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

FORM 10-Q

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

For the quarterly period ended September 30, 2019

OR

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

Commission file number: 001-37980

COLONY CAPITAL, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**46-4591526**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

515 South Flower Street, 44th Floor
Los Angeles, California 90071
(Address of Principal Executive Offices, Including Zip Code)

(310) 282-8820
(Registrant's Telephone Number, Including Area Code)

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

Title of Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Class A Common Stock, $0.01 par value	CLNY	New York Stock Exchange
Preferred Stock, 8.25% Series B Cumulative Redeemable, $0.01 par value	CLNY.PRB	New York Stock Exchange
Preferred Stock, 8.75% Series E Cumulative Redeemable, $0.01 par value	CLNY.PRE	New York Stock Exchange
Preferred Stock, 7.50% Series G Cumulative Redeemable, $0.01 par value	CLNY.PRG	New York Stock Exchange
Preferred Stock, 7.125% Series H Cumulative Redeemable, $0.01 par value	CLNY.PRH	New York Stock Exchange
Preferred Stock, 7.15% Series I Cumulative Redeemable, $0.01 par value	CLNY.PRI	New York Stock Exchange
Preferred Stock, 7.125% Series J Cumulative Redeemable, $0.01 par value	CLNY.PRJ	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If 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 pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☐

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

As of November 5, 2019, 487,015,193 shares of the Registrant's class A common stock and 733,931 shares of class B common stock were outstanding.

COLONY CAPITAL, INC.

FORM 10-Q

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

COLONY CAPITAL, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)
(Unaudited)

	September 30, 2019	December 31, 2018[1]
Assets		
Cash and cash equivalents	$ 455,330	$ 461,912
Restricted cash	257,435	364,605
Real estate, net	9,722,420	10,826,010
Loans receivable, net	1,454,199	1,659,217
Equity and debt investments ($415,807 and $238,963 at fair value, respectively)	2,291,121	2,529,747
Goodwill	1,374,809	1,514,561
Deferred leasing costs and intangible assets, net	438,365	445,930
Assets held for sale	5,560,203	3,967,345
Other assets ($34,746 and $33,558 at fair value, respectively)	516,964	400,143
Due from affiliates	53,148	45,779
Total assets	$ 22,123,994	$ 22,215,249
Liabilities		
Debt, net	$ 8,666,108	$ 8,975,372
Accrued and other liabilities ($271,272 and $141,711 at fair value, respectively)	923,432	634,144
Intangible liabilities, net	95,502	147,470
Liabilities related to assets held for sale	2,334,643	1,218,495
Due to affiliates	36,285	—
Dividends and distributions payable	86,588	84,013
Total liabilities	12,142,558	11,059,494
Commitments and contingencies (Note 20)		
Redeemable noncontrolling interests	5,987	9,385
Equity		
Stockholders' equity:		
Preferred stock, $0.01 par value per share; $1,436,605 liquidation preference; 250,000 shares authorized; 57,464 shares issued and outstanding	1,407,495	1,407,495
Common stock, $0.01 par value per share		
Class A, 949,000 shares authorized; 487,018 and 483,347 shares issued and outstanding, respectively	4,871	4,834
Class B, 1,000 shares authorized; 734 shares issued and outstanding	7	7
Additional paid-in capital	7,538,356	7,598,019
Distributions in excess of earnings	(3,307,886)	(2,018,302)
Accumulated other comprehensive income	20,888	13,999
Total stockholders' equity	5,663,731	7,006,052
Noncontrolling interests in investment entities	3,855,334	3,779,728
Noncontrolling interests in Operating Company	456,384	360,590
Total equity	9,975,449	11,146,370
Total liabilities, redeemable noncontrolling interests and equity	$ 22,123,994	$ 22,215,249

[1] Prior period amounts have been revised to reflect classification of the industrial business as discontinued operations and presentation of assets and liabilities of the industrial business as assets held for sale and liabilities related to assets held for sale on the consolidated balance sheets (Note 7).

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

COLONY CAPITAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018 [1]	2019	2018 [1]
Revenues				
Property operating income	$ 462,155	$ 494,945	$ 1,409,841	$ 1,500,991
Interest income	40,237	59,883	121,362	167,326
Fee income ($111,359, $32,592, $175,477 and $105,873 from affiliates, respectively)	111,854	32,915	178,315	106,733
Other income ($34,058, $8,776, $55,242 and $25,663 from affiliates, respectively)	38,249	10,984	64,475	35,762
Total revenues	652,495	598,727	1,773,993	1,810,812
Expenses				
Property operating expense	274,351	286,386	824,333	871,536
Interest expense	130,034	134,245	406,661	415,397
Investment and servicing expense	13,096	11,076	51,562	55,546
Transaction costs	100	228	2,922	3,585
Placement fees	64	5,184	373	6,477
Depreciation and amortization	159,005	111,807	379,739	331,981
Provision for loan loss	17,233	7,825	35,847	27,133
Impairment loss	564,899	75,723	675,216	298,781
Compensation expense—cash and equity-based	87,043	44,469	160,990	144,085
Compensation expense—carried interest and incentive fee	10,846	1,535	13,264	1,535
Administrative expenses	22,013	22,421	64,544	69,390
Total expenses	1,278,684	700,899	2,615,451	2,225,446
Other income (loss)				
Gain on sale of real estate	8,224	33,016	43,754	91,869
Other gain (loss), net	(44,562)	29,677	(183,137)	133,731
Equity method earnings (losses)	46,777	5,031	(178,448)	34,338
Equity method earnings (losses)—carried interest	(474)	3,837	6,258	3,837
Loss from continuing operations before income taxes	(616,224)	(30,611)	(1,153,031)	(150,859)
Income tax benefit (expense)	(9,968)	1,955	(13,751)	35,279
Loss from continuing operations	(626,192)	(28,656)	(1,166,782)	(115,580)
Income from discontinued operations	60,350	11,242	86,139	28,100
Net loss	(565,842)	(17,414)	(1,080,643)	(87,480)
Net income (loss) attributable to noncontrolling interests:				
Redeemable noncontrolling interests	364	865	2,317	2,042
Investment entities	15,170	28,914	51,744	74,517
Operating Company	(53,560)	(4,403)	(90,160)	(14,509)
Net loss attributable to Colony Capital, Inc.	(527,816)	(42,790)	(1,044,544)	(149,530)
Preferred stock redemption (Note 13)	—	—	—	(3,995)
Preferred stock dividends	27,137	27,185	81,412	89,960
Net loss attributable to common stockholders	$ (554,953)	$ (69,975)	$ (1,125,956)	$ (235,495)
Basic loss per share				
Loss from continuing operations per basic common share	$ (1.22)	$ (0.16)	$ (2.43)	$ (0.50)
Net loss per basic common share	$ (1.16)	$ (0.15)	$ (2.35)	$ (0.47)
Diluted loss per share				
Loss from continuing operations per diluted common share	$ (1.22)	$ (0.16)	$ (2.43)	$ (0.50)
Net loss per diluted common share	$ (1.16)	$ (0.15)	$ (2.35)	$ (0.47)
Weighted average number of shares				
Basic	479,776	484,754	479,412	501,202
Diluted	479,776	484,754	479,412	501,202
Dividends declared per common share	$ 0.11	$ 0.11	$ 0.33	$ 0.33

[1] Prior period amounts have been revised to reflect classification of the industrial business as discontinued operations and presentation of results of operations of the industrial business as income (loss) from discontinued operations on the consolidated statement of operations (Note 15).

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

COLONY CAPITAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net loss	$ (565,842)	$ (17,414)	$ (1,080,643)	$ (87,480)
Changes in accumulated other comprehensive income (loss) related to:				
Investments in unconsolidated ventures, net	(2,721)	(2,373)	6,598	(275)
Available-for-sale debt securities	5,067	441	6,365	(18,645)
Cash flow hedges	(2,302)	—	(9,152)	—
Foreign currency translation	(78,729)	(14,792)	(99,401)	(41,441)
Net investment hedges	27,004	1,244	43,474	14,803
Other comprehensive loss	(51,681)	(15,480)	(52,116)	(45,558)
Comprehensive loss	(617,523)	(32,894)	(1,132,759)	(133,038)
Comprehensive income (loss) attributable to noncontrolling interests:				
Redeemable noncontrolling interests	364	865	2,317	2,042
Investment entities	(30,966)	23,340	(8,513)	65,280
Operating Company	(54,048)	(4,681)	(89,826)	(16,225)
Comprehensive loss attributable to stockholders	$ (532,873)	$ (52,418)	$ (1,036,737)	$ (184,135)

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

COLONY CAPITAL, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except per share data)
(Unaudited)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interests in Operating Company	Total Equity
Balance at December 31, 2017	$1,606,966	$ 5,433	$7,913,622	$(1,165,412)	$ 47,316	$8,407,925	$ 3,539,072	$ 402,395	$12,349,392
Cumulative effect of adoption of new accounting pronouncements	—	—	—	(1,018)	(202)	(1,220)	—	—	(1,220)
Net income (loss)	—	—	—	(41,327)	—	(41,327)	19,243	(4,378)	(26,462)
Other comprehensive income	—	—	—	—	2,177	2,177	30,107	120	32,404
Common stock repurchases	—	(423)	(246,018)	—	—	(246,441)	—	—	(246,441)
Equity-based compensation	—	33	10,722	—	—	10,755	—	1,414	12,169
Redemption of OP Units for cash and class A common stock	—	—	24	—	—	24	—	(2,120)	(2,096)
Shares canceled for tax withholdings on vested stock awards	—	(29)	(31,723)	—	—	(31,752)	—	—	(31,752)
Deconsolidation of investment entities	—	—	—	—	—	—	(330,980)	—	(330,980)
Contributions from noncontrolling interests	—	—	—	—	—	—	97,867	—	97,867
Distributions to noncontrolling interests	—	—	—	—	—	—	(82,512)	(3,551)	(86,063)
Preferred stock dividends	—	—	—	(31,387)	—	(31,387)	—	—	(31,387)
Common stock dividends declared ($0.11 per share)	—	—	—	(55,852)	—	(55,852)	—	—	(55,852)
Reallocation of equity (Note 2 and 14)	—	—	(11,675)	—	(254)	(11,929)	(5,822)	17,751	—
Balance at March 31, 2018	1,606,966	5,014	7,634,952	(1,294,996)	49,037	8,000,973	3,266,975	411,631	11,679,579
Net income (loss)	—	—	—	(65,413)	—	(65,413)	26,360	(5,728)	(44,781)
Other comprehensive loss	—	—	—	—	(25,235)	(25,235)	(35,689)	(1,558)	(62,482)
Redemption of preferred stock	(199,471)	—	(529)	—	—	(200,000)	—	—	(200,000)
Common stock repurchases	—	(125)	(72,463)	—	—	(72,588)	—	—	(72,588)
Equity-based compensation	—	1	9,193	—	—	9,194	—	—	9,194
Redemption of OP Units for cash and class A common stock	—	15	18,860	—	—	18,875	—	(18,875)	—
Shares canceled for tax withholdings on vested stock awards	—	—	(298)	—	—	(298)	—	—	(298)
Reclassification of contingent consideration out of liability at end of measurement period	—	—	12,539	—	—	12,539	—	—	12,539
Contributions from noncontrolling interests	—	—	—	—	—	—	287,090	—	287,090
Distributions to noncontrolling interests	—	—	—	—	—	—	(137,317)	(3,344)	(140,661)
Preferred stock dividends	—	—	—	(29,356)	—	(29,356)	—	—	(29,356)
Common stock dividends declared ($0.11 per share)	—	—	—	(53,952)	—	(53,952)	—	—	(53,952)
Reallocation of equity (Note 2 and 14)	—	—	14,664	—	128	14,792	(15,357)	565	—
Balance at June 30, 2018	1,407,495	4,905	7,616,918	(1,443,717)	23,930	7,609,531	3,392,062	382,691	11,384,284

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

COLONY CAPITAL, INC.
CONSOLIDATED STATEMENTS OF EQUITY (Continued)
(In thousands, except per share data)
(Unaudited)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interests in Operating Company	Total Equity
Balance at June 30, 2018	$1,407,495	$ 4,905	$7,616,918	$(1,443,717)	$ 23,930	$7,609,531	$ 3,392,062	$ 382,691	$11,384,284
Net income (loss)	—	—	—	(42,790)	—	(42,790)	28,914	(4,403)	(18,279)
Other comprehensive loss	—	—	—	—	(6,160)	(6,160)	(9,042)	(278)	(15,480)
Equity-based compensation	—	—	8,072	—	—	8,072	312	—	8,384
Redemption of OP Units for cash and class A common stock	—	5	10,000	—	—	10,005	—	(12,739)	(2,734)
OP Unit and common stock issuance— contingent consideration	—	1	—	—	—	1	—	24,608	24,609
Contributions from noncontrolling interests	—	—	—	—	—	—	305,873	—	305,873
Distributions to noncontrolling interests	—	—	—	—	—	—	(125,315)	(3,451)	(128,766)
Preferred stock dividends	—	—	—	(27,139)	—	(27,139)	—	—	(27,139)
Common stock dividends declared ($0.11 per share)	—	—	—	(54,016)	—	(54,016)	—	—	(54,016)
Reallocation of equity (Note 2 and 14)	—	—	(16,472)	—	(38)	(16,510)	(7,645)	(454)	(24,609)
Balance at September 30, 2018	$1,407,495	$ 4,911	$7,618,518	$(1,567,662)	$ 17,732	$7,480,994	$ 3,585,159	$ 385,974	$11,452,127

The accompanying notes are an integral part of the consolidated financial statements

COLONY CAPITAL, INC.
CONSOLIDATED STATEMENTS OF EQUITY (Continued)
(In thousands, except per share data)
(Unaudited)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interests in Operating Company	Total Equity
Balance at December 31, 2018	$1,407,495	$ 4,841	$7,598,019	$(2,018,302)	$ 13,999	$7,006,052	$ 3,779,728	$ 360,590	$11,146,370
Cumulative effect of adoption of new accounting pronouncement (Note 2)	—	—	—	(2,905)	—	(2,905)	(1,378)	(185)	(4,468)
Net income (loss)	—	—	—	(74,976)	—	(74,976)	49,988	(6,611)	(31,599)
Other comprehensive income (loss)	—	—	—	—	8,045	8,045	(17,629)	513	(9,071)
Common stock repurchases	—	(7)	(3,160)	—	—	(3,167)	—	—	(3,167)
Redemption of OP Units for cash and class A common stock	—	—	33	—	—	33	—	(33)	—
Equity-based compensation	—	27	6,323	—	—	6,350	191	—	6,541
Shares canceled for tax withholdings on vested stock awards	—	(6)	(3,001)	—	—	(3,007)	—	—	(3,007)
Contributions from noncontrolling interests	—	—	—	—	—	—	305,216	—	305,216
Distributions to noncontrolling interests	—	—	—	—	—	—	(107,377)	(3,450)	(110,827)
Preferred stock dividends	—	—	—	(27,137)	—	(27,137)	—	—	(27,137)
Common stock dividends declared ($0.11 per share)	—	—	—	(53,410)	—	(53,410)	—	—	(53,410)
Reallocation of equity (Notes 2 and 14)	—	—	12,733	—	94	12,827	(12,533)	(294)	—
Balance at March 31, 2019	1,407,495	4,855	7,610,947	(2,176,730)	22,138	6,868,705	3,996,206	350,530	11,215,441
Net loss	—	—	—	(441,752)	—	(441,752)	(13,414)	(29,989)	(485,155)
Other comprehensive income	—	—	—	—	4,819	4,819	3,508	309	8,636
Redemption of OP Units for cash and class A common stock	—	2	2,061	—	—	2,063	—	(2,063)	—
Equity-based compensation	—	20	7,720	—	—	7,740	197	—	7,937
Contributions from noncontrolling interests	—	—	—	—	—	—	87,304	—	87,304
Distributions to noncontrolling interests	—	—	—	—	—	—	(212,842)	(3,429)	(216,271)
Preferred stock dividends	—	—	—	(27,138)	—	(27,138)	—	—	(27,138)
Common stock dividends declared ($0.11 per share)	—	—	—	(53,656)	—	(53,656)	—	—	(53,656)
Reallocation of equity (Notes 2 and 14)	—	—	927	—	10	937	88	(1,025)	—
Balance at June 30, 2019	1,407,495	4,877	7,621,655	(2,699,276)	26,967	6,361,718	3,861,047	314,333	10,537,098

The accompanying notes are an integral part of the consolidated financial statements

COLONY CAPITAL, INC.
CONSOLIDATED STATEMENTS OF EQUITY (Continued)
(In thousands, except per share data)
(Unaudited)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interests in Operating Company	Total Equity
Balance at June 30, 2019	$1,407,495	$ 4,877	$7,621,655	$(2,699,276)	$ 26,967	$6,361,718	$ 3,861,047	$ 314,333	$10,537,098
Net income (loss)	—	—	—	(527,816)	—	(527,816)	15,170	(53,560)	(566,206)
Other comprehensive loss	—	—	—	—	(5,057)	(5,057)	(46,136)	(488)	(51,681)
Redemption of OP Units for cash and class A common stock	—	—	8	—	—	8	—	(8)	—
Equity-based compensation	—	2	9,569	—	—	9,571	191	—	9,762
Shares canceled for tax withholdings on vested stock awards	—	(1)	(393)	—	—	(394)	—	—	(394)
OP Unit issuance	—	—	—	—	—	—	—	111,903	111,903
Contributions from noncontrolling interests	—	—	—	—	—	—	109,604	—	109,604
Distributions to noncontrolling interests	—	—	—	—	—	—	(88,052)	(5,791)	(93,843)
Preferred stock dividends	—	—	—	(27,137)	—	(27,137)	—	—	(27,137)
Common stock dividends declared ($0.11 per share)	—	—	—	(53,657)	—	(53,657)	—	—	(53,657)
Reallocation of equity (Notes 2 and 14)	—	—	(92,483)	—	(1,022)	(93,505)	3,510	89,995	—
Balance at September 30, 2019	$1,407,495	$ 4,878	$7,538,356	$(3,307,886)	$ 20,888	$5,663,731	$ 3,855,334	$ 456,384	$ 9,975,449

The accompanying notes are an integral part of the consolidated financial statements

COLONY CAPITAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
Cash Flows from Operating Activities		
Net loss	$ (1,080,643)	$ (87,480)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of discount and net origination fees on loans receivable and debt securities	(15,215)	(21,184)
Paid-in-kind interest added to loan principal, net of interest received	(42,609)	(25,529)
Straight-line rents	(13,263)	(22,123)
Amortization of above- and below-market lease values, net	(9,982)	(4,748)
Amortization of deferred financing costs and debt discount and premium	61,779	69,314
Equity method (earnings) losses	137,069	(47,938)
Distributions of income from equity method investments	78,219	57,466
Provision for loan losses	35,847	27,133
Allowance for doubtful accounts	4,221	25,201
Impairment of real estate and intangibles	288,216	299,729
Goodwill impairment	387,000	—
Depreciation and amortization	476,886	427,911
Equity-based compensation	25,051	30,123
Change in fair value of contingent consideration—Internalization (Note 11)	—	(1,730)
Gain on sales of real estate, net	(71,824)	(96,266)
Settlement of forward starting interest rate swap (Note 10)	(223,886)	—
Deferred income tax benefit	(1,778)	(50,960)
Other (gain) loss, net	181,847	(132,001)
Increase in other assets and due from affiliates	(16,487)	(49,887)
Increase (decrease) in accrued and other liabilities and due to affiliates	39,038	(2,947)
Other adjustments, net	(4,896)	(785)
Net cash provided by operating activities	234,590	393,299
Cash Flows from Investing Activities		
Contributions to and acquisition of equity investments	(222,157)	(210,176)
Return of capital from equity method investments	176,508	260,603
Acquisition of loans receivable and debt securities	(771)	(99,656)
Net disbursements on originated loans	(94,816)	(274,999)
Repayments of loans receivable	228,480	112,469
Proceeds from sales of loans receivable and debt securities	66,249	158,714
Cash receipts in excess of accretion on purchased credit-impaired loans	18,886	135,457
Acquisition of and additions to real estate, related intangibles and leasing commissions	(1,798,039)	(747,874)
Proceeds from sales of real estate	659,245	584,569
Proceeds from paydown and maturity of debt securities	9,180	41,885
Cash and restricted cash contributed to Colony Credit (Note 1)	—	(141,153)
Proceeds from sale of equity investments	152,658	229,261
Proceeds from sale of equity interests in securitization trusts, net of cash and restricted cash deconsolidated (Note 12)	—	142,270
Investment deposits	(13,210)	(95,573)
Net receipts (payments) on settlement of derivatives	43,938	(14,014)
Acquisition of DBH, net of cash acquired (Note 2)	(181,167)	—
Other investing activities, net	17,349	199
Net cash provided by (used in) investing activities	(937,667)	81,982

COLONY CAPITAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
Cash Flows from Financing Activities		
Dividends paid to preferred stockholders	(81,411)	(93,565)
Dividends paid to common stockholders	(160,490)	(256,504)
Repurchase of common stock	(10,734)	(319,029)
Borrowings from corporate credit facility	740,200	685,000
Repayment of borrowings from corporate credit facility	(556,000)	(735,000)
Borrowings from secured debt	3,269,413	1,179,677
Repayments of secured debt	(2,647,109)	(1,569,471)
Payment of deferred financing costs	(56,542)	(19,838)
Contributions from noncontrolling interests	557,065	707,823
Distributions to and redemptions of noncontrolling interests	(443,614)	(371,290)
Redemption of preferred stock	—	(200,000)
Shares canceled for tax withholdings on vested stock awards	(3,401)	(32,050)
Redemption of OP Units for cash	—	(4,830)
Other financing activities, net	(1,504)	(188)
Net cash provided by (used in) financing activities	605,873	(1,029,265)
Effect of exchange rates on cash, cash equivalents and restricted cash	(6,449)	(6,892)
Net decrease in cash, cash equivalents and restricted cash	(103,653)	(560,876)
Cash, cash equivalents and restricted cash, beginning of period	832,730	1,393,920
Cash, cash equivalents and restricted cash, end of period	$ 729,077	$ 833,044

Reconciliation of cash, cash equivalents and restricted cash to consolidated balance sheets

	Nine Months Ended September 30,	
	2019	2018
Beginning of the period		
Cash and cash equivalents	$ 461,912	$ 921,822
Restricted cash	364,605	466,912
Restricted cash included in assets held for sale	6,213	5,186
Total cash, cash equivalents and restricted cash, beginning of period	$ 832,730	$ 1,393,920
End of the period		
Cash and cash equivalents	$ 455,330	$ 416,795
Restricted cash	257,435	410,502
Restricted cash included in assets held for sale	16,312	5,747
Total cash, cash equivalents and restricted cash, end of period	$ 729,077	$ 833,044

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

COLONY CAPITAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2019
(Unaudited)

1. Business and Organization

Colony Capital, Inc. (together with its consolidated subsidiaries, the "Company," and formerly, Colony NorthStar, Inc. prior to June 25, 2018) is a leading global investment management firm with $53 billion of assets under management as of September 30, 2019. The Company manages capital on behalf of its stockholders, as well as institutional and retail investors in private funds, and traded and non-traded real estate investment trusts ("REITs"). The Company has significant holdings in: (a) the healthcare, industrial and hospitality property sectors; (b) Colony Credit Real Estate, Inc. (NYSE: CLNC, "Colony Credit"), which is externally managed by a subsidiary of the Company; and (c) various other equity and debt investments.

The Company was organized in May 2016 as a Maryland corporation and was formed through a tri-party merger (the "Merger") among Colony Capital, Inc. ("Colony"), NorthStar Asset Management Group Inc. ("NSAM") and NorthStar Realty Finance Corp. ("NRF") in an all-stock exchange on January 10, 2017. The Company elected to be taxed as a REIT under the Internal Revenue Code for U.S. federal income tax purposes beginning with its taxable year ended December 31, 2017.

The Company conducts all of its activities and holds substantially all of its assets and liabilities through its operating subsidiary, Colony Capital Operating Company, LLC (the "Operating Company" or the "OP"). At September 30, 2019, the Company owned 90.3% of the OP, as its sole managing member. The remaining 9.7% is owned primarily by certain current and former employees of the Company as noncontrolling interests.

Strategic Asset Review

In February 2019, the Company announced the implementation of a series of changes designed to enhance its corporate governance, and entered into a cooperation agreement with Blackwells Capital LLC, a stockholder of the Company. In connection with the cooperation agreement, the Company's board of directors formed a Strategic Asset Review Committee, composed solely of independent directors, to review, evaluate and make recommendations to the board on issues relating to the Company's assets and business configuration.

As part of a comprehensive review undertaken by the Company, together with its Strategic Asset Review Committee and an independent advisor, the Company has undertaken certain assessments and strategic initiatives intended to build on core investment management competencies while focusing on high-growth businesses. A key component of this strategic evolution was the Company’s recent acquisition of Digital Bridge Holdings LLC (“DBH”), a leading investment manager of digital real estate infrastructure investments dedicated to the next generation of mobile and internet connectivity (Note 2), which also addressed the Company's Chief Executive Officer succession plans. These previously announced and/or completed initiatives also include termination of the Company’s management agreement with NorthStar Realty Europe Corp. (NYSE: NRE) in connection with the sale of NRE, repositioning of Colony Credit's portfolio and potential internalization of Colony Credit (as discussed below), stabilization of the debt capital structure of the healthcare portfolio, and a corporate restructuring and reorganization plan that is on track with its cost savings objectives.

Additionally, in June 2019, the Company engaged advisors to market the Company’s industrial portfolio and the related management platform for sale. There has been significant appreciation in the value of the industrial portfolio driven by favorable operating fundamentals and strong investor demand for light industrial assets. In September 2019, the Company entered into definitive sale agreements for an aggregate gross sales price of approximately $5.9 billion. In November 2019, the definitive sale agreement providing for the sale of the bulk industrial portfolio for $190 million was terminated. The Company is in the process of negotiating an agreement with a third party for the sale of the bulk industrial portfolio on substantially the same economic terms as the prior agreement. The sale of the light industrial portfolio and the related management platform is expected to generate a significant gain and is expected to close in the fourth quarter of 2019, subject to customary closing conditions. However, no assurances can be made that these sales can be completed within the time frame contemplated, or on the terms anticipated, or at all. If the sale is completed, the Company may redeploy a portion of the proceeds into higher total return strategies (e.g., digital real estate and infrastructure) and may further consider the reduction of corporate leverage or other uses. The sale of the industrial segment, including its related management platform, represents a strategic shift that will have a significant effect on the Company’s operations and financial results, and has met the criteria as held for sale and discontinued operations. Accordingly, for all current and prior periods presented, the related assets and liabilities are presented as assets and liabilities held for sale on the consolidated balance sheets (Note 7) and the related operating results are presented as income from discontinued operations on the consolidated statement of operations (Note 15).

As the Company undertakes its strategic evolution, the Company anticipates shifting its focus from traditional real estate towards a digital real estate and infrastructure business. At this time, management, together with the Strategic Asset Review Committee and its independent advisor, are in the process of formulating the details around the Company’s strategic plan, which is expected to be recommended to the Company’s Board of Directors in the fourth quarter of 2019 prior to finalization. The strategic plan is expected to provide a broad outline of topics such as the Company’s asset rotation plan, capital allocation policy, target investment profile and capital structure, and the vision for establishing the Company as the leading platform for digital real estate and infrastructure.

A potential strategic shift in the Company’s business may represent an indicator of impairment and the Company performed an assessment as of September 30, 2019 to ascertain if the net carrying value of its investments, including its healthcare and hospitality real estate, would be recoverable. A final strategic plan is expected to provide more specificity as to the Company’s expected holding periods for its investments, including its healthcare and hospitality assets. In the absence of such information, and with considerable uncertainty still surrounding the strategic plan, the Company applied its best estimate at this time based upon undiscounted future net cash flows to be generated by these assets over a long-term hold. The analysis indicated that as of September 30, 2019, the net carrying value of the Company's investments, including its healthcare and hospitality assets, would be recoverable. A shortened holding period for these assets may significantly reduce the undiscounted future net cash flows to be generated by certain assets below their carrying values. Therefore, if the final strategic plan adopted by the Company contemplates a shortened holding period for these assets, the Company expects that such a decision, if and when made, may result in a significant impairment in the carrying value of its investments, specifically certain of its healthcare and hospitality assets. At September 30, 2019, the healthcare and hospitality segments had real estate held for investment with carrying values of $4.6 billion and $3.6 billion, respectively, financed with $3.0 billion and $2.7 billion of debt, respectively. At September 30, 2019, the Company owns 71% of its healthcare segment and 94% of its hospitality segment.

Colony Credit

As part of Colony Credit's strategic plan, in the third quarter of 2019, Colony Credit bifurcated its assets into a core portfolio and a legacy, non-strategic portfolio, which will allow Colony Credit to focus on the divestment of its legacy, non-strategic portfolio and to redeploy into and grow its core portfolio. In conjunction with its focus on its core portfolio, Colony Credit meaningfully reduced the book value of its legacy, non-strategic assets to better reflect its market value and reset its annualized dividend from $1.74 per share to $1.20 per share. As a result of the meaningful reduction to Colony Credit's book value, in November 2019, the Company amended its management agreement with Colony Credit to reduce the fee base to reflect Colony Credit's reduced book value, which will result in a decrease in management fees to the Company effective in the beginning of the fourth quarter of 2019.

