthStar I Excluded Asset are as follows:

- *Cash, loans receivable*—payment of $65.0 million as consideration for acquisition of a senior interest in the NorthStar I Excluded Asset; and
- *Restricted cash, accrued and other liabilities*—assumption of borrower escrow deposit of $7.6 million.

(e) The Company's existing cost method investments in NorthStar I and NorthStar II totaling $11.6 million were exchanged into shares of Colony NorthStar Credit based upon the NorthStar I Exchange Ratio and NorthStar II Exchange Ratio, respectively, and measured based upon the fair value of Colony NorthStar Credit at the Closing Date (see note (b) above).

	NorthStar I	NorthStar II	Colony NorthStar Credit
Shares held by the Company prior to the Combination	645,848	664,509	
Exchange ratio	0.3532	0.3511	
Shares of Colony NorthStar Credit Class A common stock received in exchange	228,114	233,309	461,423
Fair value per share of Colony NorthStar Credit (note (b))			$ 24.74
Fair value of common stock in Colony NorthStar Credit (in thousands)			$ 11,416

(f) Upon closing of the Combination, the Company's management contracts with NorthStar I and NorthStar II ceased to exist and the associated intangible assets with an aggregate carrying value of $140.3 million were written off. The write-off is reflected as an adjustment to retained earnings.

(g) Adjustment to due from affiliates reflects the elimination of $18.1 million of cost reimbursement receivable from NorthStar I and NorthStar II that was settled as part of the Pre-Closing Adjustments (see note (c)).

(h) Adjustments to stockholders' equity are as follows:

(In thousands)	
Pre-Closing Adjustments (note (c))	$ (57,017)
Net loss from exchange of NorthStar I and NorthStar II shares into shares of Colony NorthStar Credit (note (e))	(204)
Write-off of NorthStar I and NorthStar II management contract intangible assets (note (f))	(140,282)
Cost reimbursement receivable from NorthStar I and NorthStar II settled as part of Pre-Closing Adjustments (note (g))	(18,108)
Allocation to noncontrolling interests in Colony Capital Operating Company LLC (note (i))	12,089
	$ (203,522)

(i) Adjustment reflects the amount of pro forma adjustments attributable to noncontrolling interests in Colony Capital Operating Company LLC.

4. Adjustments to Unaudited Pro Forma Condensed Consolidated Statement of Operations

Disposition and Acquisition Pro Forma Adjustments

(aa) *Disposition of CLNS Contributions*—Unless otherwise noted, adjustments reflect the elimination of the historical results of operations of the CLNS Investment Entities upon their deconsolidation as described in Note 2.

(ab) Adjustment does not include $12.1 million of administrative expenses that were allocated to the CLNS Investment Entities based upon the relative assets under management of the CLNS Investment Entities to the total assets under management of the Company. Such allocation was reflected in the financial statements of the CLNS Investment Entities in accordance with guidance provided by the SEC Staff with respect to carve-out financial statements.

(ac) *Acquisition of interest in Colony NorthStar Credit*—Adjustment represents the recognition of the Company's share of pro forma earnings from its equity method investment in Colony NorthStar Credit of $32.8 million.

Other Pro Forma Adjustments

(ad) Represents interest income related to the $65 million senior interest in the NorthStar I Excluded Asset acquired by the Company.

(ae) Adjustment to fee income reflects the net effect of: (i) excluding $46.3 million of fee income from NorthStar I and NorthStar II management contracts that were canceled upon closing of the Combination; and (ii) including $47.9 million of fee income from the new Colony NorthStar Credit management agreement based upon 1.5% per annum of Colony NorthStar Credit's stockholders' equity, as defined in the management agreement.

(af) Adjustment includes a gross-up of $0.5 million of asset management costs incurred by the Company on behalf of the CLNS Investment Entities and reimbursed by the CLNS Investment Entities. Upon deconsolidation of the CLNS Investment Entities, such costs are expected to be accounted for as cost reimbursements from an equity method investee.

(ag) Adjustment includes cost reimbursements of approximately $7.6 million with respect to equity of CLNS Investment Entities under the terms of the Colony NorthStar Credit management agreement, which allows for a time-based allocation of certain of the Company's compensation and overhead costs, excluding primarily executive management and investment personnel costs (other than the Company's chief financial officer). No adjustment is reflected to historical cost reimbursements from NorthStar I and Northstar II.

(ah) Represents elimination of nonrecurring transaction costs in connection with the Combination.

(ai) Represents elimination of amortization of the NorthStar I and Northstar II management contract intangible assets.

(aj) Adjustment reflects the amount of pro forma adjustments attributable to noncontrolling interests in Colony Capital Operating Company LLC.

5. Pro Forma Loss Per Share

The following table presents pro forma basic and diluted loss per share from continuing operations after giving effect to pro forma adjustments to the consolidated statement of operations:

(In thousands, except for per share data)		Year Ended December 31, 2017
Numerator:		
Pro forma net loss from continuing operations attributable to common stockholders	$	(380,701)
Net income allocated to participating securities[(i)]		(9,168)
Pro forma net loss from continuing operations allocated to common stockholders—basic and diluted	$	(389,869)
Denominator:		
Weighted average number of shares outstanding—basic and diluted		532,600
Loss per share:		
Pro forma net loss from continuing operations attributable to common stockholders per share—basic and diluted	$	(0.73)

[(i)] Represents the nonforfeitable dividend participation allocated to participating securities for the year ended December 31, 2017.