Additionally, in November 2019, the Company delivered a non-binding letter to the independent directors of Colony Credit, seeking to explore with Colony Credit the possible internalization of its management and a transfer of the Company’s credit investment management business to Colony Credit to (i) further the Company's strategic repositioning to simplify and establish the Company as the leading platform for digital real estate and infrastructure and (ii) position Colony Credit to become a leading independent real estate credit REIT with a clearly defined strategy positioned for greater growth. There can be no assurance that the Company and Colony Credit will reach an agreement with respect to an internalization of Colony Credit or any of the other matters described in the letter, that the nature or terms of an internalization of Colony Credit or any such others matters will not differ from the description in the letter, or that an internalization of Colony Credit or any such other matters will be completed. If an agreement is reached between the Company and Colony Credit on an internalization of Colony Credit and a transfer of the Company's credit investment management business to Colony Credit, this may result in a decline in the fair value of the Company's investment management reporting unit, which may result in further impairment of goodwill in the future.

Corporate Restructuring

Following a strategic review process, in November 2018, the Company announced a corporate restructuring and reorganization plan aimed at reducing its annual compensation and administrative expenses over approximately 12 months. The restructuring plan was designed to match resources that further align the Company's increasing focus on its investment management business. The Company incurred $19.3 million of restructuring costs in the fourth quarter of 2018 and an additional $5.1 million in the first nine months of 2019, consisting predominantly of severance costs and accelerated equity-based compensation.

2. Summary of Significant Accounting Policies

The significant accounting policies of the Company are described below. The accounting policies of the Company's unconsolidated ventures are substantially similar to those of the Company.

Basis of Presentation

The accompanying unaudited interim financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. These statements reflect all normal and recurring adjustments which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of the Company for the interim periods presented. However, the results of operations for the interim period presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2019, or any other future period. These interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in, or presented as exhibits to, the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

The accompanying consolidated financial statements include the accounts of the Company and its controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated. The portions of 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. A substantial portion of noncontrolling interests represents interests held by private investment funds or other investment vehicles managed by the Company and which invest alongside the Company and membership interests in OP primarily held by certain employees of the Company.

To the extent the Company consolidates a subsidiary that is subject to industry-specific guidance, the Company retains the industry-specific guidance applied by that subsidiary in its consolidated financial statements.

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.

Merger

The Merger was accounted for under the acquisition method for a business combination as a reverse acquisition, with NSAM as the legal acquirer for certain legal and regulatory matters, and Colony as the accounting acquirer for financial reporting purposes.

The financial statements of the Company represent a continuation of the financial information of Colony as the accounting acquirer, except that the equity structure of the Company was adjusted to reflect the equity structure of the legal acquirer, including for any comparative periods presented.

Principles of Consolidation

The Company consolidates entities in which it has a controlling financial interest by first considering if an entity meets the definition of a variable interest entity ("VIE") for which the Company is deemed to be the primary beneficiary, or if the Company has 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 either (i) lacks sufficient equity to finance its activities without additional subordinated financial support from other parties; (ii) whose equity holders lack the characteristics of a controlling financial interest; or (iii) is established with non-substantive voting rights. 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 Company also considers interests held by its related parties, including de facto agents. The Company assesses whether it is a member of a related party group that collectively meets the power and benefits criteria and, if so, whether the Company is most closely associated with the VIE. In performing the related party analysis, the Company considers both qualitative and quantitative factors, including, but not limited to: the amount and characteristics of its investment relative to the related party; the Company's 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 Company 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 Company and the related party. The determination of whether an entity is a VIE, and whether the Company is 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.

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 Company consolidates such entities when it has the power to control these entities through ownership of a majority of the entities' voting interests or through other arrangements.

At each reporting period, the Company reassesses 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 Company's 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 Company in the entity prior to the Company 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 Company's existing interest in the acquired assets, if any, is not remeasured to fair value but continues to be carried at historical cost. The Company 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

Redeemable Noncontrolling Interests—This represents noncontrolling interests in a consolidated open-end fund sponsored by the Company. The limited partners in the consolidated open-end fund, who represent noncontrolling interests, generally have the ability to withdraw all or a portion of their interests in cash with 30 days' notice.

Redeemable noncontrolling interests is presented outside of permanent equity. Allocation of net income or loss to redeemable noncontrolling interests is based upon their ownership percentage during the period. The carrying amount of redeemable noncontrolling interests is adjusted to its redemption value at the end of each reporting period to an amount not less than its initial carrying value, with such adjustments recognized in additional paid-in capital.

Noncontrolling Interests in Investment Entities—This represents predominantly interests in consolidated investment entities held by private investment funds or retail companies managed by the Company or 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, or based upon contractual arrangements that may provide for disproportionate allocation of economic returns among equity interests, including using a hypothetical liquidation at book value basis, where applicable and substantive.

Noncontrolling Interests in Operating Company—This represents membership interests in OP held primarily by certain employees of the Company. Noncontrolling interests in OP are allocated a share of net income or loss in OP based on their weighted average ownership interest in OP during the period. Noncontrolling interests in OP have the right to require OP to redeem part or all of such member’s membership units in OP ("OP Units") for cash based on the market value of an equivalent number of shares of class A common stock at the time of redemption, or at the Company's election as managing member of OP, through issuance of shares of class A common stock (registered or unregistered) on a one-for-one basis. At the end of each reporting period, noncontrolling interests in OP is adjusted to reflect their ownership percentage in OP at the end of the period, through a reallocation between controlling and noncontrolling interests in OP, as applicable.

Business Combinations

Definition of a Business—The Company evaluates each purchase transaction to determine whether the acquired assets meet the definition of a business. If substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, then the set of transferred assets and activities is not a business. If not, for an acquisition to be considered a business, it would have to include an input and a substantive process that together significantly contribute to the ability to create outputs (i.e., there is a continuation of revenue before and after the transaction). A substantive process is not ancillary or minor, cannot be replaced without significant costs, effort or delay or is otherwise considered unique or scarce. To qualify as a business without outputs, the acquired assets would require an organized workforce with the necessary skills, knowledge and experience that performs a substantive process.

Asset Acquisitions—For acquisitions that are not deemed to be businesses, the assets acquired are recognized based on their cost to the Company as the acquirer and no gain or loss is recognized. The cost of assets acquired in a group is allocated to individual assets within the group based on their relative fair values and does not give rise to goodwill. Transaction costs related to acquisition of assets are included in the cost basis of the assets acquired.

Business Combinations—The Company accounts for acquisitions that qualify as business combinations by applying the acquisition method. Transaction costs related to acquisition of a business are expensed as incurred and excluded from the fair value of consideration transferred. The identifiable assets acquired, liabilities assumed and noncontrolling interests in an acquired entity are recognized and measured at their estimated fair values. The excess of the fair value of consideration transferred over the fair values of identifiable assets acquired, liabilities assumed and noncontrolling interests in an acquired entity, net of fair value of any previously held interest in the acquired entity, is recorded as goodwill. Such valuations require management to make significant estimates and assumptions.

Contingent Consideration—Contingent consideration is classified as a liability or equity, as applicable. Contingent consideration in connection with the acquisition of a business is measured at fair value on acquisition date, and unless classified as equity, is remeasured at fair value each reporting period thereafter until the consideration is settled, with changes in fair value included in net income. Contingent consideration in connection with the acquisition of assets is generally recognized only when the contingency is resolved, as part of the basis of the acquired assets.

Business Combinations in 2019

Colony Latam

In April 2019, the Company acquired the private equity platform of The Abraaj Group in Latin America, which has been renamed Colony Latam Partners, for approximately $5.5 million. The Company acquired primarily management contract intangible asset and limited partnership interest in a fund which the Company now manages, and certain Abraaj employees became employees of the Company.

DBH

On July 25, 2019, the Company acquired DBH in a combination of: (a) cash, a portion of which is deferred until the expiration of certain customary seller indemnification obligations (Note 19); and (b) issuance of 21,478,515 OP Units, which were measured based upon the closing price of the Company's class A common stock on July 24, 2019 of $5.21 per share. The principals of DBH retained their equity investments, including general partner interests in existing Digital Bridge investment vehicles and in Digital Colony Partners ("Digital Colony," a fund previously co-sponsored by the Company and DBH).

The acquisition is a strategic transaction that is expected to generate meaningful accretion in value to the Company through expansion of the digital real estate management platform by combining the industry sector knowledge, experience and relationships from the DBH team with the capital raising resources of Colony, as represented by the goodwill value.

The Company's acquisition of DBH included the remaining 50% equity interest held by DBH in Digital Colony Management, LLC ("Digital Colony Manager"), previously an equity method joint venture with DBH, which manages the Digital Colony fund. Upon closing of the acquisition, the Company obtained a controlling interest in Digital Colony Manager and remeasured its existing 50% interest at a fair value of $51.4 million. The full amount, representing the excess of fair value over carrying value of the Company's investment in Digital Colony Manager, was recognized in other gain on the Company's statement of operations, as the Company's carrying value of its investment in Digital Colony Manager prior to the business combination was nil. The fair value was based upon the value of 50% of estimated future net cash flows from the Digital Colony fund management contract, discounted at 8%.

The following table summarizes the consideration and allocation to assets acquired and liabilities assumed at acquisition. The estimated fair values and allocation of the consideration are subject to adjustments during the measurement period, not to exceed one year, based upon new information obtained about facts and circumstances that existed at time of acquisition.

(In thousands)		July 25, 2019
Consideration		
Cash	$	181,167
Deferred consideration		35,500
OP Units issued		111,903
Total consideration		328,570
Fair value of equity interest in Digital Colony Manager		51,400
	$	379,970
Identifiable assets acquired and liabilities assumed		
Intangible assets	$	153,300
Other assets		13,008
Other liabilities		(33,586)
		132,722
Goodwill		247,248
	$	379,970

Intangible assets acquired include primarily management contracts, customer relationships and trade name. The fair value of management contracts, including the Company's 50% interest in Digital Colony Manager, was estimated based upon estimated net cash flows generated from those contracts, discounted at 8%. The remaining lives of the management contracts were estimated to range between 3 and 10 years. Customer relationships represent the fair value of potential fees generated from repeat customers through future sponsored funds, with future management fees discounted at 11.5% and potential carried interest discounted at 25%. The trade name was valued using a relief-from-royalty method, based upon estimated savings from avoided royalty at a rate of 1% on expected fee income, discounted at 11.5%, with an estimated useful life of 10 years. Other liabilities assumed were primarily deferred revenues and deferred tax liabilities associated with management contracts.

The acquired DBH business contributed $14.4 million of revenues and $3.5 million of net income attributable to Colony Capital, Inc. for the three and nine months ended September 30, 2019.

Discontinued Operations

If the disposition of a component, being an operating or reportable segment, business unit, subsidiary or asset group, represents a strategic shift that has or will have a major effect on the Company’s operations and financial results, the operating profits or losses of the component when classified as held for sale, and the gain or loss upon disposition of the component, are presented as discontinued operations in the statements of operations.

A business or asset group acquired in connection with a purchase business combination that meets the criteria to be accounted for as held for sale at the date of acquisition is reported as discontinued operations, regardless of whether it meets the strategic shift criteria.

The planned sale of the industrial segment, including its related management platform, represents a strategic shift that will have a major effect on the Company’s operations and financial results, and has met the criteria as held for sale and discontinued operations in June 2019. Accordingly, for all current and prior periods presented, the related assets and liabilities are presented as assets and liabilities held for sale on the consolidated balance sheets (Note 7) and the related operating results are presented as income from discontinued operations on the consolidated statement of operations (Note 15).

Reclassifications

In addition to reclassifications related to discontinued operations as discussed above, beginning in the fourth quarter of 2018, the portion of carried interests earned by the Company that is allocated to employees is presented as carried interest and incentive compensation on the statement of operations. Such amounts had previously been presented as net income attributable to noncontrolling interests in investment entities. For the three and nine months ended September 30, 2018, $1.5 million was reclassified to carried interest and incentive compensation for both periods, and $1.9 million and $3.9 million, respectively, were reclassified to income from discontinued operations as a compensation charge (Note 15), to conform to the current period presentation. The reclassifications did not have an impact on net loss attributable to Colony Capital, Inc. and net loss attributable to common stockholders.

Accounting Standards Adopted in 2019

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which amended lease accounting standards. ASU 2016-02, along with several clarifying amendments were codified in Accounting Standards Codification ("ASC") Topic 842. The new standard primarily requires lessees to recognize their rights and obligations under most leases on balance sheet, to be capitalized as a right-of-use ("ROU") asset and a corresponding liability for future lease obligations. Targeted changes were made to lessor accounting, primarily to align to the lessee model and the new revenue recognition standard.

ASC 842 also limits the definition of initial direct leasing costs to only the incremental costs of obtaining a lease, such as leasing commissions, for both lessee and lessor accounting. Indirect costs such as allocated overhead, certain legal fees and negotiation costs are no longer capitalized under the new standard. The application of ASC 842 on accounting for initial direct leasing costs did not have a material impact on the Company's statement of operations.

The Company adopted the new lease standard and related amendments on January 1, 2019 using the modified retrospective method to leases existing or commencing on or after January 1, 2019, with a cumulative effect adjustment to beginning retained earnings. Comparative periods have not been restated and continue to be reported under the standards in effect for those prior periods.

The Company applied the package of practical expedients, which exempts the Company 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. The Company also elected the practical expedient related to land easements, allowing the Company to carry forward the accounting treatment for land easements on existing agreements. The Company did not, however, elect the hindsight practical expedient to determine the lease terms for existing leases.

Lessee Accounting—The Company determines if an arrangement contains a lease and determines the classification of leasing arrangements at inception. A leasing arrangement is classified by the lessee either as a finance lease, which represents a financed purchase of the leased asset, or as an operating lease. The Company's operating leases relate primarily to ground leases in connection with its acquired real estate and leases for its corporate offices. For these ground and office leases, the Company has elected the accounting policy to combine lease and related nonlease components as a single lease component.

ROU assets and lease liabilities are recognized at the lease commencement date based upon the present value of lease payments over the lease term. The ROU assets also include capitalized initial direct costs offset by lease incentives. Variable lease payments are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. The Company makes variable lease payments for: (i) leases with rental payments that are adjusted periodically for inflation or increases in property fair value, (ii) hotel ground leases with rental payments calculated based on a percentage of revenue over contractual levels, and/or (iii) nonlease services, such as common area maintenance in net leases. Variable lease payments are not included in lease liability and are instead recognized as lease expense when incurred. The Company made the accounting policy election to recognize lease payments from short-term leases on a straight-line basis over the lease term and will not record these leases on the balance sheet.

Lease renewal or termination options are factored into the lease asset and lease liability only if it is reasonably certain that the option to extend or the option to terminate would be exercised.

As the implicit rate is not readily determinable in most leases, the present value of the remaining lease payments is calculated for each lease using an estimated incremental borrowing rate, which is the interest rate that the Company would have to pay to borrow over the lease term on a collateralized basis.

Lease expense is recognized over the lease term based on an effective interest method for finance leases and on a straight-line basis for operating leases.

On January 1, 2019, the Company recognized operating lease ROU assets totaling $143.7 million in other assets and corresponding operating lease liabilities totaling $126.8 million in accrued and other liabilities for ground leases in its real estate portfolio and corporate office leases. There was no impact to beginning equity as a result of adoption related to lessee accounting as the difference between the asset and liability balance is attributable to the derecognition of pre-existing balances, including straight-line rent, lease incentives, prepaid or deferred rent and ground lease obligation intangibles.

Lessor Accounting—The Company determines if an arrangement contains a lease and determines the classification of leasing arrangements at inception. The Company has operating leases with property tenants that expire at various

dates through 2038 with renewal options typically exercised at the lessee's election. Therefore, such options are only recognized once they are deemed reasonably certain, typically at the time the option is exercised.

Lease revenue is composed of rental income, which includes the effect of minimum rent increases and rent abatements, resident fee income from healthcare properties, and tenant reimbursements, such as common area maintenance costs and other costs associated with the leases.

As lessor, the Company made the accounting policy election to treat the lease and nonlease components in a contract as a single component to the extent that the timing and pattern of transfer are similar for the lease and nonlease components and the lease component qualifies as an operating lease. Nonlease components of tenant reimbursements for net leases and ancillary services within resident fee income qualify for the practical expedient to be combined with their respective lease component and accounted for as a single component under the lease standard as the lease component is predominant.

Lease revenue is recognized on a straight-line basis over the remaining lease term and is included in property operating income on the consolidated statements of operations. The Company receives variable lease revenues from tenant reimbursements and for ancillary services provided to nursing home residents.

Under ASC 842, lessors are required to evaluate the collectability of all operating lease payments based upon the creditworthiness of the lessee. Lease revenue is recognized only to the extent collection of all rents over the life of the lease is determined to be probable. If collection is subsequently determined to no longer be probable, any previously accrued lease revenue that has not been collected is subject to reversal. If collection is subsequently determined to be probable, lease revenue and corresponding receivable would be reestablished to an amount that would have been recognized if collection had always been deemed to be probable. Upon adoption of ASC 842, the Company determined that collection of certain operating lease receivables, net of existing allowance for bad debts, is not probable and recorded a cumulative adjustment of $4.5 million to reduce beginning equity.

Beginning January 1, 2019, the Company also made the accounting policy election to present on a net basis sales and similar taxes assessed by a governmental authority that is imposed on specific lease revenue producing transactions with related collections from lessees. Property taxes and insurance paid directly by lessees to third parties on behalf of the Company are no longer recognized in the statement of operations, while such amounts paid by the Company and reimbursed by lessees continue to be presented as gross property operating income and expenses.

Hedge Accounting

In August 2017, the FASB issued ASU No. 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which simplifies and expands the application of hedge accounting. This standard amends hedge accounting recognition and presentation, including eliminating the requirement to separately measure and present hedge ineffectiveness as well as presenting the entire fair value change of a hedging instrument in the same income statement line as the hedged item. The new guidance also provides alternatives for applying hedge accounting to additional hedging strategies, and easing requirements for effectiveness testing and hedging documentation, although the "highly effective" threshold for a qualifying hedging relationship has not changed. Revised disclosures include tabular disclosures that focus on the effect of hedge accounting by income statement line item. Transition will generally be on a modified retrospective basis applied to existing hedging relationships as of date of adoption, with prospective application for income statement presentation and disclosure, and specific transition elections are available to modify existing hedge documentation.

The Company adopted the standard on its effective date of January 1, 2019. Upon adoption, as it relates to the Company’s cash flow and net investment hedges, the Company records the entire change in fair value of the hedging instrument (other than amounts excluded from assessment of hedge effectiveness for net investment hedges) in other comprehensive income and no hedge ineffectiveness is recorded in earnings. Additionally, subsequent to initial quantitative hedge assessment, the Company has elected to perform effectiveness testing qualitatively so long as the Company can reasonably support an expectation that the hedge is highly effective now and in subsequent periods. As the standard allows more flexibility in hedging interest rate risk in cash flow hedges beyond a specified benchmark rate, the Company may be able to designate in the future other contractually specified variable interest rate as the hedged risk, which if effective, could decrease fluctuations in earnings. There was no impact to the Company's financial condition and results of operations upon adoption of this standard.

Future Application of Accounting Standards

Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses*, followed by subsequent amendments, which modifies the credit impairment model for financial instruments, and codified as ASC Topic 326. The

multiple existing incurred loss models are replaced with a lifetime current expected credit loss ("CECL") model for off-balance sheet credit exposures that are not unconditionally cancellable by the lender and financial instruments carried at amortized cost, such as loans, loan commitments, held-to-maturity ("HTM") debt securities, financial guarantees, net investment in sales-type and direct financing leases, reinsurance and trade receivables. Targeted changes are also made to the impairment model of available-for-sale ("AFS") debt securities which are not within the scope of CECL.

The CECL model, in estimating expected credit losses over the life of a financial instrument at the time of origination or acquisition, considers historical loss experience, current conditions and the effects of a reasonable and supportable expectation of changes in future macroeconomic conditions. For collateralized financial assets, measurement of credit losses under CECL is based on fair value of the collateral if foreclosure is probable or if the collateral-dependent practical expedient is elected for financial assets expected to be repaid substantially through operation or sale of the collateral when the borrower is experiencing financial difficulty. ASC 326 also requires expanded disclosures on credit risk, including credit quality indicators by vintage of financing receivables.

Transitional relief is provided through the ability, upon adoption of the new standard, to elect the fair value option for eligible financial instruments within the scope of the new standard, except for HTM and AFS debt securities. Transition will generally be on a modified retrospective basis, including the election of the fair value option, with a cumulative effect adjustment to beginning retained earnings, except for prospective application for other than temporarily impaired debt securities and purchased credit-impaired assets. ASC 326 is effective for fiscal years and interim periods beginning after December 15, 2019.

The Company will adopt the new standard on its effective date of January 1, 2020. The Company expects that recognition of allowance for credit losses under the CECL model will generally be accelerated as it encompasses credit losses over the full remaining expected life of the affected financial instruments. The extent of any changes in allowance for credit losses will depend upon the composition and risk characteristics of the Company's financial instrument portfolio that are within the scope of ASC 326 at adoption date, and conditions prevailing and forecasted at that time. Evaluation of the impact of ASC 326 is ongoing, however, the Company expects to elect the fair value option for the majority of its loans receivable. Under the fair value option, loans receivable will be measured at each reporting period based upon their exit values in an orderly transaction and unrealized gains or losses from changes in fair value will be recorded in other gain (loss) on the consolidated statement of operations. These loans will no longer be subject to evaluation for impairment through an allowance for loan loss as such losses will be captured through fair value changes. Additionally, there will be no amortization of origination fees charged to borrowers or discounts on purchased loans as additional interest income.

Fair Value Disclosures

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurements*. The ASU requires new disclosures of changes in unrealized gains and losses in other comprehensive income for recurring Level 3 fair value measurements of instruments held at balance sheet date, as well as the range and weighted average or other quantitative information, if more relevant, of significant unobservable inputs for recurring and nonrecurring Level 3 fair values. Certain previously required disclosures are eliminated, specifically around the valuation process required for Level 3 fair values, policy for timing of transfers between levels of the fair value hierarchy, as well as amounts and reason for transfers between Levels 1 and 2. Additionally, the new guidance clarifies or modifies certain existing disclosures, including clarifying that information about measurement uncertainty of Level 3 fair values should be as of reporting date and requiring disclosures of the timing of liquidity events for investments measured under the net asset value ("NAV") practical expedient, but only if the investee has communicated this information or has announced it publicly. The provisions on new disclosures and modification to disclosure of Level 3 measurement uncertainty are to be applied prospectively, while all other provisions are to be applied retrospectively. ASU No. 2018-13 is effective for fiscal years and interim periods beginning after December 15, 2019. Early adoption is permitted in an interim period for which financial statements have not been issued, and may be made only to provisions that eliminate or modify existing disclosures. The adoption of this standard is not expected to have a material effect on the Company's existing disclosures.

Variable Interest Entities

In November 2018, the FASB issued ASU No. 2018-17, *Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The ASU amends the VIE guidance to align, throughout the VIE model, the evaluation of a decision maker's or service provider's fee held by a related party, whether or not they are under common control, in both the assessment of whether a fee qualifies as a variable interest and the determination of a primary beneficiary. Specifically, a decision maker or service provider considers interests in a VIE held by a related party under common control only if it has a direct interest in that related party under common control and considers such indirect interest in the VIE held by the related party under common control on a proportionate basis, rather than in its entirety. Transition is

generally on a modified retrospective basis, with the cumulative effect adjusted to retained earnings at the beginning of the earliest period presented. ASU No. 2018-17 is effective for fiscal years and interim periods beginning after December 15, 2019, with early adoption permitted in an interim period for which financial statements have not been issued. The Company is currently evaluating the impact of this new guidance but does not expect the adoption of this standard to have a material effect on its financial condition or results of operations.

3. Real Estate

The Company's real estate held for investment was as follows. Real estate held for sale is presented in Note 7.

(In thousands)	September 30, 2019	December 31, 2018
Land	$ 1,281,164	$ 1,443,249
Buildings and improvements	8,590,535	9,442,442
Tenant improvements	95,691	96,740
Furniture, fixtures and equipment	406,243	389,969
Construction in progress	236,079	123,002
	10,609,712	11,495,402
Less: Accumulated depreciation	(887,292)	(669,392)
Real estate assets, net	$ 9,722,420	$ 10,826,010

Real Estate Sales

Results from sales of real estate, including discontinued operations, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Proceeds from sales of real estate	$ 216,588	$ 156,007	$ 659,245	$ 584,569
Gain on sale of real estate	12,899	35,120	71,824	96,266

Real Estate Acquisitions

The following table summarizes the Company's real estate acquisitions, excluding any real estate acquired as part of business combinations. Light and bulk industrial properties acquired, as presented below, form part of the industrial segment which is classified as held for sale.

($ in thousands)				Purchase Price Allocation (1)			
Acquisition Date	Property Type and Location	Number of Buildings	Purchase Price (1)	Land	Building and Improvements	Lease Intangible Assets	Lease Intangible Liabilities
Nine Months Ended September 30, 2019							
Asset Acquisitions(2)							
February	Bulk industrial—Various in U.S.	6	$ 373,182	$ 49,446	$ 296,348	$ 27,553	$ (165)
Various	Light industrial—Various in U.S.(3)	84	1,135,157	241,550	850,550	47,945	(4,888)
			$ 1,508,339	$ 290,996	$ 1,146,898	$ 75,498	$ (5,053)
Year Ended December 31, 2018							
Asset Acquisitions							
September	Healthcare—United Kingdom(4)	1	$ 24,444	$ 10,231	$ 12,733	$ 1,480	$ —
November	Office and Industrial—France	220	478,844	109,858	330,752	38,234	—
Various	Light industrial—Various in U.S.(3)	40	569,442	111,194	433,040	30,183	(4,975)
			$ 1,072,730	$ 231,283	$ 776,525	$ 69,897	$ (4,975)

(1) Dollar amounts of purchase price and allocation to assets acquired and liabilities assumed are translated using foreign exchange rates as of the respective dates of acquisition, where applicable.

(2) Useful life of real estate acquired in 2019 is 25 to 49 years for buildings, 9 to 15 years for site improvements, 4 to 11 years for tenant improvements and 1 to 15 years for lease intangibles (based on remaining lease terms).

(3) Includes acquisition of land totaling $20.8 million in the nine months ended September 30, 2019 and $13.1 million in the year ended December 31, 2018 for co-development with operating partners.

(4) Net leased senior housing acquired pursuant to a purchase option under the Company's development facility to the healthcare operator at a purchase price equivalent to the outstanding loan balance.

Depreciation and Impairment

Depreciation expense on real estate, excluding amounts related to discontinued operations (Note 15), was $84.4 million and $96.8 million for the three months ended September 30, 2019 and 2018, respectively, and $269.3 million and $282.0 million for the nine months ended September 30, 2019 and 2018, respectively.

Refer to Note 11 for a discussion of impairment on real estate.

Property Operating Income

Property operating income presented below excludes amounts related to discontinued operations (Note 15). For the three and nine months ended September 30, 2018, property operating income was composed of $183.0 million and $573.1 million of total lease revenue, respectively, and $312.0 million and $927.8 million of hotel operating income, respectively. For the three and nine months ended September 30, 2019, the components of property operating income were as follows:

(In thousands)	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Lease revenue:		
Fixed lease revenue	$ 152,050	$ 487,404
Variable lease revenue	13,641	44,881
	165,691	532,285
Hotel operating income	296,464	877,556
	$ 462,155	$ 1,409,841

Future Fixed Lease Payments

At September 30, 2019, future fixed lease payments under noncancelable operating leases for real estate held for investment were as follows:

Year Ending December 31,	(In thousands)
Remaining 2019	$ 67,330
2020	253,091
2021	243,986
2022	236,090
2023	221,468
2024 and thereafter	993,931
Total [(1)]	$ 2,015,896

(1) Excludes future fixed lease payments in connection with (i) resident fee income as the related lease agreements are generally cancelable by residents with 30 days' notice; and (ii) real estate in the industrial segment that is classified as held for sale totaling $1.35 billion through 2038, of which $70.0 million relates to the remainder of 2019.

At December 31, 2018, future contractual minimum lease payments to be received under noncancelable operating leases for real estate held for investment were as follows:

Year Ending December 31,	(In thousands)
2019	$ 293,906
2020	285,051
2021	265,612
2022	254,881
2023	242,151
2024 and thereafter	961,591
Total [(1)]	$ 2,303,192

(1) Excludes future contractual minimum lease payments for real estate in the industrial segment that is held for sale totaling $894.4 million.

Commitments and Contractual Obligations

Purchase Commitments—At September 30, 2019, the Company had funded aggregate deposits of $5.4 million with remaining unfunded purchase commitments totaling $58.4 million for the acquisition of three light industrial buildings

which are under construction. These are real estate acquisitions in the industrial segment and will be classified as held for sale upon closing.

Guarantee Agreements—In July 2017, the Company and certain investment vehicles managed by the Company took control of a portfolio of limited service hotels, primarily located across the Southwest and Midwest U.S. (the "THL Hotel Portfolio") through a consensual foreclosure following maturity default by the borrower on the junior mezzanine loan owned by the Company. In connection with the foreclosure, the Company entered into guarantee agreements with various hotel franchisors, pursuant to which the Company guaranteed the payment of its obligations as a franchisee, including payments of franchise fees and marketing fees for the term of the agreements, which expire between 2027 and 2032. In the event of default or termination of the franchise agreements, the Company is liable for liquidated damages not to exceed $75 million. The Company had similar provisions related to its core hotel portfolio in the hospitality segment, but has met the required minimum payments under the respective franchise agreements and no longer has an obligation to the franchisors.

4. Loans Receivable

The following table provides a summary of the Company's loans held for investment, including PCI loans:

	September 30, 2019				December 31, 2018			
($ in thousands)	Unpaid Principal Balance	Carrying Value	Weighted Average Coupon	Weighted Average Maturity in Years	Unpaid Principal Balance	Carrying Value	Weighted Average Coupon	Weighted Average Maturity in Years
Loans at amortized cost								
Non-PCI Loans								
Fixed rate								
Mortgage loans	$ 457,365	$ 481,108	10.6%	1.8	$ 643,973	$ 667,590	10.7%	2.2
Mezzanine loans	437,858	435,320	12.6%	0.8	357,590	354,326	12.5%	1.5
Corporate loans	120,727	119,952	12.5%	5.7	108,944	107,796	12.3%	5.8
	1,015,950	1,036,380			1,110,507	1,129,712		
Variable rate								
Mortgage loans	168,401	168,811	4.2%	0.3	178,650	179,711	4.3%	0.1
Mezzanine loans	43,447	43,166	13.1%	1.8	27,772	27,417	13.4%	2.5
	211,848	211,977			206,422	207,128		
	1,227,798	1,248,357			1,316,929	1,336,840		
PCI Loans								
Mortgage loans	1,155,353	254,029			1,324,287	351,646		
Mezzanine loans	7,425	3,671			7,425	3,671		
	1,162,778	257,700			1,331,712	355,317		
Allowance for loan losses		(51,858)				(32,940)		
Loans receivable, net	$ 2,390,576	$ 1,454,199			$ 2,648,641	$ 1,659,217		

Nonaccrual and Past Due Loans

Non-PCI loans, excluding loans carried at fair value, 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
September 30, 2019	$ 946,933	$ —	$ —	$ 301,424	$ 1,248,357
December 31, 2018	1,052,303	—	44,392	240,145	1,336,840

Troubled Debt Restructuring

During the nine months ended September 30, 2019 and 2018, there were no loans modified in a troubled debt restructuring ("TDR"), in which the Company provided borrowers, who are experiencing financial difficulties, with various concessions in interest rates, payment terms or default waivers. At both September 30, 2019 and December 31, 2018, the Company had one existing TDR loan that was in maturity default, with a carrying value before allowance for loan loss of $37.8 million and an allowance for loan loss of $37.8 million and $12.8 million as of September 30, 2019 and December 31, 2018, respectively. The Company has no additional lending commitment on this TDR loan.

Non-PCI Impaired Loans

Non-PCI loans, excluding loans carried at fair value, 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, as well as loans in maturity default.

The following table summarizes non-PCI impaired loans:

		Gross Carrying Value			
(In thousands)	**Unpaid Principal Balance**	**With Allowance for Loan Losses**	**Without Allowance for Loan Losses**	**Total**	**Allowance for Loan Losses**
September 30, 2019	$ 296,893	$ 71,754	$ 229,670	$ 301,424	$ 48,150
December 31, 2018	280,337	75,179	206,628	281,807	18,304

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2019**	**2018**	**2019**	**2018**
Average carrying value before allowance for loan losses	$ 306,114	$ 296,178	$ 298,925	$ 284,794
Total interest income recognized during the period impaired	1,651	2,992	5,943	4,300
Cash basis interest income recognized	—	1,190	447	1,190

Purchased Credit-Impaired Loans

PCI loans are acquired loans with evidence of credit quality deterioration for which it is probable at acquisition that the Company 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. The difference between contractually required payments as of the acquisition date and the cash flows expected to be collected, which represents the nonaccretable difference, is not recognized as an adjustment of yield, loss accrual or valuation allowance.

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.

There were no PCI loans acquired in the nine months ended September 30, 2019 and 2018.

Changes in accretable yield of PCI loans were as follows:

	Nine Months Ended September 30,	
(In thousands)	**2019**	**2018**
Beginning accretable yield	$ 9,620	$ 42,435
Dispositions	—	(5,400)
Changes in accretable yield	11,647	3,407
Accretion recognized in earnings	(9,471)	(24,250)
Deconsolidation	—	(991)
Effect of changes in foreign exchange rates	(270)	(223)
Ending accretable yield	$ 11,526	$ 14,978

The Company applied either the cash basis or cost recovery method for recognition of interest income on PCI loans with carrying value before allowance for loan losses of $162.7 million at September 30, 2019 and $175.6 million at December 31, 2018, as the Company did not have reasonable expectations of the timing and amount of future cash receipts on these loans.

Allowance for Loan Losses

On a periodic basis, the Company analyzes 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.

Allowance for loan losses represents the estimated probable credit losses inherent in loans receivable at balance sheet date and 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 or an observable market price for the loan.

For PCI loans, provision for loan losses is recorded if it is determined that decreases in cash flows expected to be collected would result in a decrease in the estimated fair value of the loan below its amortized cost.

The allowance for loan losses and related carrying values of loans held for investment were as follows:

	September 30, 2019		December 31, 2018	
(In thousands)	Allowance for Loan Losses	Carrying Value	Allowance for Loan Losses	Carrying Value
Non-PCI loans	$ 48,150	$ 71,754	$ 18,304	$ 75,179
PCI loans	3,708	21,245	14,636	54,440
	$ 51,858	$ 92,999	$ 32,940	$ 129,619

Changes in allowance for loan losses are presented below:

	Nine Months Ended September 30,	
(In thousands)	2019	2018
Allowance for loan losses at January 1	$ 32,940	$ 52,709
Contribution to Colony Credit	—	(518)
Deconsolidation	—	(5,983)
Provision for loan losses, net	35,847	27,133
Charge-off	(16,929)	(31,430)
Allowance for loan losses at September 30	$ 51,858	$ 41,911

Provision for loan losses by loan type is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Non-PCI loans	$ 17,228	$ 214	$ 30,035	$ 7,950
PCI loans	5	7,611	5,812	19,183
Total provision for loan losses, net	$ 17,233	$ 7,825	$ 35,847	$ 27,133

Lending Commitments

The Company has lending commitments to borrowers pursuant to certain loan agreements in which the borrower may submit a request for funding contingent on achieving certain criteria, which must be approved by the Company as lender, such as leasing, performance of capital expenditures and construction in progress with an approved budget. At September 30, 2019, total unfunded lending commitments was $395.3 million, of which the Company's share was $155.6 million, net of amounts attributable to noncontrolling interests.

5. Equity and Debt Investments

The Company's equity investments and debt securities are represented by the following:

(In thousands)	September 30, 2019	December 31, 2018
Equity Investments		
Equity method investments		
Investment ventures	$ 1,817,956	$ 2,151,847
Private funds	137,336	124,826
	1,955,292	2,276,673
Other equity investments		
Marketable equity securities	142,830	36,438
Investment ventures	92,417	95,196
Private funds and non-traded REIT	37,858	24,607
Total equity investments	2,228,397	2,432,914
Debt Securities		
N-Star CDO bonds, available for sale	59,953	64,127
CMBS of consolidated fund, at fair value	2,771	32,706
Total debt securities	62,724	96,833
Equity and debt investments	$ 2,291,121	$ 2,529,747

Equity Investments

The Company's equity investments represent noncontrolling equity interests in various entities, including investments for which fair value option was elected.

Equity Method Investments

The Company owns significant interests in publicly-traded REITs that it manages, Colony Credit and NRE (prior to the sale of NRE in September 2019). The Company accounts for its investments under the equity method as it exercises significant influence over operating and financial policies of these entities through a combination of its ownership interest, its role as the external manager and board representation, but does not control these entities. The Company also owns equity method investments that are structured as joint ventures with one or more private funds or other investment vehicles managed by the Company, or with third party joint venture partners. These investment ventures are generally capitalized through equity contributions from the members and/or leveraged through various financing arrangements. The Company elected the fair value option to account for its interests in certain investment ventures and limited partnership interests in third party private equity funds (Note 11).

The liabilities of the equity method investment entities may only be settled using the assets of these entities and there is no recourse to the general credit of either the Company or the other investors for the obligations of these investment entities. Neither the Company nor the other investors are required to provide financial or other support in excess of their capital commitments. The Company’s exposure to the investment entities is limited to its equity method investment balance.

The Company’s investments accounted for under the equity method, including investments for which fair value option was elected, are summarized below:

($ in thousands)			Ownership Interest at September 30, 2019[1]	Carrying Value at	
Investments	Description			September 30, 2019	December 31, 2018
Colony Credit Real Estate, Inc.	Common equity in publicly traded commercial real estate credit REIT managed by the Company and membership units in its operating subsidiary	(2)	36.4%	$ 731,306	$ 1,037,754
NorthStar Realty Europe Corp.	Common equity in publicly traded equity REIT managed by the Company	(2)	—%	—	87,696
RXR Realty	Common equity in investment venture with a real estate investor, developer and investment manager		27.2%	93,368	95,418
Preferred equity	Preferred equity investments with underlying real estate	(3)	NA	139,033	219,913
ADC investments	Investments in acquisition, development and construction loans in which the Company participates in residual profits from the projects, and the risk and rewards of the arrangements are more similar to those associated with investments in joint ventures	(4)	Various	516,731	481,477
Private funds	General partner and/or limited partner interests in private funds (excluding carried interest allocation)	(5)	Various	116,694	109,393
Private funds—carried interest	Disproportionate allocation of returns to the Company as general partner or equivalent based on the extent to which cumulative performance of the fund exceeds minimum return hurdles	(5)	Various	15,208	9,525
Other investment ventures	Interests in 16 investments at September 30, 2019		Various	170,557	154,412
Fair value option	Interests in initial stage, real estate development and hotel ventures and limited partnership interests in private equity funds		Various	172,395	81,085
				$ 1,955,292	$ 2,276,673

(1) The Company's ownership interest 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, such as classes of partner or member interests, allocations of profits and losses, preferential returns and guaranty of debt. Each equity method investment has been determined to be either a VIE for which the Company was not deemed to be the primary beneficiary or a voting interest entity in which the Company does not have the power to control through a majority of voting interest or through other arrangements.

(2) These entities are governed by their respective boards of directors. The Company's role as manager is under the supervision and direction of such entity's board of directors, which includes representatives from the Company but the majority of whom are independent directors.

(3) Some preferred equity investments may not have a stated ownership interest.

(4) The Company owns varying levels of stated equity interests in certain acquisition, development and construction ("ADC") arrangements as well as profit participation interests without a stated ownership interest in other ADC arrangements.

(5) Excludes the Company's general partner equity, including carried interest associated with the open-end industrial fund, which is classified as held for sale for all periods presented (Note 7).

Colony Credit

The Company owns an approximate 36.4% interest, on a fully diluted basis, in Colony Credit. Colony Credit was formed on January 31, 2018 through a contribution of the CLNY Contributed Portfolio (as described below), represented by the Company's ownership interests ranging from 38% to 100% in certain investment entities ("CLNY Investment Entities"), and a concurrent all-stock merger with NorthStar Real Estate Income Trust, Inc. ("NorthStar I") and NorthStar Real Estate Income II, Inc. ("NorthStar II"), both publicly registered non-traded REITs sponsored and managed by a subsidiary of the Company (the "Combination"). The CLNY Contributed Portfolio comprised the Company's interests in certain commercial real estate loans, net lease properties and limited partnership interests in third party sponsored funds, which represented a select portfolio of U.S. investments within the Company’s other equity and debt segment that were transferable assets consistent with Colony Credit's strategy. Upon closing of the Combination, the Company's management contracts with NorthStar I and NorthStar II were terminated; concurrently, the Company entered into a new management agreement with Colony Credit.

In January 2018, the Company deconsolidated the CLNY Contributed Entities and measured its interest in Colony Credit based upon its proportionate share of Colony Credit's estimated fair value at the closing date of the Combination. The excess of fair value over carrying value of the Company's equity interest in the CLNY Investment Entities upon deconsolidation of $9.9 million was recognized in other gain on the consolidated statement of operations in the three months ended March 31, 2018.

Significant Sales of Equity Method Investments

Following a comprehensive review by NRE's Strategic Review Committee and approval by its Board of Directors and a majority of its stockholders, NRE sold all of its outstanding common stock on September 30, 2019 for a price of approximately $17.01 per share. As a result, the Company monetized its investment of 5.6 million shares of NRE common stock and recorded a gain of $12.4 million, included in equity method earnings.

Impairment of Equity Method Investments

The Company evaluates its equity method investments for other-than-temporary impairment ("OTTI") at each reporting period.

Impairment totaling $3.1 million and $253.5 million were recorded in equity method earnings in the three and nine months ended September 30, 2019, respectively. In addition to impairment of the Company's investment in Colony Credit in June 2019, as discussed below, other impairments resulted from a change in the Company's strategy as the Company terminated its future capital commitments to an investee, and write-downs based upon recoverable value from sale of underlying real estate held by an investee.

Impairment totaling $5.6 million and $22.1 million were recorded during the three and nine months ended September 30, 2018, respectively. In making its assessment, the Company considered a variety of factors and assumptions specific to each investment, including: offer prices on the Company's investment; expected payoffs from sales of the underlying business of the investee; or estimated enterprise value of the investee.

Colony Credit—Since Colony Credit began trading on February 1, 2018 through June 30, 2019, Colony Credit's common stock had traded between $15.10 and $23.23 per share. During this period, the carrying value of the Company's investment in Colony Credit ranged between $24.74 per share at inception and $20.25 at June 30, 2019 (prior to impairment). Based upon Colony Credit's closing stock price of $15.50 per share on June 30, 2019, the last trading day of the second quarter, the carrying value of the Company's investment in Colony Credit was $227.9 million in excess of its market value of $743.0 million. In connection with the preparation and review of the Company's financial statements, given the prolonged period of time that the carrying value of the Company's investment in Colony Credit has exceeded its market value, the Company determined that its investment in Colony Credit was other-than-temporarily impaired and recorded an impairment charge of $227.9 million as part of equity method loss in the second quarter of 2019.

The impairment charge in June 2019 resulted in a basis difference between the Company's carrying value of its investment in Colony Credit and the Company's proportionate share of Colony Credit's book value of equity. The impairment charge was applied to the Company's investment in Colony Credit as a whole and was not determined based on an impairment assessment of individual assets held by Colony Credit. In order to address this basis difference, the Company allocated the impairment charge on a relative fair value basis to investments identified by Colony Credit as non-strategic assets. Accordingly, for any future impairment charges taken by Colony Credit on these non-strategic assets, the Company's share thereof will be applied to reduce the basis difference and will not be recorded as an equity method loss until such time the basis difference associated with the respective underlying investments has been fully eliminated.

Other Equity Investments

Other equity investments that do not qualify for equity method accounting consist of the following:

Marketable Equity Securities—These are primarily equity investment in a third party managed mutual fund and publicly traded equity securities held by a consolidated private open-end fund. The equity securities of the consolidated fund comprise listed stocks predominantly in the U.S. and to a lesser extent, in the United Kingdom, and primarily in the financial, real estate and consumer sectors.

Investment Ventures—This represents primarily common equity in the Albertsons/Safeway supermarket chain (with 50% ownership by a co-investment partner) which was initially recorded at cost and prior to 2018, adjusted for distributions in excess of cumulative earnings. There were no adjustments for any impairment or observable price changes.

Private Funds and Non-Traded REIT—This represents interests in a Company-sponsored private fund and a non-traded REIT, NorthStar Healthcare Income, Inc. ("NorthStar Healthcare"), and limited partnership interest in a third party private fund sponsored by an equity method investee, for which the Company elected the NAV practical expedient (see Note 11).

Investment Commitments

Investment Ventures—Pursuant to the operating agreements of certain unconsolidated ventures, the venture partners may be required to fund additional amounts for future investments, unfunded lending commitments, ordinary operating costs, guaranties or commitments of the venture entities. The Company also has lending commitments under ADC arrangements which are accounted for as equity method investments. At September 30, 2019, the Company's share of these commitments was $67.8 million.

Private Funds—At September 30, 2019, the Company has unfunded commitments of $305.2 million to funds sponsored or co-sponsored by the Company that are accounted for as equity method investments.

Debt Securities

The Company's investment in debt securities is composed of N-Star CDO Bonds, classified as AFS and commercial mortgage-backed securities ("CMBS") held by a consolidated sponsored investment company that is currently in liquidation, accounted for at fair value through earnings.

AFS Debt Securities

The N-Star CDO bonds are investment-grade subordinate bonds retained by NRF from its sponsored collateralized debt obligations ("CDOs"), and CDO bonds originally issued by NRF that were subsequently repurchased by NRF at a discount. These CDOs are collateralized primarily by commercial real estate ("CRE") debt and CRE securities.

The following tables summarize the balance and activities of the N-Star CDO bonds.

(in thousands)	Amortized Cost	Gross Cumulative Unrealized Gains	Gross Cumulative Unrealized Losses	Fair Value
September 30, 2019	$ 56,783	$ 3,359	$ (189)	$ 59,953
December 31, 2018	67,513	1,565	(4,951)	64,127

Results from disposition of N-Star CDO bonds, with realized gains (losses) recorded in other gain (loss), were as follows for the nine months ended September 30, 2018. There were no sales of AFS debt securities in the three and nine months ended September 30, 2019 and three months ended September 30, 2018.

(In thousands)	Nine Months Ended September 30, 2018
Proceeds from sale	$ 78,197
Gross realized gain	11,304
Gross realized loss	(592)

Impairment of AFS Debt Securities

The following table presents AFS debt securities that have been in a gross unrealized loss position:

	September 30, 2019		December 31, 2018	
	Less Than 12 Months		Less Than 12 Months	
(In thousands)	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
N-Star CDO bonds	$ 985	$ 189	$ 54,459	$ 4,951

The Company performs an assessment, at least quarterly, to determine whether a decline in fair value below amortized cost of AFS debt securities is other than temporary. OTTI exists when either (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. In assessing OTTI and estimating future expected cash flows, factors considered include, but are not limited to, credit rating of the security, financial condition of the issuer, defaults for similar securities, performance and value of assets underlying an asset-backed security.

The Company recorded OTTI loss in other gain (loss) of $6.4 million and $7.1 million for the three and nine months ended September 30, 2019, respectively, and $7.2 million for the nine months ended September 30, 2018. There was no OTTI loss in the three months ended September 30, 2018. The losses were due to an adverse change in expected cash flows on N-Star CDO bonds, and additionally in 2018, CMBS held by consolidated N-Star CDOs which were subsequently deconsolidated in the second quarter of 2018. The Company believed that it was not likely that it would recover the amortized cost on these securities prior to selling them.

At September 30, 2019 and December 31, 2018, the Company believed that the N-Star CDOs with unrealized loss in accumulated other comprehensive income were not other than temporarily impaired as it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases.

6. Goodwill, Deferred Leasing Costs and Other Intangibles

Goodwill

The following table presents changes in the carrying value of goodwill, which resides in the investment management segment.

(In thousands)	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Beginning balance	$ 1,514,561	$ 1,514,561
Business combination (Note 2)	247,248	—
Impairment	(387,000)	—
Ending balance [1]	$ 1,374,809	$ 1,514,561

[1] At September 30, 2019, $140.5 million of goodwill was deductible for income tax purposes. There were no tax deductible amounts at December 31, 2018.

Goodwill assigned to the industrial segment of $20.0 million is classified as held for sale (Note 7).

Impairment of Goodwill

Goodwill is tested for impairment at the reporting units to which it is assigned at least on an annual basis in the fourth quarter of each year, or more frequently if events or changes in circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value, including goodwill.

In 2018, the Company performed a quantitative assessment in its annual impairment test and determined that its investment management goodwill was not impaired.

In the third quarter of 2019, the Company considered the loss of future fee income that is expected to result from the pending sale of its industrial business and the amendment of Colony Credit's management agreement to reduce the fee base to reflect Colony Credit's reduced book value, as indicators of potential impairment to its investment management goodwill. The Company updated its quantitative test of goodwill in the third quarter, which indicated that the carrying value of the investment management reporting unit at September 30, 2019, including goodwill, exceeded its estimated fair value. As a result, the Company recognized a goodwill impairment of $387.0 million in the third quarter of 2019.

The fair value of the investment management reporting unit was estimated using the income approach. Projections of discounted cash flows were based on various factors, including, but not limited to, assumptions around forecasted capital raising for existing and future investment vehicles, fee related earnings multiples, incentive fee multiples, operating profit margins and discount rates, adjusted for certain risk characteristics such as the predictability of fee streams and the estimated life of managed investment vehicles. The Company applied terminal year residual multiples on fee related earnings ranging from 16x to 20x, incentive fee multiple of 5x and discount rates ranging from 11% to 13%. The Company considered a range of fee related earnings multiples, incentive fee multiples and discount rates for a peer group of alternative asset managers as indicators to assess for reasonableness, noting that direct comparison generally cannot be drawn due to differences that exist between the Company's business and those of other asset managers. The Company also considered the hypothetical value of its investment management business in a spinoff that would result in the Company becoming externally managed, and assigned a value to internally managing the Company's balance sheet assets based on market terms of management contracts of externally-managed REITs that otherwise engage in similar real estate operations. As a final step, the Company evaluated the reasonableness of the valuation as a whole by comparing the aggregate fair value of its reporting units to its market capitalization, and considered in its evaluation the impact of short-term market volatility and other market factors that may not directly affect the value of the Company's individual reporting units.

Due to the inherently judgmental nature of the various projections and assumptions used, the unpredictability of economic and market conditions, actual results may differ from estimates. Changes to these variables and the potential outcome resulting from the Company exploring with Colony Credit an internalization of the management of Colony Credit and a transfer of the Company's private credit investment management business to Colony Credit may result in further decline in the fair value of the Company's investment management reporting unit, which may result in further impairment of goodwill in the future.

Deferred Leasing Costs, Other Intangible Assets and Intangible Liabilities

Deferred leasing costs and identifiable intangible assets and liabilities, excluding those related to assets held for sale, are as follows:

(In thousands)	September 30, 2019			December 31, 2018		
	Carrying Amount (Net of Impairment) [1]	Accumulated Amortization	Net Carrying Amount	Carrying Amount (Net of Impairment) [1]	Accumulated Amortization	Net Carrying Amount
Deferred Leasing Costs and Intangible Assets						
In-place lease values	$ 142,035	$ (61,668)	$ 80,367	$ 170,869	$ (55,103)	$ 115,766
Above-market lease values	97,955	(28,681)	69,274	111,903	(29,497)	82,406
Below-market ground lease obligations [2]	—	—	—	16,258	(984)	15,274
Deferred leasing costs	20,341	(7,011)	13,330	17,154	(4,465)	12,689
Lease incentives	14,169	(1,889)	12,280	14,169	(1,134)	13,035
Trade name [3]	19,800	(78)	19,722	15,500	—	15,500
Investment management contracts [4]	327,398	(170,274)	157,124	194,698	(92,618)	102,080
Customer relationships	68,153	(18,025)	50,128	49,291	(15,027)	34,264
Other [5]	38,328	(2,188)	36,140	59,157	(4,241)	54,916
Total deferred leasing costs and intangible assets	$ 728,179	$ (289,814)	$ 438,365	$ 648,999	$ (203,069)	$ 445,930
Intangible Liabilities						
Below-market lease values	$ 143,698	$ (48,196)	$ 95,502	$ 176,013	$ (42,895)	$ 133,118
Above-market ground lease obligations [2]	—	—	—	15,909	(1,557)	14,352
Total intangible liabilities	$ 143,698	$ (48,196)	$ 95,502	$ 191,922	$ (44,452)	$ 147,470

[1] For intangible assets and intangible liabilities recognized in connection with business combinations, purchase price allocations may be subject to adjustments during the measurement period, not to exceed twelve months from date of acquisition, based upon new information obtained about facts and circumstances that existed at time of acquisition. Amounts are presented net of impairments and write-offs.

[2] Upon adoption of the new lease standard on January 1, 2019, below-market and above-market ground lease obligations were reclassified as a component of operating lease right-of-use asset, included in other assets.

[3] The DBH trade name is amortized over its estimated useful life of 10 years, while the Colony trade name is determined to have an indefinite useful life and is not currently subject to amortization.

[4] Accumulated amortization includes accelerated amortization upon termination of the NRE management contract of $53.7 million in September 2019.

[5] Represents primarily the value of certificates of need associated with certain healthcare portfolios which are not amortized and franchise agreements associated with certain hotel properties which are subject to amortization over the term of the respective agreements.

Impairment of Identifiable Intangible Assets

There was no impairment of identifiable intangible assets during the three and nine months ended September 30, 2019.

The following impairment losses were recognized during the year ended December 31, 2018:

Investment Management Contracts—$147.4 million of impairment was recorded on investment management contract intangibles related to non-traded REITs. This consisted of $139.0 million write-off of the NorthStar I and NorthStar II management contract intangibles as the contracts were terminated upon closing of the Combination, and $1.4 million write off of the management contract intangible of the Company's sponsored non-traded REIT, NorthStar/RXR New York Metro Real Estate, Inc., in consideration of the termination of its offering period effective March 2018 and subsequent liquidation, both of which were recorded in the first quarter of 2018, and $7.0 million impairment in the third quarter of 2018 on the NorthStar Healthcare management contract intangible which was valued based upon future net cash flows, discounted at 10%.

Customer Relationships—In the fourth quarter of 2018, the remaining value of the retail customer relationship intangible of $10.1 million was written off based on a reassessment of future capital raising for retail vehicles.

Trade Name—In June 2018, the Company changed its name from Colony NorthStar, Inc. to Colony Capital, Inc. and wrote off the remaining value of the NorthStar trade name of $59.5 million.

Amortization of Intangible Assets and Liabilities

The following table summarizes amortization of deferred leasing costs and finite-lived intangible assets and intangible liabilities, excluding amounts related to discontinued operations (Note 15):

(In thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Above-market lease values	$ (2,830)	$ (3,219)	$ (8,507)	$ (23,181)
Below-market lease values	5,003	4,996	14,925	25,371
Lease incentives	(252)	(252)	(756)	(745)
Net increase (decrease) to rental income	$ 1,921	$ 1,525	$ 5,662	$ 1,445
Above-market ground lease obligations	$ —	$ (333)	$ —	$ (800)
Below-market ground lease obligations	—	182	—	551
Net increase (decrease) to ground rent expense	$ —	$ (151)	$ —	$ (249)
In-place lease values	$ 6,862	$ 6,608	$ 21,039	$ 21,993
Deferred leasing costs	721	941	3,089	2,569
Trade name	78	—	78	1,606
Investment management contracts	63,754	4,013	77,656	13,824
Customer relationships	1,327	1,152	2,999	3,455
Other	280	724	934	1,858
Amortization expense	$ 73,022	$ 13,438	$ 105,795	$ 45,305

The following table presents the effect of future amortization of deferred leasing costs and finite-lived intangible assets and intangible liabilities, excluding those related to assets and liabilities held for sale:

	Year Ending December 31,						
(In thousands)	Remaining 2019	2020	2021	2022	2023	2024 and Thereafter	Total
Net increase (decrease) to rental income [(1)]	$ 1,851	$ 6,897	$ 5,697	$ 5,267	$ 5,954	$ (11,718)	$ 13,948
Amortization expense [(1)]	15,012	58,940	53,640	43,246	34,934	108,039	313,811

(1) Excludes $9.7 million net increase to rental income and $145.6 million amortization expense related to deferred leasing costs and intangible assets and liabilities of the industrial segment that is held for sale.

7. Assets and Related Liabilities Held for Sale

The Company's assets and related liabilities held for sale are summarized below:

(In thousands)	September 30, 2019	December 31, 2018
Assets		
Restricted cash	$ 16,312	$ 6,213
Real estate, net	5,186,793	3,645,406
Equity investment—private fund	48,478	13,422
Goodwill	20,000	20,000
Deferred leasing costs and intangible assets, net	175,248	135,924
Other assets	113,372	146,380
Total assets held for sale	$ 5,560,203	$ 3,967,345
Liabilities		
Debt, net	$ 2,131,497	$ 1,064,585
Lease intangibles and other liabilities, net	203,146	153,910
Total liabilities related to assets held for sale	$ 2,334,643	$ 1,218,495

Assets and Liabilities Related to Discontinued Operations

At September 30, 2019 and December 31, 2018, assets totaling $4.5 billion and $3.0 billion, respectively, and liabilities totaling $2.3 billion and $1.2 billion, respectively, in connection with the industrial segment and related management platform, were classified as held for sale and discontinued operations. The industrial assets held for sale consisted primarily of real estate and related intangible assets of $4.4 billion at September 30, 2019 and $2.9 billion at December 31, 2018, as well as goodwill associated with the industrial management platform and the Company's general partner interest in the industrial open-end fund, as presented in the table above. Debt classified as held for sale represents all outstanding debt of the industrial segment which is expected to be assumed by the buyer or extinguished concurrent with closing of the sale. At September 30, 2019, the outstanding debt of the industrial segment was composed of $1.3 billion fixed rate and $0.9 billion variable rate, bearing an overall weighted average interest rate of 3.72%, and weighted average remaining maturity of 7.6 years.

8. Restricted Cash, Other Assets and Other Liabilities

Restricted Cash

The following table summarizes the Company's restricted cash balance:

(In thousands)	September 30, 2019	December 31, 2018
Capital expenditures reserves [1]	$ 112,335	$ 214,863
Real estate escrow reserves [2]	53,424	49,702
Borrower escrow deposits	12,460	10,412
Working capital and other reserves [3]	13,968	19,586
Tenant lock boxes [4]	14,505	15,666
Other	50,743	54,376
Total restricted cash	$ 257,435	$ 364,605

[1] Represents primarily cash held by lenders for capital improvements, furniture, fixtures and equipment, tenant improvements, lease renewal and replacement reserves related to real estate assets.

[2] Represents primarily insurance, real estate tax, repair and maintenance, tenant security deposits and other escrows related to real estate assets.

[3] Represents reserves for working capital and property development expenditures, as well as in connection with letter of credit provisions, as required in certain joint venture arrangements.

[4] Represents tenant rents held in lock boxes controlled by the lender. The Company receives the monies after application of rent receipts to service its debt.

Other Assets

The following table summarizes the Company's other assets:

(In thousands)	September 30, 2019	December 31, 2018
Interest receivable	$ 13,134	$ 14,005
Straight-line rents	31,893	34,931
Hotel-related deposits and reserves [1]	17,328	21,636
Investment deposits and pending deal costs	34,385	27,534
Deferred financing costs, net [2]	3,520	5,467
Derivative assets (Note 10)	34,746	33,558
Prepaid taxes and deferred tax assets, net	57,848	71,656
Receivables from resolution of investments [3]	16,692	30,770
Operating lease right-of-use asset, net	119,887	—
Accounts receivable, net [4]	76,833	58,830
Prepaid expenses	34,563	23,771
Other assets	31,947	30,604
Fixed assets, net	44,188	47,381
Total other assets	$ 516,964	$ 400,143

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(1) Represents working capital deposits and reserves held by third party managers at certain hotel properties to fund furniture, fixtures and equipment expenditures. Funding of reserves is made periodically based on a percentage of hotel operating income.

(2) Deferred financing costs relate to revolving credit arrangements.

(3) Represents primarily proceeds from loan repayments and real estate sales held in escrow and sales of marketable equity securities pending settlement.

(4) Includes receivables for hotel operating income, resident fees, rent and other tenant receivables, net of allowance.

Accrued and Other Liabilities

The following table summarizes the Company's accrued and other liabilities:

(In thousands)	September 30, 2019	December 31, 2018
Tenant security deposits and payable	$ 15,465	$ 15,135
Borrower escrow deposits	12,401	13,001
Deferred income [1]	23,862	27,124
Interest payable	39,473	40,622
Derivative liabilities (Note 10)	261,942	132,808
Contingent consideration—THL Hotel Portfolio (Note 11)	9,330	8,903
Share repurchase payable [2]	—	7,567
Current and deferred income tax liability	88,582	92,808
Operating lease liability (Note 20)	120,635	—
Accrued compensation	87,200	79,320
Accrued carried interest and contractual incentive fee compensation	6,998	7,486
Accrued real estate and other taxes	47,397	38,714
Accounts payable and accrued expenses	97,972	91,244
Other liabilities	112,175	79,412
Total accrued and other liabilities	$ 923,432	$ 634,144

(1) Represents primarily prepaid rental income, prepaid interest from borrowers held in reserve accounts, deferred asset management fees from private funds, and deferred base management fees assumed in the DBH acquisition. Deferred management fees totaling $13.3 million at September 30, 2019 and $3.2 million at December 31, 2018 will be recognized as fee income over a weighted average period of 0.9 years.

(2) Represents the Company's common stock repurchases transacted in December 2018 and settled in January 2019.

9. Debt

The Company's debt consists of the following components, excluding debt associated with the industrial segment, which is expected to be assumed by the buyer and included in liabilities related to assets held for sale (Note 7).

(In thousands)	Corporate Credit Facility[1]	Convertible and Exchangeable Senior Notes	Secured Debt [2]	Junior Subordinated Notes	Total Debt
September 30, 2019					
Debt at amortized cost					
Principal	$ 184,200	$ 616,105	$ 7,768,294	$ 280,117	$ 8,848,716
Premium (discount), net	—	2,360	(18,388)	(79,488)	(95,516)
Deferred financing costs	—	(4,895)	(82,197)	—	(87,092)
	$ 184,200	$ 613,570	$ 7,667,709	$ 200,629	$ 8,666,108
December 31, 2018					
Debt at amortized cost					
Principal	$ —	$ 616,105	$ 8,275,707	$ 280,117	$ 9,171,929
Premium (discount), net	—	2,697	(41,217)	(81,031)	(119,551)
Deferred financing costs	—	(6,652)	(70,354)	—	(77,006)
	$ —	$ 612,150	$ 8,164,136	$ 199,086	$ 8,975,372

(1) Deferred financing costs related to the corporate credit facility are included in other assets.

(2) Debt principal totaling $570.0 million at September 30, 2019 and $425.9 million at December 31, 2018 relates to financing on assets held for sale. Debt associated with assets held for sale that will be assumed by the buyer is included in liabilities related to assets held for sale (Note 7).

The following table summarizes certain information about the different components of debt carried at amortized cost. Weighted average years remaining to maturity is based on initial maturity dates or extended maturity dates if the criteria to extend have been met as of the balance sheet date and the extension option is at the Company's discretion.

	Fixed Rate			Variable Rate			Total		
($ in thousands)	Outstanding Principal	Weighted Average Interest Rate (Per Annum)	Weighted Average Years Remaining to Maturity	Outstanding Principal	Weighted Average Interest Rate (Per Annum)	Weighted Average Years Remaining to Maturity	Outstanding Principal	Weighted Average Interest Rate (Per Annum)	Weighted Average Years Remaining to Maturity
September 30, 2019									
Recourse									
Corporate credit facility	$ —	N/A	N/A	$ 184,200	4.28%	2.3	$ 184,200	4.28%	2.3
Convertible and exchangeable senior notes	616,105	4.27%	2.3	—	N/A	N/A	616,105	4.27%	2.3
Junior subordinated debt	—	N/A	N/A	280,117	4.95%	16.7	280,117	4.95%	16.7
Secured debt [1]	35,622	5.02%	6.2	—	N/A	N/A	35,622	5.02%	6.2
	651,727			464,317			1,116,044		
Non-recourse									
Healthcare [2] [3]	405,980	4.55%	5.4	2,547,725	5.63%	3.9	2,953,705	5.48%	4.1
Hospitality	13,388	12.66%	1.9	2,646,227	5.14%	3.2	2,659,615	5.18%	3.2
Other Real Estate Equity [2]	161,871	4.14%	3.6	1,715,606	4.04%	2.8	1,877,477	4.05%	2.9
Real Estate Debt	—	N/A	N/A	241,875	3.80%	2.3	241,875	3.80%	2.3
	581,239			7,151,433			7,732,672		
	$ 1,232,966			$ 7,615,750			$ 8,848,716		
December 31, 2018									
Recourse									
Corporate credit facility	$ —	N/A	N/A	$ —	N/A	3.0	$ —	N/A	3.0
Convertible and exchangeable senior notes	616,105	4.27%	3.0	—	N/A	N/A	616,105	4.27%	3.0
Junior subordinated debt	—	N/A	N/A	280,117	5.66%	17.4	280,117	5.66%	17.4
Secured debt [1]	37,199	5.02%	6.9	—	N/A	N/A	37,199	5.02%	6.9
	653,304			280,117			933,421		
Non-recourse									
Healthcare [2][3]	2,130,999	4.62%	1.9	1,109,681	6.64%	2.7	3,240,680	5.31%	2.2
Hospitality	12,019	12.99%	2.6	2,636,053	5.68%	3.8	2,648,072	5.71%	3.8
Other Real Estate Equity [2]	200,814	4.02%	3.8	1,789,431	4.43%	3.6	1,990,245	4.39%	3.7
Real Estate Debt	—	N/A	N/A	359,511	4.50%	2.4	359,511	4.50%	2.4
	2,343,832			5,894,676			8,238,508		
	$ 2,997,136			$ 6,174,793			$ 9,171,929		

[1] The fixed rate recourse debt is secured by the Company's aircraft.

[2] Mortgage debt in the healthcare and other real estate equity segment with an aggregate outstanding principal of $315.0 million at September 30, 2019 and $538.5 million at December 31, 2018 were either in payment default or were not in compliance with certain debt and/or lease covenants. The Company is negotiating with the lenders and the tenants to restructure the debt and leases, as applicable, or otherwise refinance the debt.

[3] At December 31, 2018, included $1.725 billion outstanding principal of non-recourse fixed rate mortgage debt on certain properties in our U.S. healthcare portfolio that was scheduled to mature in December 2019. In June 2019, such debt was refinanced with $1.515 billion of variable rate debt, composed of $1.025 billion first mortgage debt and $490 million mezzanine debt, with a two-year initial term and three 1-year extension options.

Corporate Credit Facility

On January 10, 2017, the OP entered into an amended and restated credit agreement (the "Credit Agreement") with several lenders and JPMorgan Chase Bank, N.A. as administrative agent, and Bank of America, N.A. as syndication agent. The Credit Agreement provided a secured revolving credit facility in the maximum principal amount of $1.0 billion, with an option to increase up to $1.5 billion, subject to agreement of existing or substitute lenders to provide the additional loan commitment and satisfaction of customary closing conditions. The credit facility is scheduled to mature in January 2021, with two 6-month extension options, each subject to a fee of 0.10% of the commitment amount upon exercise.

In April 2019, the Credit Agreement was amended to reduce the aggregate commitments available from $1.0 billion to $750 million, and the option to increase the borrowing commitments, subject to agreement by the lenders and customary closing conditions, from $1.5 billion to $1.125 billion. The amendment also provides that the Company may operate at below the minimum fixed charge coverage ratio, as defined in the Credit Agreement, for a reduced valuation of the borrowing base, and establishes a new floor for the minimum fixed charge coverage ratio beginning fiscal quarter ended March 31, 2019.

The maximum amount available at any time is limited by a borrowing base of certain investment assets, with the valuation of such investment assets generally determined according to a percentage of adjusted net book value or a multiple of base management fee EBITDA (as defined in the Credit Agreement).

Advances under the Credit Agreement accrue interest at a per annum rate equal to the sum of one-month London Inter-bank Offered Rate ("LIBOR") plus 2.25% or a base rate determined according to a prime rate or federal funds rate plus a margin of 1.25%. The Company pays a commitment fee of 0.25% or 0.35% per annum of the unused amount (0.35% at September 30, 2019), depending upon the amount of facility utilization.

Some of the Company's subsidiaries guarantee the obligations of the Company under the Credit Agreement. As security for the advances under the Credit Agreement, the Company and some of its affiliates pledged their equity interests in certain subsidiaries through which the Company directly or indirectly owns substantially all of its assets.

The Credit Agreement contains various affirmative and negative covenants, including financial covenants that require the Company to maintain minimum tangible net worth, liquidity levels and financial ratios, as defined in the Credit Agreement. At September 30, 2019, the Company was in compliance with all of the financial covenants.

The Credit Agreement also includes customary events of default, in certain cases subject to reasonable and customary periods to cure. The occurrence of an event of default may result in the termination of the credit facility, accelerate the Company's repayment obligations, in certain cases limit the Company's ability to make distributions, and allow the lenders to exercise all rights and remedies available to them with respect to the collateral. There have been no events of default since the inception of the credit facility.

Convertible and Exchangeable Senior Notes

Convertible senior notes and exchangeable senior notes are senior unsecured obligations of the Company and are guaranteed by the Company on a senior unsecured basis.

Convertible and exchangeable senior notes issued by the Company and outstanding are as follows:

Description	Issuance Date	Due Date	Interest Rate	Conversion or Exchange Price (per share of common stock)	Conversion or Exchange Ratio (in shares)[1]	Conversion or Exchange Shares (in thousands)	Earliest Redemption Date	Outstanding Principal September 30, 2019	Outstanding Principal December 31, 2018
5.00% Convertible Notes	April 2013	April 15, 2023	5.00	$ 15.76	63.4700	12,694	April 22, 2020	$ 200,000	$ 200,000
3.875% Convertible Notes	January and June 2014	January 15, 2021	3.875	16.57	60.3431	24,288	January 22, 2019	402,500	402,500
5.375% Exchangeable Notes	June 2013	June 15, 2033	5.375	12.04	83.0837	1,130	June 15, 2023	13,605	13,605
								$ 616,105	$ 616,105

(1) The conversion or exchange rate for convertible and exchangeable senior notes is subject to periodic adjustments to reflect the carried-forward adjustments relating to common stock splits, reverse stock splits, common stock adjustments in connection with spin-offs and cumulative cash dividends paid on the Company's common stock since the issuance of the convertible and exchangeable senior notes. The conversion or exchange ratios are presented in shares of common stock per $1,000 principal of each convertible or exchangeable note.

The convertible and exchangeable senior notes mature on their respective due dates, unless redeemed, repurchased or exchanged prior to such date in accordance with the terms of their respective governing documents. The convertible and exchangeable senior notes are redeemable at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest up to, but excluding, the redemption date.

The Company may redeem the convertible notes for cash at its option at any time on or after their respective redemption dates if the last reported sale price of the Company's common stock has been at least 130% of the conversion price of the convertible notes then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption.

The exchangeable notes may be exchanged for cash, common stock or a combination thereof, at the Company's election, upon the occurrence of specified events, and at any time on or after their respective redemption dates, and on the second business day immediately preceding their maturity dates. The holders of the exchangeable notes have the right, at their option, to require the Company to repurchase the exchangeable notes for cash on certain specific dates in accordance with the terms of their respective governing documents.

Secured and Unsecured Debt

These are primarily investment level financing, which are generally subject to customary non-recourse carve-outs, secured by underlying commercial real estate and mortgage loans receivable.

Junior Subordinated Debt

The junior subordinated debt was assumed by the Company through the Merger at fair value. Prior to the Merger, subsidiaries of NRF, which were formed as statutory trusts, NorthStar Realty Finance Trust I through VIII (the “Trusts”), issued trust preferred securities ("TruPS") in private placement offerings. The sole assets of the Trusts consist of a like amount of junior subordinated notes issued by NRF at the time of the offerings (the "Junior Notes").

The Company may redeem the Junior Notes at par, in whole or in part, for cash, after five years. To the extent the Company redeems the Junior Notes, the Trusts are required to redeem a corresponding amount of TruPS. The ability of the Trusts to pay dividends depends on the receipt of interest payments on the Junior Notes. The Company has the right, pursuant to certain qualifications and covenants, to defer payments of interest on the Junior Notes for up to six consecutive quarters. If payment of interest on the Junior Notes is deferred, the Trusts will defer the quarterly distributions on the TruPS for a corresponding period. Additional interest accrues on deferred payments at the annual rate payable on the Junior Notes, compounded quarterly.

10. Derivatives

The Company uses derivative instruments to manage the risk of changes in interest rates and foreign exchange rates, arising from both its business operations and economic conditions. Specifically, the Company enters into derivative instruments to manage differences in the amount, timing, and duration of the Company’s known or expected cash receipts and cash payments, the values of which are driven by interest rates, principally relating to the Company’s investments and borrowings. Additionally, the Company’s foreign operations expose the Company to fluctuations in foreign interest rates and exchange rates. The Company enters into derivative instruments to protect the value or fix certain of these foreign denominated amounts in terms of its functional currency, the U.S. dollar. Derivative instruments used in the Company’s risk management activities may be designated as qualifying hedge accounting relationships (“designated hedges”) or otherwise used for economic hedging purposes (“non-designated hedges”).

Fair value of derivative assets and derivative liabilities were as follows:

	September 30, 2019			December 31, 2018		
(In thousands)	Designated Hedges	Non-Designated Hedges	Total	Designated Hedges	Non-Designated Hedges	Total
Derivative Assets						
Foreign exchange contracts	$ 26,665	$ 2,955	$ 29,620	$ 31,127	$ 1,069	$ 32,196
Interest rate contracts	43	70	113	862	500	1,362
Performance swaps	—	5,013	5,013	—	—	—
Included in other assets	$ 26,708	$ 8,038	$ 34,746	$ 31,989	$ 1,569	$ 33,558
Derivative Liabilities						
Foreign exchange contracts	$ 1,857	$ 42	$ 1,899	$ 6,193	$ 211	$ 6,404
Interest rate contracts	8,351	139,479	147,830	—	126,404	126,404
Forward contracts	—	120,564	120,564	—	—	—
Included in accrued and other liabilities	$ 10,208	$ 260,085	$ 270,293	$ 6,193	$ 126,615	$ 132,808

Certain counterparties to the derivative instruments require the Company to deposit cash or other eligible collateral. The Company had cash collateral on deposit of $9.1 million at September 30, 2019 and $0.8 million at December 31, 2018, included in other assets.

Foreign Exchange Contracts

The following table summarizes the aggregate notional amounts of designated and non-designated foreign exchange contracts in place at September 30, 2019, along with certain key terms:

Hedged Currency	Instrument Type	Notional Amount (in thousands) Designated	Notional Amount (in thousands) Non-Designated	FX Rates ($ per unit of foreign currency)	Range of Expiration Dates
EUR	FX Collar	€ 71,154	€ 1,008	Min $1.06 / Max $1.31	March 2020 to November 2020
GBP	FX Collar	£ 3,061	£ 839	Min $1.45 / Max $1.62	December 2019
EUR	FX Forward	€ 361,030	€ 7,524	Min $1.11 / Max $1.38	October 2019 to February 2024
GBP	FX Forward	£ 100,353	£ 31,092	Min $1.24 / Max $1.32	December 2019 to December 2020

Designated Net Investment Hedges

The Company's foreign denominated net investments in subsidiaries or joint ventures were €505.6 million and £275.2 million, or a total of $0.9 billion at September 30, 2019, and €614.0 million and £280.8 million, or a total of $1.1 billion at December 31, 2018.

The Company entered into foreign exchange contracts to hedge the foreign currency exposure of certain investments in foreign subsidiaries or equity method joint ventures, designated as net investment hedges, as follows:

- forward contracts whereby the Company agrees to sell an amount of foreign currency for an agreed upon amount of U.S. dollars; and
- foreign exchange collars (caps and floors) without upfront premium costs, which consist of a combination of currency options with single date expirations, whereby the Company gains protection against foreign currency weakening below a specified level and pays for that protection by giving up gains from foreign currency appreciation above a specified level.

Foreign exchange contracts are used to protect the Company's foreign denominated investments from adverse foreign currency fluctuations, with notional amounts and termination dates based upon the anticipated return of capital from the investments.

Release of accumulated other comprehensive income ("AOCI") related to net investment hedges occurs upon losing a controlling financial interest in an investment or obtaining control over an equity method investment. Upon sale, complete or substantially complete liquidation of an investment in a foreign subsidiary, or partial sale of an equity method investment, the gain or loss on the related net investment hedge is reclassified from AOCI to other gain (loss) as summarized below.

(In thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Designated net investment hedges:				
Realized gain (loss) transferred from AOCI to earnings	$ —	$ 6,198	$ 1,026	$ 8,535

Non-Designated Hedges

At the end of each quarter, the Company reassesses the effectiveness of its net investment hedges and as appropriate, dedesignates the portion of the derivative notional amount that is in excess of the beginning balance of its net investments. Any unrealized gain or loss on the dedesignated portion of net investment hedges is recorded in other gain (loss).

(In thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Non-designated net investment hedges:				
Unrealized gain (loss) transferred from AOCI to earnings	$ 1,767	$ 770	$ 1,367	$ 2,008

Interest Rate Contracts

The Company uses various interest rate contracts, some of which may be designated as cash flows hedges, to limit its exposure to changes in interest rates on various floating rate debt obligations. The following table summarizes the interest rate contracts held by the Company at September 30, 2019, in addition to the forward starting interest rate swap and reverse swap positions described below:

	Notional Amount (in thousands)						
Instrument Type	**Designated**		**Non-Designated**		**Index**	**Strike Rate / Forward Rate**	**Range of Expiration Dates**
Interest rate swaps	$	300,000	$	—	1-Month LIBOR	2.15%	February 2022 to February 2024
Interest rate caps	$	—	$	5,824,460	1-Month LIBOR	3.0% - 6.26%	November 2019 to June 2021
Interest rate caps	€	247,513	€	541,151	3-Month EURIBOR	1.0% - 1.5%	October 2019 to June 2024
Interest rate caps	£	—	£	363,716	3-Month GBP LIBOR	1.5% - 2.5%	November 2019 to February 2020

In connection with the Merger, the Company assumed a $2.0 billion notional forward starting swap that required the Company to pay 3.394% fixed and receive 3-month LIBOR beginning December 2019, with a maturity date in December 2029 and a mandatory cash settlement at fair value in December 2019. The non-designated swap was intended to hedge the interest rate risk on future refinancing of certain healthcare mortgage debt assumed in the Merger. In the third quarter of 2019, the Company unwound $1.2 billion of the $2.0 billion notional amount with a cash settlement of $223.9 million. Separately, the Company entered into a series of reverse interest rate swaps with an aggregate notional amount of $0.8 billion, intended to reduce the interest rate risk on the remaining $0.8 billion notional amount of the non-designated swap. The reverse swaps require the Company to receive fixed rates at a weighted average of 1.556%, in exchange for payment of 3-month LIBOR, locking in a cash payment stream from December 2019 through December 2029, with a mandatory cash settlement in December 2019. At September 30, 2019, the fair value of the remaining non-designated swap and reverse swaps in aggregate was a liability of $139.5 million, included in accrued and other liabilities.

In October 2019, the Company terminated all outstanding positions of the swap and reverse swaps. The net settlement payment of $141.2 million is expected to be paid in December 2019.

The following table summarizes amounts recorded in other gain (loss) related to interest rate contracts:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Realized and unrealized gain (loss) net:				
Non-designated interest rate contracts	(91,574)	27,508	(240,710)	108,884

Forward Contracts and Performance Swaps

During December 2018 and January 2019, the Company entered into a series of forward contracts on a portfolio of shares in a real estate mutual fund with a counterparty in an aggregate notional amount of $100 million with a one year term to be settled, at the election of the Company, in cash or through delivery of the mutual fund shares. Concurrently with the forward contracts, the Company entered into a series of swap transactions with the same counterparty to pay the return of the Dow Jones U.S. Select REIT Total Return Index. The forward and swap transactions required an initial combined collateral deposit of $12 million, subject to daily net settlements in net fair value changes in excess of a predetermined threshold. At September 30, 2019, the collateral deposit was $9.1 million.

The forwards and swaps are not designated as hedges for accounting purposes and are subject to fair value adjustments through earnings. For the three and nine months ended September 30, 2019, fair value loss on the forwards of $8.2 million and $20.6 million, respectively, and fair value gain on the swaps of $1.4 million and $5.0 million, respectively, are included in other gain (loss) in the Company's statement of operations. The Company's investment in the mutual fund is carried at fair value and is included in equity and debt investments on the balance sheet. Unrealized gain on the mutual fund shares of $8.2 million and $21.1 million for the three and nine months ended September 30, 2019, respectively, is included in other gain (loss).

Offsetting Assets and Liabilities

The Company enters into agreements subject to enforceable master netting arrangements with its derivative counterparties that allow the Company to offset the settlement of derivative assets and liabilities in the same currency

by derivative instrument type or, in the event of default by the counterparty, to offset all derivative assets and liabilities with the same counterparty. The Company has elected not to net derivative asset and liability positions, notwithstanding the conditions for right of offset may have been met, and presents derivative assets and liabilities with the same counterparty on a gross basis on the consolidated balance sheets.

The following table sets forth derivative positions where the Company has a right of offset under netting arrangements with the same counterparty.

(In thousands)	Gross Assets (Liabilities) on Consolidated Balance Sheets	Gross Amounts Not Offset on Consolidated Balance Sheets		Net Amounts of Assets (Liabilities)
		(Assets) Liabilities	Cash Collateral Pledged	
September 30, 2019				
Derivative Assets				
Foreign exchange contracts	$ 29,620	$ (1,899)	$ —	$ 27,721
Interest rate contracts	113	(41)	—	72
Performance swaps	5,013	(5,013)	—	—
	$ 34,746	$ (6,953)	$ —	$ 27,793
Derivative Liabilities				
Foreign exchange contracts	$ (1,899)	$ 1,899	$ —	$ —
Interest rate contracts	(147,830)	41	—	(147,789)
Forward contract	(120,564)	5,013	9,121	(106,430)
	$ (270,293)	$ 6,953	$ 9,121	$ (254,219)
December 31, 2018				
Derivative Assets				
Foreign exchange contracts	$ 32,196	$ (1,743)	$ —	$ 30,453
Interest rate contracts	1,362	(823)	—	539
	$ 33,558	$ (2,566)	$ —	$ 30,992
Derivative Liabilities				
Foreign exchange contracts	$ (6,404)	$ 1,743	$ —	$ (4,661)
Interest rate contracts	(126,404)	823	840	(124,741)
	$ (132,808)	$ 2,566	$ 840	$ (129,402)

11. Fair Value

Recurring Fair Values

The table below presents a summary of financial assets and financial liabilities carried at fair value on a recurring basis, including financial instruments for which the fair value option was elected, but excluding financial assets under the NAV practical expedient, categorized into the following three tier hierarchy:

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.

(In thousands)	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
September 30, 2019				
Assets				
Equity method investments	$ —	$ —	$ 172,395	$ 172,395
Marketable equity securities	142,830	—	—	142,830
Debt securities available for sale—N-Star CDO bonds	—	—	59,953	59,953
CMBS of consolidated fund	—	2,771	—	2,771
Other assets—derivative assets	—	34,746	—	34,746
Liabilities				
Other liabilities—derivative liabilities	—	270,293	—	270,293
Other liabilities—contingent consideration for THL Hotel Portfolio	—	—	9,330	9,330
December 31, 2018				
Assets				
Equity method investments	$ —	$ —	$ 81,085	$ 81,085
Marketable equity securities	36,438	—	—	36,438
Debt securities available for sale—N-Star CDO bonds	—	—	64,127	64,127
CMBS of consolidated fund	—	32,706	—	32,706
Other assets—derivative assets	—	33,558	—	33,558
Liabilities				
Other liabilities—derivative liabilities	—	132,808	—	132,808
Other liabilities—contingent consideration for THL Hotel Portfolio	—	—	8,903	8,903

Equity Method Investments

Equity method investments for which fair value option was elected are carried at fair value on a recurring basis.

Fair values are determined using either discounted cash flow models based on expected future cash flows for income and realization events of the underlying assets, applying revenue multiples, based on transaction price for recently acquired investments, or pending or comparable market sales price on an investment, as applicable. In valuing the Company's investment in third party private equity funds, the Company considers cash flows provided by the general partners of the funds and the implied yields of the funds. The Company has not elected the practical expedient to measure the fair value of its investments in these private equity funds using NAV of the underlying funds. Fair value of equity method investments are classified as Level 3 of the fair value hierarchy, unless investments are valued based on contracted sales prices which are classified as Level 2 of the fair value hierarchy. Changes in fair value of equity method investments under the fair value option are recorded in equity method earnings.

Marketable Equity Securities

Marketable equity securities consist primarily of investment in a third party managed mutual fund and equity securities held by a consolidated fund. These marketable equity securities are valued based on listed prices in active markets and classified as Level 1 of the fair value hierarchy.

Debt Securities

N-Star CDO bonds—Fair value of N-Star CDO bonds are determined internally based on recent trades, if any with such securitizations, the Company's knowledge of the underlying collateral and are determined using an internal price interpolated based on third party prices of the senior N-Star CDO bonds of the respective CDOs. All N-Star CDO bonds are classified as Level 3 of the fair value hierarchy.

CMBS of consolidated fund—Fair value is determined based on broker quotes or third party pricing services, classified as Level 2 of the fair value hierarchy.

Derivatives

Derivative instruments consist of interest rate contracts and foreign exchange contracts that are generally traded over-the-counter, and are valued using a third-party service provider, except for exchange traded futures contracts which are Level 1 fair values. Quotations on over-the-counter derivatives are not adjusted and are generally valued using observable inputs such as contractual cash flows, yield curve, foreign currency rates and credit spreads, and are classified as Level 2 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 as Level 2 of the fair value hierarchy.

Other Liabilities—Contingent Consideration for THL Hotel Portfolio

In connection with the consensual foreclosure of the THL Hotel Portfolio (Note 3), contingent consideration is payable to the former preferred equity holder of the borrower in an amount up to $13.0 million. Fair value of the contingent consideration is measured using discounted cash flows based on the probability of the former preferred equity holder receiving such payment.

Level 3 Recurring Fair Value Measurements

Quantitative information about recurring Level 3 fair value measurements, for which information about unobservable inputs is reasonably available to the Company, are as follows.

Financial Instrument	Fair Value (In thousands)	Valuation Technique	Key Unobservable Inputs	Input Value Weighted Average (Range)	Effect on Fair Value from Increase in Input Value [1]
September 30, 2019					
Level 3 Assets					
Equity method investments—third party private equity funds	$ 5,434	NAV[2]	N/A	N/A	N/A
Equity method investments—other	18,685	Discounted cash flows	Discount rate	12.5% (8.7% - 14.9%)	Decrease
Equity method investments—other	25,000	Multiple	Revenue multiple	4.6x	[3]
Equity method investments—other	123,276	Transaction price[4]	N/A	N/A	N/A
N-Star CDO bonds	59,953	Discounted cash flows	Discount rate	21.8% (16.6% - 26.3%)	Decrease
Level 3 Liabilities					
Other liabilities—contingent consideration for THL Hotel Portfolio	9,330	Discounted cash flows	Discount rate	20.0%	Decrease
December 31, 2018					
Level 3 Assets					
Equity method investments—third party private equity funds	$ 5,908	Transaction price and NAV[2]	N/A	N/A	N/A
Equity method investments—other	21,831	Discounted cash flows	Discount rate	17.5% (9.1% - 18.4%)	Decrease
Equity method investments—other	25,000	Multiple	Revenue multiple	5.8x	[3]
Equity method investments—other	28,346	Transaction price[4]	N/A	N/A	N/A
N-Star CDO bonds	64,127	Discounted cash flows	Discount rate	21.6% (13.6% - 56.5%)	Decrease
Level 3 Liabilities					
Other liabilities—contingent consideration for THL Hotel Portfolio	8,903	Discounted cash flows	Discount rate	20.0%	Decrease

(1) Represents the directional change in fair value that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the reverse effect. Significant increases or decreases in these inputs in isolation could result in significantly higher or lower fair value measures.

(2) Fair value was estimated based on underlying NAV of the respective funds on a quarter lag, adjusted as deemed appropriate by management.

(3) Fair value is affected by change in revenue multiple relative to change in rate of revenue growth.

(4) Valued based upon transaction price of investments recently acquired or offer prices on investments or underlying assets of investee pending sales. Transaction price approximates fair value for investee engaged in real estate development during the development stage.

The following table presents changes in recurring Level 3 fair value measurements, including realized and unrealized gains (losses) included in earnings and accumulated other comprehensive income.

	Level 3 Assets			Level 3 Liabilities		
(In thousands)	Securitized Loans Receivable	Equity Method Investments	Securities	Debt—Securitized Bonds Payable	Due to Affiliates—Contingent Consideration for Internalization	Other Liabilities—Contingent Consideration for THL Hotel Portfolio
Fair value at December 31, 2017	$ 45,423	$ 363,901	$ 323,243	$ (44,542)	$ (20,650)	$ (7,419)
Purchases, contributions and accretion	—	61,099	17,907	—	—	—
Paydowns, distributions and sales	(638)	(187,036)	(135,575)	638	—	—
Deconsolidation	(44,070)	—	(124,344)	43,847	—	—
Transfer out of liabilities to equity	—	—	—	—	12,539	—
Transfers out of Level 3	—	(132,527)	—	—	6,381	—
Contribution to Colony Credit	—	(26,134)	—	—	—	—
Realized and unrealized gains (losses) in earnings, net	(715)	1,880	4,787	57	1,730	(1,084)
Other comprehensive loss	—	—	(21,666)	—	—	—
Fair value at September 30, 2018	$ —	$ 81,183	$ 64,352	$ —	$ —	$ (8,503)
Net unrealized gains (losses) in earnings on instruments held at September 30, 2018	$ (715)	$ (1,328)	$ (3,147)	$ 57	$ 1,730	$ (1,084)
Fair value at December 31, 2018	$ —	$ 81,085	$ 64,127	$ —	$ —	$ (8,903)
Purchases, contributions and accretion	—	101,203	5,272	—	—	—
Paydowns, distributions and sales	—	(8,082)	(8,727)	—	—	—
Realized and unrealized losses in earnings, net	—	(1,811)	(7,083)	—	—	(427)
Other comprehensive income	—	—	6,364	—	—	—
Fair value at September 30, 2019	$ —	$ 172,395	$ 59,953	$ —	$ —	$ (9,330)
Net unrealized losses in earnings on instruments held at September 30, 2019	$ —	$ (2,589)	$ (7,083)	$ —	$ —	$ (427)

Transfers of Level 3 Assets and Liabilities

Transfers of assets and liabilities into or out of Level 3 are presented at their fair values as measured at the end of the reporting period. Assets transferred out of Level 3 represent investments in third party private equity funds that were valued based on their contracted sales price in June 2018 and sold in September 2018. Liabilities transferred out of Level 3 represent dividends earned on the final number of shares of class A common stock and OP Units determined as of June 30, 2018, the end of the measurement period of the contingent consideration associated with the Internalization, and which were paid out in August 2018.

Securitized Loans and Securitized Bonds Payable

Prior to May 2018, the Company had elected the fair value option for loans receivable and bonds payable issued by a securitization trust that was consolidated by a N-Star CDO. The N-Star CDO was in turn consolidated by the Company. In May 2018, the Company sold its interests in the N-Star CDO and deconsolidated the N-Star CDO along with the securitization trust consolidated by the N-Star CDO.

Prior to deconsolidation, the Company had adopted the measurement alternative to measure the fair value of the loans receivable held by the securitization trust using the fair value of the bonds payable issued by the securitization trust as the latter represented the more observable fair value. As such, the net gain or loss that was reflected in earnings was limited to changes in fair value of the beneficial interest held by the Company in the previously consolidated securitization trust, and not as a result of a remeasurement of the loans receivable and bonds payable held by third parties in the previously consolidated securitization trust. Fair value of the bonds payable issued by the securitization trust was determined based on broker quotes, which were generally derived from unobservable inputs, and therefore classified as Level 3 of the fair value hierarchy. Correspondingly, the fair value of the loans receivable held by the securitization trust was also classified as Level 3.

Due To Affiliates—Contingent Consideration for Internalization

In connection with the Company's acquisition of the investment management business and operations of its former manager in April 2015 (the "Internalization"), contingent consideration is payable to certain senior management personnel of the Company. The contingent consideration is payable in a combination of shares of class A common stock, shares of class B common stock and OP Units, measured based on multi-year performance targets for achievement of a contractually-defined funds from operations ("Benchmark FFO") per share target, as well as real estate and non-real estate capital-raising thresholds from the funds management business, to the extent these targets are met. If the minimum performance target for either of these metrics is not met or exceeded, a portion of the contingent consideration paid in respect of the other metric would not be paid out in full.

Prior to June 30, 2018, the contingent consideration had been remeasured at fair value using a third party valuation service provider and classified as Level 3 of the fair value hierarchy, with the change in fair value recorded in other gain (loss). Fair value of the contingent consideration was measured using a Monte Carlo probability simulation model for the Benchmark FFO component and a discounted payout analysis based on probabilities of achieving prescribed targets for the capital-raising component, adjusted for certain targets that had not been met and that had expired. The Company's class A common stock price and related equity volatilities were applied to convert the contingent consideration payout into shares.

At June 30, 2018, the end of the measurement period, the contingent consideration was settled with certain senior management personnel of the Company in a combination of approximately 15,000 shares of class A common stock, 40,000 shares of class B common stock and 1.95 million OP Units. At June 30, 2018, as the contingency was resolved and the number of shares and units to be issued was no longer variable, the payable of $12.5 million, valued based on the closing price of the Company's class A common stock on June 29, 2018, the last trading day of the second quarter, was reclassified out of liabilities into equity, while the associated dividends payable of approximately $6.4 million remained in liabilities. The contingent consideration and associated dividends were fully settled in August 2018.

Investments Carried at Fair Value Using Net Asset Value

Investments in a Company-sponsored private fund and a non-traded REIT, and limited partnership interest in a third party private fund are valued using NAV of the respective vehicles.

	September 30, 2019		December 31, 2018	
(In thousands)	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Private fund—real estate	$ 15,815	$ 11,058	$ 12,617	$ 13,658
Non-traded REIT—real estate	19,312	—	11,990	—
Private fund—emerging market private equity	2,731	—	—	—

The Company's interests in the private funds are not subject to redemption, with distributions to be received through liquidation of underlying investments of the funds. The private funds each have eight and ten year lives, respectively, at inception, both of which may be extended in one year increments up to two years.

No secondary market currently exists for shares of the non-traded REIT and the Company does not currently expect to seek liquidity of its shares of the non-traded REIT. Subject to then-existing market conditions, the board of directors of the non-traded REIT, along with the Company, as sponsor, expects to consider alternatives for providing liquidity to the non-traded REIT shares beginning five years from completion of the offering stage in January 2016, but with no definitive date by which it must do so. In addition, the Company has agreed that any right to have its shares redeemed is subordinated to third party stockholders for so long as its advisory agreement is in effect.

Nonrecurring Fair Values

The Company measures fair value of certain assets on a nonrecurring basis when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Adjustments to fair value generally result from the application of lower of amortized cost or fair value accounting for assets held for sale or otherwise, write-down of asset values due to impairment.

The following table summarizes assets carried at fair value on a nonrecurring basis, measured at the time of impairment.

	September 30, 2019			December 31, 2018		
(In thousands)	Level 2	Level 3	Total	Level 2	Level 3	Total
Real estate held for sale	$ 129,327	$ 312,978	$ 442,305	$ 68,864	$ 200,281	$ 269,145
Real estate held for investment	—	374,533	374,533	—	416,272	416,272
Intangible assets—lease intangibles	—	—	—	—	15,608	15,608
Intangible assets—investment management contracts	—	—	—	—	36,400	36,400
Equity method investments	—	750,649	750,649	—	32,761	32,761

The following table summarizes the fair value write-downs to assets carried at nonrecurring fair values during the periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Impairment loss				
Real estate held for sale	$ 50,855	$ 5,894	$ 119,036	$ 21,204
Real estate held for investment	127,044	63,603	168,531	70,784
Intangible assets—investment management contracts	—	7,000	—	140,429
Intangible assets—trade name	—	—	—	59,464
Equity method loss	3,111	5,590	253,545	22,057

Impairment is discussed in Note 4 for loans receivable, Note 5 for equity method investments and Note 6 for investment management intangible assets, including goodwill.

Real Estate Held For Sale

Real estate held for sale is carried at the lower of amortized cost or fair value. Real estate held for sale that was written down to fair value was generally valued using either broker opinions of value, or a combination of market information, including third-party appraisals and indicative sale prices, adjusted as deemed appropriate by management to account for the inherent risk associated with the properties. In all cases, fair value of real estate held for sale is reduced for estimated selling costs ranging from 2% to 3%.

Real Estate Held For Investment

Real estate held for investment that is impaired is carried at fair value at the time of impairment. Impairment was driven by various factors, including, but not limited to: change in expected holding period assumptions which resulted in a shortfall in the undiscounted future net cash flows expected to be generated by the properties in comparison to their carrying values, decline in operating performance or physical damage to properties. Fair value of impaired real estate held for investment was estimated using one or a combination of: discounted cash flow analysis using a terminal capitalization rate of 8.5% and a discount rate of 8.9%, offer prices or broker opinions of value, or insurance estimates for properties previously damaged by hurricanes.

At December 31, 2018, real estate held for investment carried at fair value included $282.4 million of healthcare properties that were impaired in the fourth quarter of 2018, driven by shorter holding period assumptions. In the fourth quarter of 2018, the Company had reassessed the holding period on its healthcare properties, taking into consideration the Company's ability to refinance the related debt with upcoming maturities. The Company considered the possibility of shorter holding periods to be an indicator of impairment, among other factors. For properties for which indicators of impairment were identified, the Company compared their carrying values to the undiscounted future net cash flows expected to be generated by these properties over their holding periods, with terminal values estimated based on indicative capitalization rates, adjusted as appropriate for risk characteristics of each property. In performing this analysis, the Company considered the likelihood of possible outcomes under various holding period scenarios depending on its ability to refinance the related debt and applied a probability-weighted approach to different hold periods for each property. For properties where carrying value exceeded undiscounted future net cash flows, the carrying value was determined to not be recoverable. Fair values were estimated for these properties based upon the income capitalization approach, using net operating income for each property and applying capitalization rates ranging from 5.5% to 11%. Impairment was measured as the excess of carrying value over fair value, totaling $212.0 million. As the impairment assessment involved

subjectivity and judgment, actual results may differ if changes occur in the assumptions used and/or in market conditions and accordingly, negative changes to these variables would result in further impairment charge in the future.

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

(In thousands)	Fair Value Measurements				
	Level 1	Level 2	Level 3	Total	Carrying Value
September 30, 2019					
Assets					
Loans at amortized cost	$ —	$ —	$ 1,458,302	$ 1,458,302	$ 1,454,199
Liabilities					
Debt at amortized cost					
Corporate credit facility	—	184,200	—	184,200	184,200
Convertible and exchangeable senior notes	592,220	13,095	—	605,315	613,570
Secured debt	—	—	7,713,671	7,713,671	7,667,709
Secured and unsecured debt related to assets held for sale	—	—	2,161,366	2,161,366	2,131,497
Junior subordinated debt	—	—	211,702	211,702	200,629
December 31, 2018					
Assets					
Loans at amortized cost	$ —	$ —	$ 1,667,892	$ 1,667,892	$ 1,659,217
Liabilities					
Debt at amortized cost					
Convertible and exchangeable senior notes	547,300	13,095	—	560,395	612,150
Secured debt	—	—	8,141,497	8,141,497	8,164,136
Secured debt related to assets held for sale	—	—	1,077,195	1,077,195	1,064,585
Junior subordinated debt	—	—	169,619	169,619	199,086

Loans Receivable—Loans receivable carried at amortized cost consist of first mortgages, subordinated mortgages and corporate loans. Fair values were determined by comparing the current yield to the estimated yield of 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 includes consideration of the financial standing of the borrower or sponsor as well as operating results of the underlying collateral. Carrying values of loans held for investment carried at amortized cost are presented net of allowance for loan losses, where applicable.

Debt—Fair value of convertible notes was determined using the last trade price in active markets. Fair value of exchangeable notes was determined based on unadjusted quoted prices in a non-active market. Fair values of the corporate credit facility and secured and unsecured debt were estimated by discounting expected future cash outlays at interest rates currently available to the Company 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 junior subordinated debt was based on unadjusted quotations from a third party valuation firm, with such quotes derived using a combination of internal valuation models, comparable trades in non-active markets and other market data.

Other—The carrying values of cash, due from and to affiliates, other receivables and other payables approximate fair value due to their short term nature, and credit risk, if any, are negligible.

12. 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. The following discusses the Company's involvement with VIEs where the Company is the primary beneficiary and consolidates the VIEs or where the Company is not the primary beneficiary and does not consolidate the VIEs.

Operating Subsidiary

The Company's operating subsidiary, OP, is a limited liability company that has governing provisions that are the functional equivalent of a limited partnership. The Company holds the majority of membership interest in OP, acts as the managing member of OP and exercises full responsibility, discretion and control over the day-to-day management of OP. The noncontrolling interests in OP do not have substantive liquidation rights, substantive kick-out rights without cause, or substantive participating rights that could be exercised by a simple majority of noncontrolling interest members (including by such a member unilaterally). The absence of such rights, which represent voting rights in a limited partnership equivalent structure, would render OP to be a VIE. The Company, as managing member, has the power to direct the core activities of OP that most significantly affect OP's performance, and through its majority interest in OP, has both the right to receive benefits from and the obligation to absorb losses of OP. Accordingly, the Company is the primary beneficiary of OP and consolidates OP. As the Company conducts its business and holds its assets and liabilities through OP, the total assets and liabilities of OP represent substantially all of the total consolidated assets and liabilities of the Company.

Company-Sponsored Private Funds

The Company sponsors private funds and other investment vehicles as general partner for the purpose of providing investment management services in exchange for management fees and performance-based fees. These private funds are established as limited partnerships or equivalent structures. Limited partners of the private funds do not have either substantive liquidation rights, or substantive kick-out rights without cause, or substantive participating rights that could be exercised by a simple majority of limited partners or by a single limited partner. Accordingly, the absence of such rights, which represent voting rights in a limited partnership, results in the private funds being considered VIEs. The nature of the Company's involvement with its sponsored funds comprise fee arrangements and equity interests. The fee arrangements are commensurate with the level of management services provided by the Company, and contain terms and conditions that are customary to similar at-market fee arrangements.

Consolidated Company-Sponsored Private Fund—The Company currently consolidates a sponsored private fund in which it has more than an insignificant equity interest in the fund as general partner. As a result, the Company is considered to be acting in the capacity of a principal of the sponsored private fund and is therefore the primary beneficiary of the fund. The Company's exposure is limited to the value of its outstanding investment in the consolidated private fund of $17.7 million at September 30, 2019 and $13.2 million at December 31, 2018. The Company, as general partner, is not obligated to provide any financial support to the consolidated private fund. The consolidated private fund had total assets of $23.8 million and total liabilities of $0.2 million at September 30, 2019, and total assets of $42.7 million and total liabilities of $20.1 million at December 31, 2018. Assets are made up primarily of marketable equity securities.

Unconsolidated Company-Sponsored Private Funds—The Company does not consolidate its sponsored private funds where it has insignificant direct equity interests or capital commitments to these funds as general partner. The Company may invest alongside certain of its sponsored private funds through joint ventures between the Company and these funds, or the Company may have capital commitments to its sponsored private funds that are satisfied directly through the co-investment joint ventures as an affiliate of the general partner. In these instances, the co-investment joint ventures are consolidated by the Company. As the Company's direct equity interests in its sponsored private funds as general partner absorb insignificant variability, the Company is considered to be acting in the capacity of an agent of these funds and is therefore not the primary beneficiary of these funds. The Company accounts for its equity interests in unconsolidated sponsored private funds under the equity method. The Company's maximum exposure to loss is limited to the carrying value of its investment in the unconsolidated sponsored private funds, totaling $180.4 million at September 30, 2019 and $117.3 million at December 31, 2018, included within equity and debt investments and assets held for sale on the consolidated balance sheets.

Securitizations

The Company previously securitized loans receivable and CRE debt securities using VIEs. Upon securitization, the Company had retained beneficial interests in the securitization vehicles, usually in the form of equity tranches or subordinate securities. The Company also acquired securities issued by securitization trusts that are VIEs. The securitization vehicles were structured as pass-through entities that receive principal and interest on the underlying mortgage loans and debt securities and distribute those payments to the holders of the notes, certificates or bonds issued by the securitization vehicles. The loans and debt securities were transferred into securitization vehicles such that these assets are restricted and legally isolated from the creditors of the Company, and therefore are not available to satisfy the Company's obligations but only the obligations of the securitization vehicles. The obligations of the securitization vehicles did not have any recourse to the general credit of the Company and its other subsidiaries.

Consolidated Securitizations—Prior to June 30, 2018, the Company consolidated securitization trusts for which it had a retained interest and for which it acted as special servicer or collateral manager or otherwise, its interest in the trust may

have become the controlling class or directing holder. The Company's role as special servicer, collateral manager or as controlling class or directing holder provided the Company with the ability to direct activities that most significantly impact the economic performance of the securitization vehicles, and together with the interests previously retained by the Company in the securitization vehicles, the Company was deemed to be the primary beneficiary and consolidated these securitization vehicles.

As of June 30, 2018, the Company no longer has any consolidated securitization trusts. The Company contributed its interests in three consolidated securitization trusts to Colony Credit upon closing of the Combination and sold its interests in two consolidated securitization trusts to third parties in the second quarter of 2018, resulting in a deconsolidation of these securitization trusts. The Company has retained its role as special servicer or as collateral manager in these securitization trusts. However, the Company may be removed as special servicer by the controlling class interest holders and may be removed as collateral manager through a right of removal provided to the buyer. Additionally, as of June 30, 2018, the underlying assets of the Company's remaining consolidated securitization trust was liquidated.

Unconsolidated Securitizations—The Company does not consolidate the assets and liabilities of CDOs in which the Company has an interest but does not retain the collateral management function. NRF had previously delegated the collateral management rights for certain sponsored N-Star CDOs and third party-sponsored CDOs to a third party collateral manager or collateral manager delegate who is entitled to a percentage of the senior and subordinate collateral management fees. The Company continues to receive fees as named collateral manager or collateral manager delegate and retained administrative responsibilities. The Company determined that the fees paid to the third party collateral manager or collateral manager delegate represent a variable interest in the CDOs and that the third party is acting as a principal. The Company concluded that it does not have the power to direct the activities that most significantly impact the economic performance of these CDOs, which include but are not limited to, the ability to sell distressed collateral, and therefore the Company is not the primary beneficiary of such CDOs and does not consolidate these CDOs. The Company’s exposure to loss is limited to its investment in these unconsolidated CDOs, comprising CDO bonds, which aggregate to $56.8 million at September 30, 2019 and $67.5 million at December 31, 2018.

Trusts

The Company, through the Merger, acquired the Trusts, wholly-owned subsidiaries of NRF formed as statutory trusts. The Trusts issued preferred securities in private placement offerings, and used the proceeds to purchase junior subordinated notes to evidence loans made to NRF (Note 9). The Company owns all of the common stock of the Trusts but does not consolidate the Trusts as the holders of the preferred securities issued by the Trusts are the primary beneficiaries of the Trusts. The Company accounts for its interest in the Trusts under the equity method and its maximum exposure to loss is limited to its investment carrying value of $3.7 million at September 30, 2019 and December 31, 2018, recorded in investments in unconsolidated ventures on the consolidated balance sheet. The junior subordinated notes are recorded as debt on the consolidated balance sheet.

13. Stockholders' Equity

The table below summarizes the share activities of the Company's preferred and common stock.

(In thousands)	Number of Shares		
	Preferred Stock	Class A Common Stock	Class B Common Stock
Shares outstanding at December 31, 2017	65,464	542,599	736
Redemption of preferred stock	(8,000)	—	—
Shares issued upon redemption of OP Units	—	2,064	—
Shares issued for settlement of contingent consideration—Internalization	—	15	40
Conversion of class B to class A common stock	—	42	(42)
Repurchase of common stock	—	(54,813)	—
Equity-based compensation, net of forfeitures	—	3,362	—
Shares canceled for tax withholding on vested stock awards	—	(2,950)	—
Shares outstanding at September 30, 2018	57,464	490,319	734
Shares outstanding at December 31, 2018	57,464	483,347	734
Shares issued upon redemption of OP Units	—	188	—
Repurchase of common stock	—	(652)	—
Equity-based compensation, net of forfeitures	—	4,786	—
Shares canceled for tax withholding on vested stock awards	—	(651)	—
Shares outstanding at September 30, 2019	57,464	487,018	734

Preferred Stock

In the event of a liquidation or dissolution of the Company, preferred stockholders have priority over common stockholders for payment of dividends and distribution of net assets.

The table below summarizes the preferred stock issued and outstanding at September 30, 2019:

Description	Dividend Rate Per Annum	Initial Issuance Date	Shares Outstanding (in thousands)	Par Value (in thousands)	Liquidation Preference (in thousands)	Earliest Redemption Date
Series B	8.25%	February 2007	6,114	$ 61	$ 152,855	Currently redeemable
Series E	8.75%	May 2014	10,000	100	250,000	Currently redeemable
Series G	7.5%	June 2014	3,450	35	86,250	Currently redeemable
Series H	7.125%	April 2015	11,500	115	287,500	April 13, 2020
Series I	7.15%	June 2017	13,800	138	345,000	June 5, 2022
Series J	7.125%	September 2017	12,600	126	315,000	September 22, 2022
			57,464	$ 575	$ 1,436,605	

All series of preferred stock are at parity with respect to dividends and distributions, including distributions upon liquidation, dissolution or winding up of the Company. Dividends on each series of preferred stock of the Company are payable quarterly in arrears, in the case of the Series B and E preferred stock, in February, May, August and November, and in the case of Series G, H, I and J preferred stock, in January, April, July and October.

Each series of preferred stock is redeemable on or after the earliest redemption date for that series at $25.00 per share plus accrued and unpaid dividends (whether or not declared) exclusively at the Company's option. The redemption period for each series of preferred stock is subject to the Company's right under limited circumstances to redeem the preferred stock earlier in order to preserve its qualification as a REIT or upon the occurrence of a change of control (as defined in the articles supplementary relating to each series of preferred stock).

Preferred stock generally does not have any voting rights, except if the Company fails to pay the preferred dividends for six or more quarterly periods (whether or not consecutive). Under such circumstances, the preferred stock will be entitled to vote, together as a single class with any other series of parity stock upon which like voting rights have been conferred and are exercisable, to elect two additional directors to the Company's board of directors, until all unpaid dividends have been paid or declared and set aside for payment. In addition, certain changes to the terms of any series of preferred stock cannot be made without the affirmative vote of holders of at least two-thirds of the outstanding shares of each such series of preferred stock voting separately as a class for each series of preferred stock.

Redemption of Preferred Stock

In May 2018, the Company redeemed all of its outstanding Series D preferred stock, with settlement in July 2018. The preferred stock redemption was at $25.00 per share liquidation preference plus accrued and unpaid dividends prorated to the redemption date. The deficit of the $25.00 per share liquidation preference over the carrying value of the preferred stock redeemed resulted in an increase to net income attributable to common stockholders.

Common Stock

Except with respect to voting rights, class A common stock and class B common stock have the same rights and privileges and rank equally, share ratably in dividends and distributions, and are identical in all respects as to all matters. Class A common stock has one vote per share and class B common stock has thirty-six and one-half votes per share. This gives the holders of class B common stock a right to vote that reflects the aggregate outstanding non-voting economic interest in the Company (in the form of OP Units) attributable to class B common stock holders and therefore, does not provide any disproportionate voting rights. Class B common stock was issued as consideration in the Company's acquisition in April 2015 of the investment management business and operations of its former manager, which was previously controlled by the Company's Chief Executive Officer. Each share of class B common stock shall convert automatically into one share of class A common stock if the Chief Executive Officer or his beneficiaries directly or indirectly transfer beneficial ownership of class B common stock or OP Units held by them, other than to certain qualified transferees, which generally includes affiliates and employees. In addition, each holder of class B common stock has the right, at the holder’s option, to convert all or a portion of such holder’s class B common stock into an equal number of shares of class A common stock.

Common Stock Repurchases

During the nine months ended September 30, 2019, the Company repurchased 652,311 shares of its class A common stock, at an aggregate cost of approximately $3.2 million (excluding commissions), or a weighted average price of $4.84 per share pursuant to a $300 million share repurchase program authorized by its board of directors in May 2018, and extended in May 2019 for an additional one year term.

During the year ended December 31, 2018, the Company repurchased 61,417,755 shares of its class A common stock, at an aggregate cost of approximately $350.1 million (excluding commissions), or a weighted average price of $5.70 per share. These repurchases were made pursuant to the Company's share repurchase programs authorized in February 2018 and in May 2018 of $300 million each.

Dividend Reinvestment and Direct Stock Purchase Plan

The Company's Dividend Reinvestment and Direct Stock Purchase Plan (the “DRIP Plan”) provides existing common stockholders and other investors the opportunity to purchase shares (or additional shares, as applicable) of the Company's class A common stock by reinvesting some or all of the cash dividends received on their shares of the Company's class A common stock or making optional cash purchases within specified parameters. The DRIP Plan involves the acquisition of the Company's class A common stock either in the open market, directly from the Company as newly issued common stock, or in privately negotiated transactions with third parties. There were no shares of class A common stock acquired under the DRIP Plan in the form of new issuances during the three and nine months ended September 30, 2019 and during the year ended December 31, 2018.

Accumulated Other Comprehensive Income (Loss)

The following tables present the changes in each component of AOCI attributable to stockholders and noncontrolling interests in investment entities, net of immaterial tax effect. AOCI attributable to noncontrolling interests in Operating Company is immaterial.

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Changes in Components of AOCI—Stockholders

(In thousands)	Company's Share in AOCI of Equity Method Investments	Unrealized Gain (Loss) on Securities	Unrealized Gain (Loss) on Cash Flow Hedges	Foreign Currency Translation Gain (Loss)	Unrealized Gain (Loss) on Net Investment Hedges	Total
AOCI at December 31, 2017	$ 5,616	$ 14,418	$ —	$ 45,931	$ (18,649)	$ 47,316
Cumulative effect of adoption of new accounting pronouncements	(202)	—	—	—	—	(202)
Other comprehensive income (loss) before reclassifications	(275)	(15,386)	—	(30,415)	19,078	(26,998)
Amounts reclassified from AOCI	—	(4,806)	—	8,715	(8,889)	(4,980)
Deconsolidation of N-Star CDO	—	2,596	—	—	—	2,596
AOCI at September 30, 2018	$ 5,139	$ (3,178)	$ —	$ 24,231	$ (8,460)	$ 17,732
AOCI at December 31, 2018	$ 3,629	$ (3,175)	$ (91)	$ 6,618	$ 7,018	$ 13,999
Other comprehensive income (loss) before reclassifications	9,425	(606)	(2,670)	(36,511)	37,071	6,709
Amounts reclassified from AOCI	(3,554)	6,479	—	(1,128)	(1,617)	180
AOCI at September 30, 2019	$ 9,500	$ 2,698	$ (2,761)	$ (31,021)	$ 42,472	$ 20,888

Changes in Components of AOCI—Noncontrolling Interests in Investment Entities

(In thousands)	Unrealized Gain (Loss) on Cash Flow Hedges	Foreign Currency Translation Gain (Loss)	Unrealized Gain (Loss) on Net Investment Hedges	Total
AOCI at December 31, 2017	$ —	$ 38,948	$ 3,127	$ 42,075
Other comprehensive income (loss) before reclassifications	—	(21,285)	5,172	(16,113)
Amounts reclassified from AOCI	—	2,615	(1,126)	1,489
AOCI at September 30, 2018	$ —	$ 20,278	$ 7,173	$ 27,451
AOCI at December 31, 2018	$ (390)	$ (600)	$ 9,644	$ 8,654
Other comprehensive income (loss) before reclassifications	(6,190)	(57,492)	4,543	(59,139)
Amounts reclassified from AOCI	—	(465)	(653)	(1,118)
AOCI at September 30, 2019	$ (6,580)	$ (58,557)	$ 13,534	$ (51,603)

Reclassifications out of AOCI—Stockholders

Information about amounts reclassified out of AOCI attributable to stockholders by component is presented below:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		
Component of AOCI reclassified into earnings	2019	2018	2019	2018	Affected Line Item in the Consolidated Statements of Operations
Realized gain on marketable securities	$ —	$ —	$ —	$ 10,100	Other gain (loss), net
Other-than-temporary impairment and write-offs of securities	(5,853)	—	(6,479)	(5,294)	Other gain (loss), net
Deconsolidation of N-Star CDO	—	—	—	(2,596)	Other gain (loss), net
Release of cumulative translation adjustments	—	(4,557)	1,128	(8,715)	Other gain (loss), net
Unrealized gain on dedesignated net investment hedges	608	271	654	855	Other gain (loss), net
Realized gain on net investment hedges	—	5,831	963	8,034	Other gain (loss), net
Release of equity in AOCI of unconsolidated ventures	3,554	—	3,554	—	Equity method earnings (losses)

14. Noncontrolling Interests

Redeemable Noncontrolling Interests

The following table presents the activity in redeemable noncontrolling interests in a consolidated open-end fund sponsored by the Company.

	Nine Months Ended September 30,	
(In thousands)	2019	2018
Beginning balance	$ 9,385	$ 34,144
Contributions	—	305
Distributions and redemptions	(5,715)	(2,102)
Net income	2,317	2,042
Ending balance	$ 5,987	$ 34,389

Noncontrolling Interests in Investment Entities

These are interests in consolidated investment entities held by private investment funds managed by the Company, or by third party joint venture partners.

The Company's investment in the real estate portfolio of its industrial segment is made alongside third party limited partners through a joint venture consolidated by the Company. Over time, capital contributions or redemptions from limited partners changes the Company's ownership interest in the joint venture. Limited partners are admitted or redeemed at the net asset value of the joint venture, based upon valuations determined by independent third parties, at the time of their contributions or redemptions. For the nine months ended September 30, 2019 and 2018, the difference between contributions or redemptions and the respective limited partners' share of the joint venture resulted in a net increase to additional paid-in capital of $12.4 million and $28.8 million, respectively.

Noncontrolling Interests in Operating Company

Certain current and past employees of the Company directly or indirectly own interests in OP, presented as noncontrolling interests in the Operating Company. Noncontrolling interests in OP have the right to require OP to redeem part or all of such member’s OP Units for cash based on the market value of an equivalent number of shares of class A common stock at the time of redemption, or at the Company's election as managing member of OP, through issuance of shares of class A common stock (registered or unregistered) on a one-for-one basis. At the end of each period, noncontrolling interests in OP is adjusted to reflect their ownership percentage in OP at the end of the period, through a reallocation between controlling and noncontrolling interests in OP.

In July 2019, the Company issued 21,478,515 OP Units as part of the consideration for the acquisition of DBH, valued at $111.9 million based upon the closing price of the Company's class A common stock on July 24, 2019 (Note 2). For the nine months ended September 30, 2019, the Company redeemed 187,995 OP Units with the issuance of an equal number of shares of class A common stock on a one-for-one basis.

For the year ended December 31, 2018, the Company redeemed 2,870,422 OP Units, of which 2,074,457 OP Units were redeemed in exchange for an equal number of shares of class A common stock on a one-for-one basis, and 795,965 OP Units were redeemed in exchange for cash of $4.8 million to satisfy tax obligations of OP unitholders. The redemptions included 1.0 million OP units issued for settlement of the contingent consideration in connection with the Internalization (Note 11).

15. Discontinued Operations

All of discontinued operations for 2019 and most of discontinued operations for 2018 represent the results of operations of (i) the industrial segment which includes direct compensation and administrative expenses of the industrial business, and (ii) associated fee income, equity method earnings from the Company's general partner interest in the industrial open-end fund, predominantly carried interest, and compensation related to carried interest sharing, which are reported under the investment management segment.

The first six months of 2018 also included loss from discontinued operations of $0.2 million related to certain properties in the THL Hotel Portfolio acquired in July 2017 that qualified as held for sale at the time of foreclosure. Such properties were fully disposed of in the second quarter of 2018.

Income from discontinued operations is presented below.

(In thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Revenues				
Property operating income	$ 97,188	$ 73,036	$ 270,161	$ 213,544
Fee income	3,400	2,140	8,849	5,088
Interest and other income	1,454	866	3,822	2,774
Revenues from discontinued operations	102,042	76,042	282,832	221,406
Expenses				
Property operating expense	26,051	21,409	74,058	63,862
Interest expense	21,130	10,872	55,482	31,918
Investment and servicing expense	54	41	592	304
Depreciation and amortization	12,342	33,503	97,147	95,930
Impairment loss	—	774	—	948
Compensation expense—cash and equity-based [(1)]	3,914	2,257	10,253	7,284
Compensation expense—carried interest [(2)]	17,796	1,933	18,136	3,852
Administrative expenses	960	857	3,976	3,248
Expenses from discontinued operations	82,247	71,646	259,644	207,346
Other income (loss)				
Gain from sale of real estate	4,675	2,104	28,070	4,397
Other loss, net	(12)	—	(69)	—
Equity method earnings, including carried interest [(2)]	35,765	4,930	35,121	9,763
Income from discontinued operations before income taxes	60,223	11,430	86,310	28,220
Income tax benefit (expense)	127	(188)	(171)	(120)
Income from discontinued operations	60,350	11,242	86,139	28,100
Income from discontinued operations attributable to:				
Noncontrolling interests in investment entities	27,728	5,232	45,711	13,960
Noncontrolling interests in Operating Company	2,870	371	3,344	847
Income from discontinued operations attributable to Colony Capital, Inc.	$ 29,752	$ 5,639	$ 37,084	$ 13,293

(1) Includes equity-based compensation of $0.7 million and $1.0 million for the three months ended September 30, 2019 and 2018, respectively, and $2.1 million for both the nine months ended September 30, 2019 and 2018.

(2) Increase in carried interest included in equity method earnings and related carried interest sharing compensation in the third quarter of 2019 was due to a significant increase in the net asset value of the fund that reflects the expected sales proceeds pursuant to definitive sale agreements for the industrial business.

16. Earnings per Share

The following table provides the basic and diluted earnings per common share computations:

(In thousands, except per share data)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Net loss allocated to common stockholders				
Loss from continuing operations	$ (626,192)	$ (28,656)	$ (1,166,782)	$ (115,580)
(Income) loss from continuing operations attributable to noncontrolling interests	68,624	(19,773)	85,154	(47,243)
Loss from continuing operations attributable to Colony Capital, Inc.	(557,568)	(48,429)	(1,081,628)	(162,823)
Income from discontinued operations attributable to Colony Capital, Inc.	29,752	5,639	37,084	13,293
Net loss attributable to Colony Capital, Inc.	(527,816)	(42,790)	(1,044,544)	(149,530)
Preferred stock redemption	—	—	—	3,995
Preferred dividends	(27,137)	(27,185)	(81,412)	(89,960)
Net loss attributable to common stockholders	(554,953)	(69,975)	(1,125,956)	(235,495)
Net income allocated to participating securities	(948)	(639)	(2,621)	(1,911)
Net loss allocated to common stockholders—basic	(555,901)	(70,614)	(1,128,577)	(237,406)
Interest expense attributable to convertible notes [(1)]	—	—	—	—
Net loss allocated to common stockholders—diluted	$ (555,901)	$ (70,614)	$ (1,128,577)	$ (237,406)
Weighted average common shares outstanding				
Weighted average number of common shares outstanding—basic	479,776	484,754	479,412	501,202
Weighted average effect of dilutive shares [(1)(2)(3)]	—	—	—	—
Weighted average number of common shares outstanding—diluted	479,776	484,754	479,412	501,202
Basic loss per share				
Loss from continuing operations	$ (1.22)	$ (0.16)	$ (2.43)	$ (0.50)
Income from discontinued operations	0.06	0.01	0.08	0.03
Net loss attributable to common stockholders per basic common share	$ (1.16)	$ (0.15)	$ (2.35)	$ (0.47)
Diluted loss per share				
Loss from continuing operations	$ (1.22)	$ (0.16)	$ (2.43)	$ (0.50)
Income from discontinued operations	0.06	0.01	0.08	0.03
Net loss attributable to common stockholders per diluted common share	$ (1.16)	$ (0.15)	$ (2.35)	$ (0.47)

[(1)] For both the three months ended September 30, 2019 and 2018, excluded from the calculation of diluted earnings per share is the effect of adding back $7.1 million of interest expense and 38,112,100 weighted average diluted common share equivalents for the assumed conversion or exchange of the Company's outstanding convertible and exchangeable notes, as applicable, as their inclusion would be antidilutive. For both the nine months ended September 30, 2019 and 2018, excluded from the calculation of diluted earnings per share is the effect of adding back $21.2 million of interest expense and 38,112,100 weighted average dilutive common share equivalents for the assumed conversion or exchange of the Company's outstanding convertible and exchangeable notes, as applicable, as their inclusion would be antidilutive.

[(2)] The calculation of diluted earnings per share excludes the effect of weighted average unvested non-participating restricted shares of 67,300 and 573,100 for the three months ended September 30, 2019 and 2018, respectively, and 99,100 and 613,600 for the nine months ended September 30, 2019 and 2018, respectively, as the effect would be antidilutive. The calculation of diluted earnings per share also excludes the effect of weighted average shares of class A common stock that are contingently issuable in relation to PSUs (Note 18) of 2,451,400 for the three months ended September 30, 2019 and 1,320,900 and 712,500 for the nine months ended September 30, 2019 and 2018, respectively.

[(3)] OP Units, subject to lock-up agreements, may be redeemed for registered or unregistered class A common shares on a one-for-one basis. At September 30, 2019 and 2018, there were 52,649,000 and 31,369,100 redeemable OP Units, respectively. These OP Units would not be dilutive and were not included in the computation of diluted earnings per share for all periods presented.

17. Fee Income

The Company's real estate investment management platform manages capital on behalf of institutional and retail investors in private funds, and traded and non-traded REITs, for which the Company earns fee income. For investment vehicles in which the Company co-sponsors with a third party or for which the Company engages a third party sub-advisor, such fee income is shared with the respective co-sponsor or sub-advisor.

Fee income for all periods presented excludes management fees from the Company's open-end industrial fund which is classified as held for sale. Such fees are included in income from discontinued operations (Note 15).

The Company's fee income is earned from the following sources.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Institutional funds and other investment vehicles	$ 26,612	$ 10,805	$ 50,283	$ 38,169
Public companies (Colony Credit, NRE)	79,633	15,708	109,777	44,099
Non-traded REITs	4,994	6,143	15,089	23,846
Other	615	259	3,166	619
	$ 111,854	$ 32,915	$ 178,315	$ 106,733

The following table presents the Company's fee income by type:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Base management fees ($45,572, $32,004, $108,192 and $98,539 from affiliates, respectively)	$ 45,763	$ 32,270	$ 108,739	$ 99,248
Asset management fees ($539, $588, $1,775 and $2,023 from affiliates, respectively)	819	588	2,684	2,023
Acquisition and disposition fees—from affiliates	—	—	—	1,922
Incentive and termination fees—from affiliates	64,555	—	64,555	—
Other fee income ($693, $0, $955 and $3,389 from affiliates, respectively)	717	57	2,337	3,540
Total fee income	$ 111,854	$ 32,915	$ 178,315	$ 106,733

Base Management Fees—The Company earns base management fees for the day-to-day operations and administration of its managed private funds and traded and non-traded REITs, calculated as follows:

- Private Funds and similar investment vehicles—generally (a) 1% per annum of limited partners' net funded capital, or (b) 0.9% to 1.75% per annum of investors' committed capital during commitment or investment period and thereafter, of contributed or invested capital;
- Colony Credit—1.5% per annum of Colony Credit's stockholders' equity (as defined in its management agreement). In November 2019, the management agreement with Colony Credit was amended and restated to reduce the fee base to reflect Colony Credit's reduced book value, which will result in a decrease in management fees to the Company effective in the beginning of the fourth quarter of 2019;
- Non-Traded REITs—1.5% per annum of most recently published net asset value (as may be subsequently adjusted for any special distribution) for NorthStar Healthcare, and prior to closing of the Combination on January 31, 2018, 1% to 1.25% per annum of gross assets for NorthStar I and NorthStar II. $2.5 million per quarter of base management fee for NorthStar Healthcare is paid in shares of NorthStar Healthcare common stock at a price per share equal to its most recently published NAV per share (as may be subsequently adjusted for any special distribution); and
- NRE—prior to termination of the NRE management contract in connection with the sale of NRE on September 30, 2019 , a variable fee of 1.5% per annum of NRE's reported European Public Real Estate Association Net Asset Value ("EPRA NAV" as defined in its management agreement) for EPRA NAV up to and including $2.0 billion, and 1.25% per annum for EPRA NAV amounts exceeding $2.0 billion.

Asset Management Fees—The Company earns asset management fees from its managed private funds, which represents a one-time fee upon closing of each investment, calculated as a fixed percentage, generally 0.5% of the limited partners' net funded capital on each investment.

Acquisition and Disposition Fees—Prior to closing of the Combination on January 31, 2018, the Company earned from NorthStar I and NorthStar II an acquisition fee of 1% of the amount funded or allocated to originate or acquire an investment, and a disposition fee of 1% to 2% of the contractual sales price for disposition of an investment.

Incentive and Termination Fees—The Company may earn incentive fees from NRE (prior to termination of the NRE management contract) and Colony Credit, determined based on the performance of the investment vehicles subject to the achievement of minimum return hurdles in accordance with the terms set out in their respective governing agreements. A portion of the incentive fees earned by the Company (generally 40% to 50%) is allocable to senior management, investment professionals and certain other employees of the Company, included in carried interest and incentive fee compensation expense.

Termination of the NRE management contract in September 2019 resulted in payment and recognition of a termination fee to the Company of $64.6 million, of which $21.5 million represents incentive fees earned for fiscal year 2019 through the date of termination.

Other Fee Income—Other fees include service fees for information technology and operational support services and facilities to portfolio companies, advisory fees, and licensing fees related to the Colony Capital Fundamental U.S. Real Estate Index, a rules-based strategy that invests in common stock of REITs. Prior to May 2018, other fees also included selling commission and dealer manager fees through a broker-dealer platform for selling equity in certain classes of shares in the retail companies. In April 2018, the Company combined its broker-dealer platform with a third party to form a joint venture to distribute future investment products. The Company's share of losses from the joint venture is reflected in equity method earnings (losses).

18. Equity-Based Compensation

The Colony Capital, Inc. 2014 Omnibus Stock Incentive Plan (the "Equity Incentive Plan") provides for the grant of restricted stock, performance stock units ("PSUs"), Long Term Incentive Plan ("LTIP") units, RSUs, deferred stock units ("DSUs"), options, warrants or rights to purchase shares of the Company's common stock, cash incentives and other equity-based awards to the Company's officers, directors (including non-employee directors), employees, co-employees, consultants or advisors of the Company or of any parent or subsidiary who provides services to the Company. Shares reserved for the issuance of awards under the Equity Incentive Plan are subject to equitable adjustment upon the occurrence of certain corporate events, provided that this number automatically increases each January 1st by 2% of the outstanding number of shares of the Company’s class A common stock on the immediately preceding December 31st. At September 30, 2019, an aggregate 54.4 million shares of the Company's class A common stock were reserved for the issuance of awards under the Equity Incentive Plan.

Restricted Stock—Restricted stock awards relating to the Company's class A common stock are granted to senior executives, directors and certain employees, with a service condition only and are generally subject to annual time-based vesting in equal tranches over a three-year period. Restricted stock is entitled to dividends declared and paid on the Company's class A common stock and such dividends are not forfeitable prior to vesting of the award. Restricted stock awards are valued based on the Company's class A common stock price on grant date and equity-based compensation expense is recognized on a straight-line basis over the requisite three-year service period.

Performance Stock Units ("PSUs")—PSUs are granted to senior executives and certain employees, and are subject to both a service condition and market condition. Following the end of the measurement period for the PSUs, the recipients of PSUs who remain employed will vest in, and be issued a number of shares of the Company's class A common stock, ranging from 0% to 200% of the number of PSUs granted, to be determined based upon the performance of the Company's class A common stock either relative to that of a specified peer group or against a target stock price over a three-year measurement period (such measurement metric the "total shareholder return"). In addition, recipients of PSUs whose employment is terminated after the first anniversary of the PSU grant are eligible to vest in a portion of the PSU award following the end of the measurement period based on achievement of the total shareholder return metric otherwise applicable to the award. PSUs also contain dividend equivalent rights which entitle the recipients to a payment equal to the amount of dividends that would have been paid on the shares that are ultimately issued at the end of the measurement period. In February 2019, the PSUs issued in 2018 were modified to, among other things, reduce the potential maximum number of shares of the Company’s class A common stock to be issued upon final vesting from 200% to 125% of the number of PSUs granted. The incremental value resulting from the modification was immaterial.

Fair value of PSUs, including dividend equivalent rights, was determined using a Monte Carlo simulation under a risk-neutral premise, with the following assumptions:

	2019 PSU Grants	2018 PSU Grant [4]
Expected volatility of the Company's class A common stock [1]	26.2%	29.0%
Expected annual dividend yield [2]	8.5% - 8.7%	7.3%
Risk-free rate (per annum) [3]	2.2% - 2.4%	2.1%

[1] Based upon historical volatility of the Company's stock, and where applicable, a combination of historical volatility and implied volatility on actively traded stock options of a specified peer group.

[2] Based upon a combination of historical dividend yields and the current annualized dividends.

[3] Based upon the continuously compounded zero-coupon US Treasury yield for the term coinciding with the remaining measurement period of the award as of valuation date.

[4] Reflects assumptions applied in valuing the award upon modification in February 2019.

Fair value of PSU awards, excluding dividend equivalent rights, is recognized on a straight-line basis over their measurement period as compensation expense, and is not subject to reversal even if the market condition is not achieved. The dividend equivalent right is accounted for as a liability-classified award. The fair value of the dividend equivalent right is recognized as compensation expense on a straight-line basis over the measurement period, and is subject to adjustment to fair value at each reporting period.

LTIP Units—LTIP units are units in the Operating Company that are designated as profits interests for federal income tax purposes. Unvested LTIP units do not accrue distributions. Each vested LTIP unit is convertible, at the election of the holder (subject to capital account limitation), into one common OP Unit and upon conversion, subject to the redemption terms of OP Units (Note 14).

LTIP units issued to certain employees have a service condition only, and are valued based upon the Company's class A common stock price on grant date.

In connection with the acquisition of DBH in July 2019, the Company granted 10 million LTIP units to Marc C. Ganzi, co-founder and Chief Executive Officer of DBH, subject to both a service condition and a market condition. The LTIP units will vest based upon achievement of the Company's class A common stock price closing at or above $10.00 over any 90 consecutive trading days prior to the fifth anniversary of the grant date, subject to Mr. Ganzi's continuous employment to the time of such vesting. Fair value of these LTIP units was determined using a Monte Carlo simulation under a risk-neutral premise, with the following assumptions:

	Ganzi LTIP Grant
Expected volatility of the Company's class A common stock [1]	28.3%
Expected dividend yield [2]	8.1%
Risk-free rate (per annum) [3]	1.8%

[1] Based upon historical volatility of the Company's stock and those of a specified peer group.

[2] Based upon the Company's most recently issued dividend prior to grant date and closing price of the Company's class A common stock on grant date.

[3] Based upon the continuously compounded zero-coupon US Treasury yield for the term coinciding with the measurement period of the award as of valuation date.

Equity-based compensation cost on LTIP units is recognized on a straight-line basis over either the service period for awards with a service condition only, or over the derived service period for awards with both a service condition and a market condition. The derived service period is a service period that is inferred from the application of the simulation technique used in the valuation of the award, and represents the median of the terms in the simulation in which the market condition is satisfied.

Deferred Stock Units—Certain non-employee directors may elect to defer the receipt of annual base fees and/or restricted stock awards, and in lieu, receive awards of DSUs. DSUs awarded in lieu of annual base fees are fully vested on their grant date, while DSUs awarded in lieu of restricted stock awards vest one year from their grant date. DSUs are entitled to a dividend equivalent, in the form of additional DSUs based on dividends declared and paid on the Company's class A common stock. Any such additional DSUs will also be credited with additional DSUs as cash dividends are paid, subject to the same restrictions and vesting conditions, if any. Upon separation of service from the Company, vested DSUs are to be settled in shares of the Company’s class A common stock. Fair value of DSUs are determined based on

the price of the Company's class A common stock on grant date and recognized immediately if fully vested upon grant, or on a straight-line basis over the vesting period as equity based compensation expense and equity.

Equity-based compensation expense, excluding amounts related to the industrial segment which is presented as discontinued operations (Note 15), is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Compensation expense (including $345, $173, $777 and $376 amortization of fair value of dividend equivalent rights)	$ 9,425	$ 7,579	$ 22,916	$ 28,008

Changes in the Company's unvested equity awards are summarized below:

						Weighted Average Grant Date Fair Value	
	Restricted Stock	LTIP Units	DSUs	PSUs [1]	Total	PSUs	All Other Awards
Unvested shares and units at December 31, 2018	5,422,090	—	183,134	2,043,949	7,649,173	$ 5.09	$ 9.39
Granted	5,034,378	10,000,000	352,360	3,760,864	19,147,602	2.92	2.29
Vested	(1,847,311)	—	(274,966)	—	(2,122,277)	—	10.51
Forfeited	(248,826)	—	—	(46,888)	(295,714)	4.52	6.30
Unvested shares and units at September 30, 2019	8,360,331	10,000,000	260,528	5,757,925	24,378,784	$ 3.68	$ 3.43

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[1] Represents the number of PSUs granted, which does not reflect potential increases or decreases that could result from the final outcome of the total shareholder return measured at the end of the performance period.

Fair value of equity awards that vested, determined based on their respective fair values at vesting date, was $1.2 million and $0.1 million for the three months ended September 30, 2019 and 2018, respectively, and $11.0 million and $106.7 million for the nine months ended September 30, 2019 and 2018, respectively.

At September 30, 2019, aggregate unrecognized compensation cost for all unvested equity awards was $55.9 million, which is expected to be recognized over a weighted average period of 2.2 years.

Awards Granted by Managed Companies

Colony Credit and NRE, both managed by the Company prior to the sale of NRE, issued restricted stock and performance stock units to the Company and certain of the Company's employees (collectively, "managed company awards"). Colony Credit awards are primarily restricted stock grants that typically vest over a three-year period, subject to service conditions. NRE awards generally had similar terms as the Company's stock awards, except that the NRE performance stock units measured NRE's stock performance against either an absolute total shareholder return threshold or relative to the performance of a specified market index. Employees were entitled to receive shares of NRE common stock if service conditions and/or market conditions were met. Generally, the Company then grants the managed company awards that it receives in its capacity as manager to its employees with substantially the same terms and service requirements. Such grants are made at the discretion of the Company, and the Company may consult with the board of directors or compensation committees of the respective managed companies as to final allocation of awards to its employees.

Managed company awards granted to the Company, pending grant by the Company to its employees, are recognized based upon their fair value at grant date as an equity investment and other liabilities on the consolidated balance sheet. The deferred revenue liability is amortized into other income as the awards vest to the Company.

Managed company awards granted to employees, directly by NRE or Colony Credit, or through the Company, are recorded as other asset and other liability, and amortized on a straight-line basis as equity-based compensation expense and as other income, respectively, as the awards vest to the employees. The other asset and other liability associated with managed company awards granted to employees are subject to adjustment to fair value at each reporting period, with changes reflected in equity-based compensation and other income, respectively.

Equity-based compensation expense recognized related to managed company awards was $24.3 million and $2.9 million for the three months ended September 30, 2019 and 2018, respectively, and $30.6 million and $7.9 million for the nine months ended September 30, 2019 and 2018, respectively, which included acceleration of all outstanding NRE awards and certain Colony Credit awards upon the sale of NRE in September 2019. A corresponding amount is recognized in other income for managed company awards granted to employees (Note 19). At September 30, 2019,

aggregate unrecognized compensation cost for unvested managed company awards was $15.2 million, pertaining only to Colony Credit, which is expected to be recognized over a weighted average period of 2.1 years.

19. Transactions with Affiliates

Affiliates include (i) private funds, traded and non-traded REITs and investment companies that the Company manages or sponsors, and in which the Company may have an equity interest or co-invests with; (ii) the Company's investments in unconsolidated ventures; and (iii) directors, senior executives and employees of the Company (collectively, "employees").

Amounts due from and due to affiliates consist of the following:

(In thousands)	September 30, 2019	December 31, 2018
Due from Affiliates		
Investment vehicles, portfolio companies and unconsolidated ventures		
Fee income	$ 42,446	$ 34,429
Cost reimbursements and recoverable expenses	9,623	10,754
Employees and other affiliates	1,079	596
	$ 53,148	$ 45,779
Due to Affiliates		
Employees and other affiliates (including $35.5 million of deferred consideration—Note 2)	$ 36,285	$ —

Transactions with affiliates include the following:

Fee Income—Fee income earned from investment vehicles that the Company manages and/or sponsors, and may have an equity interest or co-investment, are presented in Note 17.

Cost Reimbursements—The Company received cost reimbursement income related primarily to the following arrangements:

- Direct and indirect operating costs, including but not limited to compensation, overhead and other administrative costs, for managing the operations of non-traded REITs and Colony Credit, with reimbursements for non-traded REITs limited to the greater of 2% of average invested assets or 25% of net income (net of base management fees);
- Direct costs of personnel dedicated solely to NRE (prior to termination of management agreement and sale of NRE in September 2019) plus 20% of such personnel costs for related overhead charges, not to exceed, in aggregate, specified thresholds as set out in the NRE management agreement;
- Costs incurred in performing investment due diligence for NorthStar Healthcare and private funds managed by the Company;
- Equity awards granted to employees of the Company by Colony Credit and NRE (prior to termination of the NRE management agreement) and cash compensation paid by NRE to certain employees of the Company in connection with the sale of NRE in September 2019, which are presented gross as other income and compensation expense (Note 18);
- Services provided to the Company's unconsolidated investment ventures for servicing and managing their loan portfolios, including foreclosed properties, and services to the Digital Colony Manager joint venture prior to the Company's acquisition of DBH in July 2019; and
- Administrative services provided to certain senior executives of the Company.

Cost reimbursements, included in other income, were as follows.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Retail companies	$ 681	$ 899	$ 2,108	$ 3,770
Public companies (Colony Credit, NRE)	6,592	2,959	11,887	7,653
Private investment vehicles and other	2,736	1,895	10,615	6,155
Equity awards of Colony Credit and NRE (Note 18)	24,049	3,023	30,632	8,085
	$ 34,058	$ 8,776	$ 55,242	$ 25,663

Recoverable Expenses—The Company pays organization and offering costs associated with the formation and capital raising of the retail companies and private funds sponsored by the Company, for which the Company recovers from these investment vehicles, up to specified thresholds for certain private funds and up to 1% of proceeds expected to be raised from the offering of retail companies (excluding shares offered pursuant to distribution reinvestment plans).

NorthStar Healthcare Credit Facility—The Company has committed to provide NorthStar Healthcare with an unsecured revolving credit facility at market terms with a maximum principal amount of $35.0 million. The credit facility matures in December 2020, with a six-month extension option. Advances under the credit facility accrue interest at LIBOR plus 3.5%. There is no commitment fee for the unused portion of the facility. The credit facility is intended to provide additional liquidity to NorthStar Healthcare on an as needed basis. At September 30, 2019 and December 31, 2018, there were no outstanding advances under the revolving credit facility.

Liquidating Trust—As contemplated in the combination agreement, a certain loan receivable previously held by NorthStar I was not transferred to Colony Credit, for which the Company acquired a senior participation interest at par, and the remaining junior participation interest ("NorthStar I Retained Asset") was transferred to a liquidating trust. The Company entered into a management services agreement with the liquidating trust to service and assist in the potential sale of the NorthStar I Retained Asset, and to provide administrative services on such terms and conditions as approved by the trustees for a management fee of 1.25% per annum of the net assets of the liquidating trust. Such fee amount is immaterial.

Sales to Colony Credit—There were no such sales in the nine months ended September 30, 2019. In May 2018, the Company sold a preferred equity investment sponsored by the Company's equity method investee, RXR Realty, to Colony Credit at the unpaid principal amount of the investment of $89.1 million. In July 2018, the Company sold to Colony Credit its interest in a subsidiary holding a net lease property in Norway that was partially financed by a non-callable bond for $121.5 million based on an appraised value of the property, resulting in a gain on sale of $28.6 million.

Healthcare Partnership—The Healthcare Partnership was previously formed by NRF with the intention of expanding the Company's healthcare business (Note 18). The Healthcare Partnership is entitled to incentive fees ranging from 20% to 25% of distributions above certain hurdles for new and existing healthcare real estate investments held by the Company and a portion of incentive fees earned from NorthStar Healthcare. To date, no incentive fees have been earned by the Healthcare Partnership.

American Healthcare Investors Joint Venture—The Company has an equity method investment in American Healthcare Investors, LLC (“AHI"). Prior to the termination of its management agreement in October 2018, AHI had provided certain healthcare-focused real estate investment management and related services to the Company and NorthStar Healthcare. For the three and nine months ended September 30, 2018, the Company incurred property management fees and sub-advisory fees to AHI totaling $1.3 million and $3.9 million, respectively.

Deferred Consideration—In connection with the acquisition of DBH in July 2019, payment of a portion of the cash consideration was deferred until the expiration of certain customary seller indemnification obligations. The deferred consideration is payable to former principals of DBH, who became employees or affiliate of the Company post-acquisition.

Arrangements with Company-Sponsored Private Fund—The Company co-invests alongside a Company-sponsored private fund through joint ventures between the Company and the sponsored private fund. These co-investment joint ventures are consolidated by the Company. The Company has capital commitments, as general partner, directly into the private fund and as an affiliate of the general partner, capital commitments satisfied through co-investment joint ventures. In connection with the Company's commitments as an affiliate of the general partner, the Company is allocated a proportionate share of the costs of the private fund such as financing and administrative costs. Such costs expensed during the three and nine months ended September 30, 2019 and 2018 were immaterial and relate primarily to the Company's share of the fund's operating costs and deferred financing costs on borrowings of the fund.

Equity Awards of Colony Credit and NRE—As discussed in Note 18, Colony Credit and NRE (prior to the sale of NRE in September 2019) grant equity awards to the Company and certain of the Company's employees, either directly by Colony Credit and NRE, or indirectly through the Company, are recognized as a gross-up of equity-based compensation expense over the vesting period with a corresponding amount in other income.

Investment in Managed Investment Vehicles—Subject to the Company's related party policies and procedures, senior management, investment professionals and certain other employees may invest on a discretionary basis in investment vehicles sponsored by the Company, either directly in the vehicle or indirectly through the general partner entity. These investments are generally not subject to management fees, but otherwise bear their proportionate share of other operating expenses of the investment vehicles. At September 30, 2019 and December 31, 2018, such investments in consolidated investment vehicles and general partner entities totaled $4.5 million and $5.7 million, respectively, reflected in redeemable noncontrolling interests and noncontrolling interests on the balance sheet. Their share of net

income was $0.3 million and $3.5 million for the three months ended September 30, 2019 and 2018, respectively, and $1.3 million and $6.3 million for the nine months ended September 30, 2019 and 2018, respectively.

Corporate Aircraft—The Company, through its subsidiary, Colony Capital Advisors, LLC, has entered into a time sharing agreement with Thomas J. Barrack, Jr., the Company's Executive Chairman and Chief Executive Officer, under which Mr. Barrack may use the Company's aircraft for personal travel. Under this arrangement, Mr. Barrack pays the Company for personal usage based on the incremental cost to the Company, including direct and indirect variable costs, but in no case more than the maximum reimbursement permitted by the Federal Aviation Regulations under the agreement. Mr. Barrack has reimbursed the Company $0.2 million and $0.1 million for personal flights taken during the three months ended September 30, 2019 and 2018, respectively, and $0.8 million and $0.5 million during the nine months ended September 30, 2019 and 2018, respectively.

20. Commitments and Contingencies

Operating Leases

The Company's operating leases, as lessee, are primarily ground leases assumed through its real estate acquisitions and leases for its corporate offices. Equipment leases are generally short term leases of less than 12 months or constitute immaterial lease payments.

At September 30, 2019, the weighted average remaining lease terms were 20.6 years for ground leases and 7.5 years for office leases.

For the three and nine months ended September 30, 2018, lease expense, including variable lease expense, was $2.1 million and $5.9 million for ground leases, respectively, and $2.5 million and $7.7 million for office leases, respectively.

For the three and nine months ended September 30, 2019, the following table summarizes lease expense for ground leases, included in property operating expense, and office leases, included in administrative expense.

	Three Months Ended September 30, 2019		Nine Months Ended September 30, 2019	
(In thousands)	Ground Leases	Office Leases	Ground Leases	Office Leases
Operating lease expense:				
Fixed lease expense	$ 1,997	$ 2,444	$ 6,186	$ 6,654
Variable lease expense	384	647	1,463	1,683
	$ 2,381	$ 3,091	$ 7,649	$ 8,337

Operating Lease Commitments

The operating lease liability was determined using a weighted average discount rate of 5.4%. At September 30, 2019, the Company's future operating lease commitments for ground leases on real estate held for investment and for office leases were as follows.

(In thousands) Year Ending December 31,	Ground Leases	Office Leases	Total
Remaining 2019	$ 1,495	$ 2,814	$ 4,309
2020	6,043	10,810	16,853
2021	5,737	10,270	16,007
2022	5,773	8,619	14,392
2023	5,726	8,187	13,913
2024 and thereafter	83,260	33,035	116,295
Total lease payments	108,034	73,735	181,769
Present value discount			(61,134)
Operating lease liability (Note 8)			$ 120,635

At December 31, 2018, the Company's future minimum operating lease commitments for ground leases on real estate held for investment and for corporate office leases were as follows:

(In thousands) Year Ending December 31,	Ground Leases	Office Leases	Total
2019	$ 5,149	$ 8,980	$ 14,129
2020	5,217	8,598	13,815
2021	5,386	8,200	13,586
2022	5,776	7,176	12,952
2023	5,720	6,610	12,330
2024 and thereafter	87,150	28,144	115,294
Total lease payments	$ 114,398	$ 67,708	$ 182,106

Contingent Consideration

In connection with a consensual foreclosure of the THL Hotel Portfolio, contingent consideration is payable to a preferred equity holder in an amount up to $13.0 million (Note 11), subject to the Company achieving certain agreed upon returns.

Litigation and Claims

The Company may be involved in litigation and claims in the ordinary course of business. As of September 30, 2019, the Company was not involved in any legal proceedings that are expected to have a material adverse effect on the Company’s results of operations, financial position or liquidity.

21. Segment Reporting

The Company conducts its business through the following six reportable segments:

- *Healthcare*—The Company's healthcare segment is composed of a diverse portfolio of senior housing, skilled nursing facilities, medical office buildings, and hospitals. The Company earns rental income from senior housing, skilled nursing facilities and hospital assets that are under net leases to single tenants/operators and from medical office buildings which are both single tenant and multi-tenant. In addition, certain of the Company's senior housing properties are managed by operators under a RIDEA (REIT Investment Diversification and Empowerment Act) structure, which effectively allows the Company to gain financial exposure to underlying operations of the facility in a tax efficient manner versus receiving contractual rent under a net lease arrangement.

- *Industrial*—The Company's industrial segment is composed of primarily light industrial assets throughout the U.S. Light industrial properties serve as the “last mile” of the logistics chain, which are vital for e-commerce and tenants that require increasingly quick delivery times. In addition, in February 2019, the Company entered into the bulk industrial market as bulk assets remain integral to highly functional distribution networks. Driven by significant appreciation in the value of the Company's industrial portfolio, in June 2019, the Company engaged advisors to market its industrial portfolio and the related management platform for sale, and in September 2019, entered into definitive sale agreements. As the planned sale represents a strategic shift that will have a major effect on the Company’s operations and financial results, the operating results of the industrial business are presented as discontinued operations on the consolidated statements of operations (Note 15).

- *Hospitality*—The Company's hospitality portfolio is composed of primarily extended stay and select service hotels located mainly in major metropolitan and high-demand suburban markets in the U.S., with the majority affiliated with top hotel brands such as Marriott and Hilton.

- *CLNC*—This represents the Company's investment in Colony Credit, a commercial real estate credit REIT with a diverse portfolio consisting primarily of CRE senior mortgage loans, mezzanine loans, preferred equity, debt securities and net lease properties primarily in the U.S.

- *Other Equity and Debt*—The Company's other equity and debt segment consists of a diversified group of strategic and non-strategic real estate and real estate-related debt and equity investments. Strategic investments include investments for which the Company acts as a general partner and/or manager (“GP Co-Investments”) and receives various forms of investment management economics on related third-party capital. Non-strategic investments are composed of those investments the Company does not intend to own for the long term including other real estate equity, real estate debt, and net leased assets, among other holdings.

- *Investment Management*—The Company's investment management business raises, invests and manages funds on behalf of a diverse set of institutional and individual investors, for which the Company earns management fees, generally based on the amount of assets or capital managed, and contractual incentive fees or carried interest based on the performance of the investment vehicles managed subject to the achievement of minimum return hurdles. The potential sale of the industrial segment includes the Company's general partner interest in the industrial investment vehicles and related management contracts, reported under the investment management segment.

Amounts not allocated to specific segments include corporate level cash and corresponding interest income, fixed assets for administrative use, corporate level financing and related interest expense, income and expense related to cost reimbursement arrangements with certain affiliates, costs in connection with unconsummated investments, compensation expense not directly attributable to reportable segments, corporate level administrative and overhead costs as well as corporate level transaction and integration costs.

The chief operating decision maker assesses the performance of the business based on net income (loss) of each of the reportable segments. The various reportable segments generate distinct revenue streams, consisting of property operating income, interest income and fee income. Costs which are directly attributable, or otherwise can be subjected to a reasonable and systematic allocation, have been allocated to each of the reportable segments.

Selected Segment Results of Operations

The following table presents selected results of operations of the Company's reportable segments.

Results of operations of (i) the industrial segment which includes direct compensation and administrative expenses of the industrial business, and (ii) associated fee income, equity method earnings from our general partner interest in the industrial open-end fund, including carried interest, and compensation related to carried interest sharing, which are reported under the investment management segment, are presented as discontinued operations for all current and prior periods presented (Note 15).

(In thousands)	Healthcare	Industrial	Hospitality	CLNC	Other Equity and Debt	Investment Management	Amounts Not Allocated to Segments	Total
Three Months Ended September 30, 2019								
Total revenues	$ 136,091	$ —	$ 218,378	$ —	$ 151,137	$ 144,203	$ 2,686	$ 652,495
Property operating expenses	66,042	—	141,235	—	67,074	—	—	274,351
Interest expense	46,029	—	40,641	—	27,428	1,585	14,351	130,034
Depreciation and amortization	38,998	—	36,133	—	17,152	65,219	1,503	159,005
Provision for loan loss	—	—	—	—	17,233	—	—	17,233
Impairment loss	92,885	—	31,555	—	53,459	387,000	—	564,899
Gain on sale of real estate	833	—	—	—	7,391	—	—	8,224
Equity method earnings	—	—	—	7,979	35,587	3,211	—	46,777
Equity method losses—carried interest	—	—	—	—	—	(474)	—	(474)
Income tax benefit (expense)	566	—	244	—	(1,105)	(9,384)	(289)	(9,968)
Income (loss) from continuing operations	(112,554)	—	(34,365)	7,979	(5,160)	(337,671)	(144,421)	(626,192)
Income from discontinued operations	—	38,981	—	—	—	21,369	—	60,350
Net income (loss)	(112,554)	38,981	(34,365)	7,979	(5,160)	(316,302)	(144,421)	(565,842)
Net income (loss) attributable to Colony Capital, Inc.	(82,763)	10,263	(28,359)	7,277	(16,992)	(287,833)	(129,409)	(527,816)

(In thousands)	Healthcare	Industrial	Hospitality	CLNC	Other Equity and Debt	Investment Management	Amounts Not Allocated to Segments	Total
Three Months Ended September 30, 2018								
Total revenues	$ 147,907	$ —	$ 224,384	$ —	$ 182,288	$ 41,987	$ 2,161	$ 598,727
Property operating expenses	66,298	—	146,440	—	73,648	—	—	286,386
Interest expense	47,620	—	41,646	—	31,306	—	13,673	134,245
Depreciation and amortization	43,697	—	36,503	—	24,933	5,140	1,534	111,807
Provision for loan loss	213	—	—	—	7,612	—	—	7,825
(Reversal of) impairment loss	(274)	—	61,865	—	7,132	7,000	—	75,723
Gain on sale of real estate	—	—	—	—	33,016	—	—	33,016
Equity method earnings (losses)	—	—	—	(19,480)	24,517	(6)	—	5,031
Equity method earnings—carried interest	—	—	—	—	—	3,837	—	3,837
Income tax benefit (expense)	(1,030)	—	(855)	—	719	2,898	223	1,955
Income (loss) from continuing operations	(15,051)	—	(66,620)	(19,480)	88,053	15,095	(30,653)	(28,656)
Income from discontinued operations	—	6,296	—	—	—	4,946	—	11,242
Net income (loss)	(15,051)	6,296	(66,620)	(19,480)	88,053	20,041	(30,653)	(17,414)
Net income (loss) attributable to Colony Capital, Inc.	(12,197)	1,001	(62,900)	(18,328)	57,715	19,145	(27,226)	(42,790)
Nine Months Ended September 30, 2019								
Total revenues	$ 427,761	$ —	$ 642,073	$ —	$ 465,891	$ 228,010	$ 10,258	$ 1,773,993
Property operating expenses	194,268	—	422,271	—	207,794	—	—	824,333
Interest expense	150,691	—	124,297	—	88,497	1,585	41,591	406,661
Depreciation and amortization	119,907	—	109,389	—	65,101	80,806	4,536	379,739
Provision for loan losses	—	—	—	—	35,847	—	—	35,847
Impairment loss	144,209	—	35,825	—	107,533	387,000	649	675,216
Gain on sale of real estate	833	—	279	—	42,642	—	—	43,754
Equity method earnings (losses)	—	—	—	(254,420)	85,952	(9,980)	—	(178,448)
Equity method earnings—carried interest	—	—	—	—	—	6,258	—	6,258
Income tax benefit (expense)	1,844	—	(2,598)	—	(3,585)	(9,024)	(388)	(13,751)
Income (loss) from continuing operations	(201,280)	—	(63,947)	(254,420)	54,399	(315,183)	(386,351)	(1,166,782)
Income from discontinued operations	—	60,472	—	—	—	25,667	—	86,139
Net income (loss)	(201,280)	60,472	(63,947)	(254,420)	54,399	(289,516)	(386,351)	(1,080,643)
Net income (loss) attributable to Colony Capital, Inc.	(148,841)	13,556	(54,670)	(239,337)	1,089	(262,934)	(353,407)	(1,044,544)

(In thousands)	Healthcare	Industrial	Hospitality	CLNC	Other Equity and Debt	Investment Management	Amounts Not Allocated to Segments	Total
Nine Months Ended September 30, 2018								
Total revenues	$ 445,921	$ —	$ 649,539	$ —	$ 578,392	$ 131,103	$ 5,857	$ 1,810,812
Property operating expenses	203,247	—	425,856	—	242,433	—	—	871,536
Interest expense	143,740	—	112,501	—	118,062	—	41,094	415,397
Depreciation and amortization	123,053	—	107,885	—	77,423	19,020	4,600	331,981
Provision for loan losses	213	—	—	—	26,920	—	—	27,133
Impairment loss	5,488	—	61,865	—	23,687	207,741	—	298,781
Gain on sale of real estate	—	—	—	—	91,869	—	—	91,869
Equity method earnings (losses)	—	—	—	(17,721)	59,501	(7,442)	—	34,338
Equity method earnings—carried interest	—	—	—	—	—	3,837	—	3,837
Income tax benefit (expense)	(2,383)	—	(930)	—	(4,082)	42,474	200	35,279
Income (loss) from continuing operations	(47,665)	—	(71,735)	(17,721)	218,337	(126,119)	(70,677)	(115,580)
Income (loss) from discontinued operations	—	17,285	—	—	(102)	10,917	—	28,100
Net income (loss)	(47,665)	17,285	(71,735)	(17,721)	218,235	(115,202)	(70,677)	(87,480)
Net income (loss) attributable to Colony Capital, Inc.	(36,913)	3,089	(67,183)	(16,670)	138,157	(108,445)	(61,565)	(149,530)

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

(In thousands)	Healthcare	Industrial	Hospitality	CLNC	Other Equity and Debt	Investment Management	Amounts Not Allocated to Segments	Total
September 30, 2019								
Total assets	$ 5,059,026	$ 4,531,531	$ 3,870,480	$ 731,306	$ 5,771,366	$ 1,923,551	$ 236,734	$ 22,123,994
Equity method investments [(1)]	—	—	—	731,306	1,064,855	155,389	3,742	1,955,292
December 31, 2018								
Total assets	$ 5,395,550	$ 3,185,906	$ 3,980,988	$ 1,037,754	$ 6,371,999	$ 1,983,911	$ 259,141	$ 22,215,249
Equity method investments [(1)]	—	—	—	1,037,754	1,054,295	180,882	3,742	2,276,673

[(1)] Excludes the Company's general partner equity, including carried interest allocation, in connection with its open-end industrial fund that is classified as held for sale (Note 7).

Geography

Geographic information about the Company's total income and long-lived assets are as follows. Geography is generally presented as the location in which the income producing assets reside or the location in which income generating services are performed.

(In thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Total income by geography:				
United States	$ 573,707	$ 517,041	$ 1,286,047	$ 1,593,859
Europe	88,561	81,778	256,064	229,163
Other	2,472	—	4,450	302
Total [(1)]	$ 664,740	$ 598,819	$ 1,546,561	$ 1,823,324

(In thousands)	September 30, 2019	December 31, 2018
Long-lived assets by geography:		
United States	$ 8,963,348	$ 9,566,982
Europe	1,132,540	1,600,623
Total [(2)]	$ 10,095,888	$ 11,167,605

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(1) Total income includes equity method earnings (loss), and excludes cost reimbursement income from affiliates and income from discontinued operations. All income from discontinued operations are sourced in the United States.

(2) Long-lived assets comprise real estate held for investment, real estate related intangible assets, operating lease ROU asset and fixed assets, and exclude financial instruments, assets held for sale and investment management related intangible assets. Long-lived assets that are held for sale at September 30, 2019 and December 31, 2018 included $4.8 billion and $3.3 billion located in the United States, respectively and $0.6 billion and $0.5 billion located in Europe, respectively.

22. Supplemental Disclosure of Cash Flow Information

	Nine Months Ended September 30,	
(In thousands)	2019	2018
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest, net of amounts capitalized of $2,569 and $3,831	$ 397,475	$ 383,466
Cash received for income tax refunds (paid for income taxes), net	(6,377)	13,193
Cash paid for operating lease liabilities	11,777	—
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS FROM DISCONTINUED OPERATIONS:		
Net cash provided by operating activities of discontinued operations	$ 142,635	$ 121,658
Net cash used in investing activities of discontinued operations	(1,434,477)	(593,496)
Net cash provided by financing activities of discontinued operations	1,271,866	366,987
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Dividends and distributions payable	$ 86,588	$ 84,604
Improvements in operating real estate in accrued and other liabilities	22,253	3,705
Redemption of OP Units for common stock	2,104	28,904
ROU assets and operating lease liabilities resulting from lease standard, net of related deferred receivables, intangibles and lease incentives derecognized upon adoption	138,731	—
Proceeds from loan repayments and asset sales held in escrow	16,692	—
Foreclosures and exchanges of loans receivable for real estate	16,000	26,001
Debt issued to buyer in sale of real estate	4,000	—
Deferred cash consideration for acquisition of DBH (Note 2)	35,500	—
Issuance of OP units for acquisition of DBH (Note 2)	111,903	—
Fair value of Digital Colony Manager contract intangible consolidated (Note 2)	51,400	—
Deconsolidation of net assets of securitization trusts (Note 15)	—	131,386
Assets held for sale contributed to equity method investee	—	20,350
Deferred tax liabilities assumed by buyer of related real estate	—	26,629
Debt assumed by buyer in sale of real estate	—	196,416
Contributions receivable from noncontrolling interests	—	25,501
Assets of CLNY Investment Entities deconsolidated, net of cash and restricted cash contributed	—	1,753,066
Liabilities of CLNY Investment Entities deconsolidated	—	421,245
Noncontrolling interests of CLNY Investment Entities deconsolidated	—	395,274

23. Subsequent Events

Other than as disclosed elsewhere, no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the accompanying notes.

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Quarterly Report on Form 10-Q (this "Quarterly Report") constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and we intend such statements to be covered by the safe harbor provisions contained therein. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

The forward-looking statements contained in this Quarterly Report reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- the market, economic and environmental conditions in the healthcare, hospitality and industrial real estate, other commercial real estate equity and debt, and investment management sectors;
- whether a strategic plan will be adopted by our company within the timeframe contemplated or at all, and whether such plan, if adopted, will result in significant impairments of our investments, including healthcare and hospitality assets;
- the impact of completed or anticipated strategic initiatives, including the acquisition of Digital Bridge Holdings, the pending sale of our industrial platform, the acquisition of a Latin American private equity platform, and the formation of certain other investment management platforms, on our company's growth and earnings profile;
- any decrease in our net income and funds from operations as a result of the Merger or otherwise, or our other acquisition activity;
- our ability to integrate and maintain consistent standards and controls following the Merger, including our ability to manage our acquisitions effectively (such as Colony Latam Partners and Digital Bridge Holdings) and to realize the anticipated benefits of such acquisitions;
- our ability to realize anticipated compensation and administrative cost reductions in connection with our corporate restructuring and reorganization plan;
- our exposure to risks to which we have not historically been exposed, including liabilities with respect to the assets acquired through the Merger and our other acquisitions;
- whether we will complete a sale of our industrial business, and redeploy proceeds received from any such sale, within the time and manner contemplated or at all;
- our business and investment strategy, including the ability of the businesses in which we have a significant investment (such as Colony Credit Real Estate, Inc. (NYSE:CLNC)) to execute their business strategies;
- whether we will enter into a definitive agreement with Colony Credit with respect to, among other matters, an internalization of Colony Credit and, if an agreement is reached, the potential impact of such agreement on our goodwill;
- performance of our investments relative to our expectations and the impact on our actual return on invested equity, as well as the cash provided by these investments and available for distribution;
- our ability to grow our business by raising capital for the companies that we manage;
- our ability to deploy capital into new investments consistent with our business strategies, including the earnings profile of such new investments;
- the impact of adverse conditions affecting a specific asset class in which we have investments;
- the availability of attractive investment opportunities;
- our ability to achieve any of the anticipated benefits of certain joint ventures, including any ability for such ventures to create and/or distribute new investment products;

- our ability to satisfy and manage our capital requirements;
- our expected holding period for our assets and the impact of any changes in our expectations on the carrying value of such assets;
- the general volatility of the securities markets in which we participate;
- our ability to obtain and maintain financing arrangements, including securitizations, on favorable or comparable terms or at all;
- stability of the capital structure of our healthcare portfolio;
- changes in interest rates and the market value of our assets;
- interest rate mismatches between our assets and any borrowings used to fund such assets;
- effects of hedging instruments on our assets;
- the impact of economic conditions on third parties on which we rely;
- any litigation and contractual claims against us and our affiliates, including potential settlement and litigation of such claims;
- our levels of leverage;
- adverse domestic or international economic conditions and the impact on the commercial real estate or real-estate related sectors;
- the impact of legislative, regulatory and competitive changes;
- actions, initiatives and policies of the U.S. and non-U.S. governments and changes to U.S. or non-U.S. government policies and the execution and impact of these actions, initiatives and policies;
- our ability to maintain our qualification as a real estate investment trust for U.S. federal income tax purposes;
- our ability to maintain our exemption from registration as an investment company under the Investment Company Act of 1940, as amended (the “1940 Act”);
- changes in our management team, including Chief Executive Officer succession plans and availability of qualified personnel;
- our ability to make or maintain distributions to our stockholders; and
- our understanding of our competition.

While forward-looking statements reflect our good faith beliefs, assumptions and expectations, they are not guarantees of future performance. Furthermore, we disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. Moreover, because we operate in a very competitive and rapidly changing environment, new risk factors are likely to emerge from time to time. We caution investors not to place undue reliance on these forward-looking statements and urge you to carefully review the disclosures we make concerning risks in sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our unaudited consolidated financial statements and accompanying notes thereto, which are included in Item 1 of this Quarterly Report, as well as information contained in our Annual Report on Form 10-K for the year ended December 31, 2018, which is accessible on the SEC's website at www.sec.gov.

Overview

We are a leading global investment management firm with $53 billion in assets under management ("AUM"), which includes approximately $14 billion of AUM from Digital Bridge Holdings LLC ("DBH"), a leading global investment manager of digital real estate infrastructure assets including cell towers, small cells, fiber and data centers. We manage capital on behalf of our stockholders, as well as institutional and retail investors in private funds, and traded and non-traded real estate investment trusts ("REITs"). We have significant holdings in: (a) the healthcare, industrial and hospitality property sectors; (b) Colony Credit Real Estate, Inc. (NYSE: CLNC), which is externally managed by a subsidiary of the Company; and (c) various other equity and debt investments. We are headquartered in Los Angeles, with key offices in Boca Raton, New York, Paris and London, and have over 450 employees across 21 locations in 13 countries.

We were organized on May 31, 2016 as a Maryland corporation, and was formed through a tri-party merger (the "Merger") among Colony Capital, Inc. ("Colony"), NorthStar Asset Management Group Inc. ("NSAM") and NorthStar Realty Finance Corp. ("NRF") in an all-stock exchange on January 10, 2017. We elected to be taxed as a REIT for U.S. federal income tax purposes commencing with our initial taxable year ended December 31, 2017.

We conduct our operations as a REIT, and generally are not subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our taxable income to stockholders and maintain qualification as a REIT, although we are subject to U.S. federal income tax on income earned through our taxable subsidiaries. We also operate our business in a manner that will permit us to maintain our exemption from registration as an investment company under the 1940 Act. We conduct substantially all of our activities and hold substantially all of our assets and liabilities through our Operating Company. At September 30, 2019, we owned 90.3% of the Operating Company, as its sole managing member.

Our Business

Our vision is to establish the Company as a leading owner and investment manager of assets, businesses, and investment management products in which the digital and real estate frontiers intersect. We believe our deep understanding of commercial real estate and digital infrastructure provides us a significant advantage in identifying relative value throughout economic cycles. Through our prudent sector or subsector capital allocation and operational capabilities, we aim to generate outsized total returns on our balance sheet and third-party capital. Specifically, our preference is to invest our balance sheet capital alongside third party capital to create alignment and generate returns for our shareholders in two ways. First, through the return on investment through our balance sheet capital. Second, through base management fees paid by third party capital and potential carried interest, which provides us with a greater participation of profits after a minimum return is achieved. Over time, our goal is to manage third party capital alongside the majority of our balance sheet capital at a higher ratio than what is currently in place.

Currently, we conduct our business through the following six segments:

- *Healthcare*—Our healthcare segment is composed of a diverse portfolio of senior housing, skilled nursing facilities, medical office buildings and hospitals. We earn rental income from our senior housing, skilled nursing facilities and hospital assets that are under net leases to single tenants/operators and from medical office buildings which are both single tenant and multi-tenant. In addition, certain of our senior housing properties are managed by operators under a RIDEA (REIT Investment Diversification and Empowerment Act) structure, which effectively allows us to gain financial exposure to the underlying operations of the facility in a tax efficient manner versus receiving contractual rent under a net lease arrangement.

- *Industrial*—Our industrial segment is composed of primarily light industrial assets throughout the U.S. The light industrial properties serve as the "last mile" of the logistics chain, which are vital for e-commerce and tenants that require increasingly quick delivery times. In addition, in February 2019, the Company entered into the bulk industrial market as bulk assets remain integral to highly functional distribution networks. Driven by significant appreciation in the value of our industrial portfolio, in June 2019, we engaged advisors to market our industrial portfolio and the related management platform for sale and in September 2019, entered into definitive sale agreements. As the planned sale represents a strategic shift that will have a major effect on the Company's

operations and financial results, the operating results of the industrial business are presented as discontinued operations on the consolidated statements of operations.

- *Hospitality*—Our hospitality portfolio is composed of primarily extended stay and select service hotels located mainly in major metropolitan and high-demand suburban markets in the U.S., with the majority affiliated with top hotel brands such as Marriott and Hilton.
- *CLNC*—This represents our investment in Colony Credit (as described below), a commercial real estate credit REIT with a diverse portfolio consisting primarily of commercial real estate ("CRE") senior mortgage loans, mezzanine loans, preferred equity, debt securities and net lease properties primarily in the U.S.
- *Other Equity and Debt*—Our other equity and debt segment consists of a diversified group of strategic and non-strategic real estate and real estate-related debt and equity investments. Strategic investments include investments for which the Company acts as a general partner and/or manager ("GP Co-Investments") and receives various forms of investment management economics on related third-party capital. Non-strategic investments are composed of those investments the Company does not intend to own for the long term including other real estate equity, real estate debt, and net leased assets, among other holdings.
- *Investment Management*—Our investment management business raises, invests and manages funds on behalf of a diverse set of institutional and individual investors, for which we earn management fees, generally based on the amount of assets or capital managed, and contractual incentive fees or carried interest based on the performance of the investment vehicles managed subject to the achievement of minimum return hurdles. The potential sale of the industrial segment includes our general partner interest in the industrial investment vehicles and related management contracts, reported under the investment management segment.

Colony Credit

We own an approximate 36.4% interest, on a fully diluted basis, in Colony Credit Real Estate, Inc. ("Colony Credit"). Colony Credit was formed on January 31, 2018 through a contribution of the CLNY Contributed Portfolio (as described below), represented by our ownership interests ranging from 38% to 100% in certain investment entities ("CLNY Investment Entities"), and a concurrent all-stock merger with NorthStar Real Estate Income Trust, Inc. ("NorthStar I") and NorthStar Real Estate Income II, Inc. ("NorthStar II"), both publicly registered non-traded REITs sponsored and managed by our subsidiary (the "Combination"). The CLNY Contributed Portfolio comprised our interests in certain commercial real estate loans, net lease properties and limited partnership interests in third party sponsored funds, which represented a select portfolio of U.S. investments within our other equity and debt segment that were transferable assets consistent with Colony Credit's strategy. Upon closing of the Combination, our management contracts with NorthStar I and NorthStar II were terminated; concurrently, we entered into a new management agreement with Colony Credit.

Corporate Restructuring

Following a strategic review process, in November 2018, we announced a corporate restructuring and reorganization plan aimed at reducing our annual compensation and administrative expenses over approximately 12 months. The restructuring plan was designed to match resources that further align our increasing focus on our investment management business by, among other things, reducing our workforce globally by 10% to 20%, primarily in connection with the exit of non-core assets and business lines, together with general cost reductions.

We have now achieved approximately 80% of our expected $50 to $55 million ($45 to $50 million on a cash basis) of the previously announced annual compensation and administrative cost savings on a run rate basis, with remaining cost savings expected to be achieved by the end of 2019.

Corporate Governance Enhancements

In February 2019, we announced the implementation of a series of changes designed to enhance our corporate governance, and entered into a cooperation agreement with Blackwells Capital LLC, a stockholder of the Company. In connection with the cooperation agreement, our board of directors appointed three new independent directors to the board. In addition, in accordance with the cooperation agreement, our board of directors formed a Strategic Asset Review Committee composed solely of independent directors to review, evaluate and make recommendations to the board on issues relating to our assets and business configuration.

Strategic Asset Review Update

As part of a comprehensive review undertaken by the Company, together with its Strategic Asset Review Committee and an independent advisor, the Company has undertaken certain assessments and strategic initiatives intended to build on core investment management competencies while focusing on high-growth businesses. A key component of this strategic evolution was our recent acquisition of DBH, which also addressed our Chief Executive Officer succession plans. These previously announced and/or completed initiatives also include termination of our management agreement with NRE in connection with the sale of NRE, repositioning of Colony Credit's portfolio and its potential internalization (as discussed below), stabilization of the debt capital structure of the healthcare portfolio, and a corporate restructuring and reorganization plan that is on track with its cost savings objectives.

In connection with the acquisition of DBH, we entered into an employment agreement with Marc C. Ganzi, co-founder and Chief Executive Officer of DBH, pursuant to which Mr. Ganzi serves as Managing Director of the Company and Chief Executive Officer of the Company's digital realty platform. Upon the later of the termination of the investment period of Digital Colony Partners ("Digital Colony," a fund co-sponsored by us and DBH), and December 31, 2020, Mr. Ganzi will serve as the Company's Chief Executive Officer, succeeding Thomas J. Barrack, Jr., who will return to the position of Executive Chairman of the Company.

Additionally, in June 2019, the Company engaged advisors to market the Company's industrial portfolio and the related management platform for sale. There has been significant appreciation in the value of the industrial portfolio driven by favorable operating fundamentals and strong investor demand for light industrial assets. In September 2019, the Company entered into definitive sale agreements for an aggregate gross sales price of approximately $5.9 billion. In November 2019, the definitive sale agreement providing for the sale of the bulk industrial portfolio for $190 million was terminated. The Company is in the process of negotiating an agreement with a third party for the sale of the bulk industrial portfolio on substantially the same economic terms as the prior agreement. The sale of the light industrial portfolio and the related management platform is expected to generate a significant gain and is expected to close in the fourth quarter of 2019, subject to customary closing conditions. However, no assurances can be made that these sales can be completed within the time frame contemplated, or on the terms anticipated, or at all. If the sale is completed, the Company may redeploy a portion of the proceeds into higher total return strategies (e.g., digital real estate and infrastructure) and may further consider the reduction of corporate leverage or other uses. The sale of the industrial segment, including its related management platform, represents a strategic shift that will have a significant effect on the Company's operations and financial results, and has met the criteria as held for sale and discontinued operations. Accordingly, for all current and prior periods presented, the related assets and liabilities are presented as assets and liabilities held for sale on the consolidated balance sheets (see Note 7 to the consolidated financial statements) and the related operating results are presented as income from discontinued operations on the consolidated statement of operations (see Note 15 to the consolidated financial statements).

As the Company undertakes its strategic evolution, the Company anticipates shifting its focus from traditional real estate towards a digital real estate and infrastructure business. At this time, management, together with the Strategic Asset Review Committee and its independent advisor, are in the process of formulating the details around the Company's strategic plan, which is expected to be recommended to the Company's Board of Directors in the fourth quarter of 2019 prior to finalization. The strategic plan is expected to provide a broad outline of topics such as the Company's asset rotation plan, capital allocation policy, target investment profile and capital structure, and the vision for establishing the Company as the leading platform for digital real estate and infrastructure.

A potential strategic shift in the Company's business may represent an indicator of impairment and the Company performed an assessment as of September 30, 2019 to ascertain if the net carrying value of its investments, including its healthcare and hospitality real estate, would be recoverable. A final strategic plan is expected to provide more specificity as to the Company's expected holding periods for its investments, including its healthcare and hospitality assets. In the absence of such information, and with considerable uncertainty still surrounding the strategic plan, the Company applied its best estimate at this time based upon undiscounted future net cash flows to be generated by these assets over a long-term hold. The analysis indicated that as of September 30, 2019, the net carrying value of the Company's investments, including its healthcare and hospitality assets, would be recoverable. A shortened holding period for these assets may significantly reduce the undiscounted future net cash flows to be generated by certain assets below their carrying values. Therefore, if the final strategic plan adopted by the Company contemplates a shortened holding period for these assets, the Company expects that such a decision, if and when made, may result in a significant impairment in the carrying value of its investments, specifically certain of its healthcare and hospitality assets. At September 30, 2019, the healthcare and hospitality segments had real estate held for investment with carrying values of $4.6 billion and $3.6 billion, respectively, financed with $3.0 billion and $2.7 billion of debt, respectively. At September 30, 2019, we own 71% of our healthcare segment and 94% of our hospitality segment.

Colony Credit

As part of Colony Credit's strategic plan, in the third quarter of 2019, Colony Credit bifurcated its assets into a core portfolio and a legacy, non-strategic portfolio, which will allow Colony Credit to focus on the divestment of its legacy, non-strategic portfolio and to redeploy into and grow its core portfolio. In conjunction with its focus on its core portfolio, Colony Credit meaningfully reduced the book value of its legacy, non-strategic assets to better reflect its market value and reset its annualized dividend from $1.74 per share to $1.20 per share. As a result of the meaningful reduction to Colony Credit's book value, in November 2019, the Company amended its management agreement with Colony Credit to reduce the fee base to reflect Colony Credit's reduced book value, which will result in a decrease in management fees to the Company effective in the beginning of the fourth quarter of 2019.

Additionally, in November 2019, the Company delivered a non-binding letter to the independent directors of Colony Credit, seeking to explore with Colony Credit the possible internalization of its management and a transfer of the Company's credit investment management business to Colony Credit to (i) further the Company's strategic repositioning to simplify and establish the Company as the leading platform for digital real estate and infrastructure and (ii) position Colony Credit to become a leading independent real estate credit REIT with a clearly defined strategy positioned for greater growth. There can be no assurance that the Company and Colony Credit will reach an agreement with respect to an internalization of Colony Credit or any of the other matters described in the letter, that the nature or terms of an internalization of Colony Credit or any such others matters will not differ from the description in the letter, or that an internalization of Colony Credit or any such other matters will be completed. If an agreement is reached between the Company and Colony Credit on an internalization of Colony Credit and a transfer of the Company's credit investment management business to Colony Credit, this may result in a decline in the fair value of the Company's investment management reporting unit, which may result in further impairment of goodwill in the future.

Developments in 2019

During the nine months ended September 30, 2019 and through November 6, 2019, significant developments affecting our business and results of operations included the following:

Acquisitions, Dispositions and Fundraising

- In April 2019, acquired the private equity platform of the Abraaj Group in Latin America, which has been renamed Colony Latam Partners and manages approximately $574 million of AUM, for $5.5 million. Colony Latam Partners will continue to be headed by its existing senior management team.
- In June 2019, classified our industrial segment and related management platform as held for sale and discontinued operations. In September 2019, entered into definitive agreements for the sale of our light industrial portfolio and the related management platform for an aggregate gross sales price of approximately $5.7 billion, which is expected to generate a significant gain, and is expected to close in the fourth quarter of 2019, subject to customary closing conditions. This agreement now excludes our bulk industrial portfolio for which we are in the process of negotiating a sale separately with another third party.
- In the first nine months of 2019, the industrial segment acquired 90 buildings and five parcels of land for $1.5 billion, financed through $952 million of new debt, with its existing $400 million revolver replaced with a $600 million revolver. In terms of fundraising, raised an additional $142 million of capital in our open-end light industrial fund in the first quarter of 2019, bringing total third party capital raised to date in our light industrial platform to $1.66 billion. Additionally, raised $70 million of capital in our bulk industrial joint venture formed in February 2019.
- In July 2019, acquired DBH for $329 million in a combination of cash and OP units as part of our strategic evolution to become the leading platform for digital infrastructure and real estate, adding $14 billion of AUM. This acquisition follows the May 2019 final closing of the Digital Colony fund.
- In July 2019, formed a strategic joint venture with California Resources Corporation (NYSE: CRC) through our energy investment management arm, Alpine Energy, LLC ("Alpine," formerly Colony HB2 Energy, LLC), to which Alpine has committed to fund $320 million for development of CRC's flagship Elk Hills field. In August 2019, Equity Group Investments became a strategic joint venture partner of Alpine.
- In July 2019, closed on our fifth global real estate credit fund (second as a public company), with total capital commitments of approximately $428 million (inclusive of our capital commitment of $121 million, which may be reduced to no less than 5% of total commitments from future third party commitments).
- In September 2019, NRE sold all of its outstanding common stock for $17.01 per share and we received proceeds of approximately $96 million for our investment in NRE, recording a gain of $12 million, included in equity method

earnings. The sale resulted in the termination of the NRE management agreement, for which the Company received the remaining $65 million of the $70 million lump sum incentive and termination fee.

Financing and Capital Transactions

- Repurchased 652,311 shares of our class A common stock for $3.2 million under our stock repurchase program.
- In April 2019, amended certain terms of our Credit Agreement, including a reduction of aggregate revolving commitments from $1 billion to $750 million and modification of a financial covenant and borrowing base formula.
- Refinanced $2.21 billion of debt principal in our healthcare segment that was scheduled to mature in 2019 and extended their maturities to 2024 (including extension options). Our completed refinancings included $1.725 billion of mortgage debt, which was paid in full with proceeds from a new $1.515 billion secured debt, and $250 million of new equity contribution, of which $174 million was funded by us and remainder by our equity partners in the healthcare portfolio.
- Refinanced an aggregate $116 million of debt principal in our hospitality portfolio, extending their maturities to 2024 (including extension options).

Other

- Recorded an impairment charge in June 2019 of $228 million to write down our 36.4% interest in Colony Credit to the closing price of Colony Credit's common stock at June 28, 2019, as part of equity method loss.
- Remeasured our 50% interest in Digital Colony Manager upon closing of the DBH acquisition and recorded a gain of $51 million, representing 50% of the fair value of the Digital Colony fund management contract.
- Entered into a series of transactions effectively terminating the $2 billion notional interest rate swap assumed through the Merger for $365 million in total, of which $224 million was paid in the third quarter of 2019, with remaining settlement fixed at $141 million expected to be paid in December 2019.
- Recognized carried interest from our industrial open-end fund of $35 million, of which 50% is allocated to senior management, investment professionals and certain other employees as compensation.
- Recorded impairment of $387 million in September 2019 on the investment management goodwill, driven primarily by loss of future fee income that is expected to result from the pending sale of its industrial business and the amendment of Colony Credit's management agreement to reduce the fee base to reflect Colony Credit's reduced book value.

Results of Operations

The following table summarizes our results of operations by segment.

Results of operations associated with our industrial business are presented as discontinued operations for all current and prior periods presented (see Note 15 to the consolidated financial statements). Those results include (i) the entire industrial segment, and (ii) portions of the investment management segment associated with the industrial business,

including fees and carried interest from the industrial open-end fund and related compensation expense.

(in thousands)	Total Revenues		Net Income (Loss)		Net Income (Loss) Attributable to Colony Capital, Inc.	
Three Months Ended September 30,	2019	2018	2019	2018	2019	2018
Healthcare	$ 136,091	$ 147,907	$ (112,554)	$ (15,051)	$ (82,763)	$ (12,197)
Industrial	—	—	38,981	6,296	10,263	1,001
Hospitality	218,378	224,384	(34,365)	(66,620)	(28,359)	(62,900)
CLNC	—	—	7,979	(19,480)	7,277	(18,328)
Other Equity and Debt	151,137	182,288	(5,160)	88,053	(16,992)	57,715
Investment Management	144,203	41,987	(316,302)	20,041	(287,833)	19,145
Amounts not allocated to segments	2,686	2,161	(144,421)	(30,653)	(129,409)	(27,226)
	$ 652,495	$ 598,727	$ (565,842)	$ (17,414)	$ (527,816)	$ (42,790)
Nine Months Ended September 30,						
Healthcare	$ 427,761	$ 445,921	$ (201,280)	$ (47,665)	$ (148,841)	$ (36,913)
Industrial	—	—	60,472	17,285	13,556	3,089
Hospitality	642,073	649,539	(63,947)	(71,735)	(54,670)	(67,183)
CLNC	—	—	(254,420)	(17,721)	(239,337)	(16,670)
Other Equity and Debt	465,891	578,392	54,399	218,235	1,089	138,157
Investment Management	228,010	131,103	(289,516)	(115,202)	(262,934)	(108,445)
Amounts not allocated to segments	10,258	5,857	(386,351)	(70,677)	(353,407)	(61,565)
	$ 1,773,993	$ 1,810,812	$ (1,080,643)	$ (87,480)	$ (1,044,544)	$ (149,530)

Selected Balance Sheet Data

The following table summarizes key balance sheet data by segment and the industrial business that is held for sale.

All assets and liabilities of the industrial business are classified as held for sale for all current and periods presented (see Note 7 to the consolidated financial statements).

(In thousands)	Healthcare	Hospitality	CLNC	Other Equity and Debt	Investment Management	Amounts Not Allocated to Segments	Total	Industrial Held For Sale
September 30, 2019								
Real estate, net	$ 4,497,753	$ 3,593,772	$ —	$ 1,630,895	$ —	$ —	$ 9,722,420	$ 4,240,742
Loans receivable, net	53,677	—	—	1,400,522	—	—	1,454,199	—
Equity and debt investments	—	—	731,306	1,400,684	155,389	3,742	2,291,121	48,478
Debt, net	2,913,811	2,623,383	—	2,094,893	184,200	849,821	8,666,108	2,131,497
December 31, 2018								
Real estate, net	$ 4,995,298	$ 3,668,824	$ —	$ 2,161,888	$ —	$ —	$ 10,826,010	$ 2,793,004
Loans receivable, net	48,330	—	—	1,597,214	13,673	—	1,659,217	—
Equity and debt investments	—	—	1,037,754	1,307,369	180,882	3,742	2,529,747	13,422
Debt, net	3,213,992	2,603,599	—	2,309,347	—	848,434	8,975,372	1,064,585

Consolidated Results of Operations

Comparison of Three Months Ended September 30, 2019 to Three Months Ended September 30, 2018

(In thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Change
Revenues			
Property operating income	$ 462,155	$ 494,945	$ (32,790)
Interest income	40,237	59,883	(19,646)
Fee income	111,854	32,915	78,939
Other income	38,249	10,984	27,265
Total revenues	652,495	598,727	53,768
Expenses			
Property operating expense	274,351	286,386	(12,035)
Interest expense	130,034	134,245	(4,211)
Investment and servicing expense	13,096	11,076	2,020
Transaction costs	100	228	(128)
Placement fees	64	5,184	(5,120)
Depreciation and amortization	159,005	111,807	47,198
Provision for loan loss	17,233	7,825	9,408
Impairment loss	564,899	75,723	489,176
Compensation expense—cash and equity-based	87,043	44,469	42,574
Compensation expense—carried interest and incentive fee	10,846	1,535	9,311
Administrative expenses	22,013	22,421	(408)
Total expenses	1,278,684	700,899	577,785
Other income (loss)			
Gain on sale of real estate	8,224	33,016	(24,792)
Other gain (loss), net	(44,562)	29,677	(28,798)
Equity method earnings	46,777	5,031	41,746
Equity method earnings (losses)—carried interest	(474)	3,837	(4,311)
Loss before income taxes	(616,224)	(30,611)	(585,613)
Income tax benefit (expense)	(9,968)	1,955	(11,923)
Loss from continuing operations	(626,192)	(28,656)	(597,536)
Income from discontinued operations	60,350	11,242	49,108
Net loss	(565,842)	(17,414)	(548,428)
Net income (loss) attributable to noncontrolling interests:			
Redeemable noncontrolling interests	364	865	(501)
Investment entities	15,170	28,914	(13,744)
Operating Company	(53,560)	(4,403)	(49,157)
Net loss attributable to Colony Capital, Inc.	(527,816)	(42,790)	(485,026)
Preferred stock dividends	27,137	27,185	(48)
Net loss attributable to common stockholders	$ (554,953)	$ (69,975)	(484,978)

Property Operating Income and Property Operating Expenses

	Three Months Ended September 30,		
(In thousands)	2019	2018	Change
Property operating income:			
Healthcare	$ 135,017	$ 146,462	$ (11,445)
Hospitality	218,265	224,327	(6,062)
Other Equity and Debt	108,873	124,156	(15,283)
	$ 462,155	$ 494,945	(32,790)
Property operating expenses:			
Healthcare	$ 66,042	$ 66,298	$ (256)
Hospitality	141,235	146,440	(5,205)
Other Equity and Debt	67,074	73,648	(6,574)
	$ 274,351	$ 286,386	(12,035)

Healthcare—Property operating income decreased $11.4 million comparing the three months ended September 30, 2019 and 2018 due primarily to a reversal of uncollected straight-line rent receivables, as the leases are expected to be restructured for lower rents in the near term. There was also a reversal of uncollected current rent receivables on our net lease properties and medical office buildings, with rents related to those leases recognized on a cash basis beginning the third quarter of 2019. Additionally, property taxes and insurance paid directly to third parties by tenants or operators are no longer recognized on a gross basis in income and expense in 2019 under the new lease accounting standard. These decreases were partially offset by an increase in resident fee income in our senior housing operating portfolio from higher rents in the third quarter of 2019, although such increase in income did not fully absorb the corresponding increase in resident service costs, primarily labor costs, due to increased competition.

There was a minimal decrease in property operating expenses of $0.3 million comparing the three months ended September 30, 2019 and 2018 as the effect of netting tenant reimbursements in 2019 was largely offset by higher resident service costs, as noted above.

Hospitality—Property operating income and expense decreased $6.1 million and $5.2 million, respectively, comparing the three months ended September 30, 2019 and 2018, driven by the sale of nine hotels in 2019. On a same store basis, however, there was a marginal increase in property operating income of approximately $1.0 million and a marginal decrease in property operating expenses of $0.5 million. The increase in income can be attributed to higher ancillary income such as parking and cancellation fees, largely offset by the effect of weaker corporate demand and new supply in certain markets. Notwithstanding higher labor costs, the decrease in expenses was driven by the reversal of a property tax liability.

Other Equity and Debt—Property operating income and expenses decreased $15.3 million and $6.6 million, respectively, for the three months ended September 30, 2019 compared to the same period in 2018. The decreases were driven by continuing sales of our non-core properties, primarily in our THL Hotel Portfolio and European portfolio, and contribution of real estate to Colony Credit on January 31, 2018. These decreases were partially offset by property operating income and expenses from a portfolio of office and industrial buildings in France that was acquired in November 2018.

Interest Income

Interest income decreased $19.6 million for the three months ended September 30, 2019 compared to the same period in 2018. The decrease can be attributed to continuing repayments, payoffs and sales of our loan and securities portfolio, which more than offset additional loan fundings subsequent to the third quarter of 2018.

Fee Income

Fee income is earned from the following sources:

	Three Months Ended September 30,		
(In thousands)	2019	2018	Change
Institutional funds and other investment vehicles	$ 26,612	$ 10,805	$ 15,807
Public companies (Colony Credit, NRE)	79,633	15,708	63,925
Non-traded REITs	4,994	6,143	(1,149)
Other	615	259	356
	$ 111,854	$ 32,915	78,939

Fee income increased $78.9 million during the three months ended September 30, 2019 compared to the same period in 2018, resulting from:

- net increase of $15.8 million in fees from institutional funds and investment vehicles, driven by $16.6 million of fees from DBH and Colony Latam funds, which were acquired in July 2019 and April, 2019, respectively, partially offset by decreases in fees from liquidating funds;
- termination payment of $64.6 million from NRE, inclusive of $21.5 million of incentive fees for fiscal year 2019 through termination, received upon the sale of NRE and concurrent termination of our management agreement on September 30, 2019, net of lower management fees for the third quarter of 2019 prior to the sale compared to the same period in 2018; and
- $0.4 million increase in other fees related to asset management and advisory services in 2019;

partially offset by:

- $0.4 million decrease in fees from Colony Credit due to a lower stockholders' equity fee basis; and
- approximately $1.0 million decrease in fee income from NorthStar Healthcare Income, Inc. ("NorthStar Healthcare") following a decrease in its NAV fee basis effective December 2018.

Other Income

Other income was $27.3 million higher at $38.2 million in the three months ended September 30, 2019 compared to the same period in 2018. In the third quarter of 2019, there were higher amounts grossed up in other income and compensation expense related to the acceleration of NRE equity awards and other cash compensation paid by NRE to employees upon the sale of NRE totaling approximately $25.0 million. Other increases included hotel management fee income from our acquisition of a distressed hotel manager in July 2019 that is managing a portfolio of hotels that we are in the process of acquiring through bankruptcy proceedings.

Interest Expense

	Three Months Ended September 30,		
(In thousands)	2019	2018	Change
Investment-level financing:			
Healthcare	$ 46,029	$ 47,620	$ (1,591)
Hospitality	40,641	41,646	(1,005)
Other Equity and Debt	27,428	31,306	(3,878)
Investment management debt	1,585	—	1,585
Corporate-level debt	14,351	13,673	678
	$ 130,034	$ 134,245	(4,211)

There was a net decrease in interest expense of $4.2 million during the three months ended September 30, 2019 compared to the same period in 2018, attributed to the following:

Healthcare—Interest expense was approximately $1.6 million lower as the prior year period included recognition of interest expense from debt discount that has since been written off in June 2019 in connection with our $1.7 billion debt refinancing. The resulting decrease in interest expense was partially offset primarily by interest expense recognized from deferred financing costs related to the June 2019 debt refinancing and prepayment penalty incurred from early repayment of debt upon sale of underlying collateral in September 2019.

Hospitality—Interest expense was $1.0 million lower as the prior year period included additional interest expense from the amortization of certain debt discount. The discount was written off in connection with debt refinancing in 2019. This decrease was partially offset by higher interest expense on additional debt obtained in connection with the refinancing, and amortization of deferred financing costs related to the new debt.

Other Equity and Debt—Interest expense decreased $3.9 million, driven primarily by debt payoffs from continued sales and resolutions of our non-core investments, partially offset by new debt acquired to finance the acquisition of a portfolio of office and industrial buildings in France in November 2018.

Investment Management Debt—This represents interest expense on the borrowing on our corporate credit facility to partially finance the DBH acquisition in July 2019.

Corporate-level Debt—Interest expense increased as a result of a higher average outstanding balance on our corporate credit facility in the third quarter of 2019.

Investment and Servicing Expense

There was a $2.0 million net increase in investment and servicing costs for the three months ended September 30, 2019 compared to the same period in 2018. The increase was driven mainly by costs incurred in connection with our European investments and settlement of an employee litigation claim in our THL Hotel Portfolio, partially offset by lower management fees following the termination of a third party healthcare operator in October 2018 and lower bad debt expense.

Placement Fees

Immaterial placement fees were incurred in the three months ended September 30, 2019 in connection with our new global credit fund that had its first closing in July 2019, while $5.2 million was incurred in the three months ended September 30, 2018 related to fundraising for our co-investment vehicle in AccorInvest, a multinational European hospitality group.

Depreciation and Amortization

The net increase of $47.2 million in depreciation and amortization for the three months ended September 30, 2019 compared to the same period in 2018 can be attributed mainly to: (i) accelerated amortization of the NRE management contract beginning in December 2018 through closing of the NRE sale in September 2019, (i) acquisition of a portfolio of office and industrial buildings in France in November 2018, and (iii) amortization of management contracts, customer relationships and trade name acquired from DBH in July 2019. These increases were partially offset by non-core properties sold or transferred to held for sale.

Provision for Loan Losses

	Three Months Ended September 30,		
(In thousands)	2019	2018	Change
Non-PCI loans	$ 17,228	$ 214	$ 17,014
PCI loans	5	7,611	(7,606)
Total provision for loan losses	$ 17,233	$ 7,825	9,408

Provision for loan losses in the three months ended September 30, 2019 related to two non-PCI loans due to increased uncertainty over our ability to realize our investment due to a prolonged and complicated foreclosure process. We increased the loan loss provision during the third quarter of 2019 on a subordinated mezzanine position secured by an underperforming regional mall to fully reserve our cost basis due to uncertainty that the collateral value would be sufficient to satisfy any portion of our loan. We also increased the loan loss provision on a land development loan to reflect a lower estimated fair value of the collateral. In the three months ended September 30, 2018, provision for loan loss can be attributed mainly to a decline in collateral value and write-downs upon sale of two portfolios within the PCI loan category.

Of the total provision for loan losses, $4.6 million and $5.3 million in the three months ended September 30, 2019 and 2018, respectively, were attributable to noncontrolling interests in investment entities.

Impairment Loss

	Three Months Ended September 30,		
(In thousands)	2019	2018	Change
Healthcare	$ 92,885	$ (274)	$ 93,159
Hospitality	31,555	61,865	(30,310)
Other Equity and Debt	53,459	7,132	46,327
Investment Management	387,000	7,000	380,000
	$ 564,899	$ 75,723	489,176

Healthcare—A senior housing portfolio and a net lease property were impaired in the three months ended September 30, 2019 as a result of a shortfall in the undiscounted future net cash flows expected to be generated by these properties using a shorter holding period assumption in comparison to their carrying values, and written-down based upon offer prices received by the Company. These properties have not met all the criteria to be classified as held for sale as of September 30, 2019. Impairment in the three months ended September 30, 2018 included a $0.2 million write-down on properties sold and a $0.5 million reversal of impairment upon settlement of hurricane-related loss from 2017.

Hospitality—In the three months ended September 30, 2019, impairment was recorded based upon shortened hold periods on two hotels in Pennsylvania and unfavorable operating performance on a hotel in Houston.

The above charges were netted by a $2.2 million reversal of impairment based upon final net proceeds from sale of six hotels in August 2019. These hotels along with other hotels sold in 2019 were initially impaired in the third quarter of 2018 when we adopted a sales strategy.

Other Equity and Debt—Impairment was $46.3 million higher at $53.5 million in the third quarter of 2019 compared to the third quarter of 2018. The increase was driven by impairments based upon revised expected sales prices in the current market, primarily on a real estate portfolio in the United Kingdom due to uncertainties of Brexit, and multi-tenant office properties in the United States.

Investment Management—In the third quarter of 2019, $387.0 million of impairment was taken on the investment management goodwill, driven primarily by loss of future fee income that is expected to result from the pending sale of its industrial business and the amendment of Colony Credit's management agreement to reduce the fee base to reflect Colony Credit's reduced book value.

Impairment of $7.0 million was recorded on the NorthStar Healthcare management contract intangible in the third quarter of 2018 based upon updated NAV.

Of the $564.9 million and $75.7 million of total impairment for the three months ended September 30, 2019 and 2018, $45.2 million and $4.9 million were attributable to noncontrolling interests in investment entities, respectively.

Compensation Expense

The table below provides the components of compensation expense:

	Three Months Ended September 30,		
(In thousands)	2019	2018	Change
Cash compensation and benefits	$ 49,763	$ 33,973	$ 15,790
Equity-based compensation	9,425	7,579	1,846
Incentive and carried interest compensation	10,846	1,535	9,311
	70,034	43,087	26,947
Compensation grossed up in income and expense			
NRE related cash compensation	3,576	—	3,576
Equity-based compensation—NRE and CLNC awards	24,279	2,917	21,362
	27,855	2,917	24,938
Total compensation expense	$ 97,889	$ 46,004	51,885

Compensation expense in the three months ended September 30, 2019 included incremental compensation related to NRE, specifically:

- $26.1 million of gross up of compensation costs included in other income and compensation expense in the third quarter of 2019, attributed to the acceleration of NRE equity awards held by certain employees upon the sale of NRE and other cash compensation for termination and retention benefits paid by NRE to certain employees of the Company at closing;
- severance payments upon the sale of NRE of $11.4 million; and
- $10.8 million of incentive compensation, representing 50% of incentive income from NRE, which was realized upon termination of our management contract concurrent with the sale of NRE, that was allocated to senior management, investment professionals and certain employees.

Excluding these incremental costs related to the NRE sale, compensation expense increased $4.7 million comparing the three months ended September 30, 2019 and 2018, which can be attributed primarily to additional compensation following our acquisitions of the Colony Latam platform in April 2019, DBH and a distressed hotel manager in July 2019, partially offset by cost savings from a decrease in headcount resulting from the Company's corporate restructuring undertaken beginning November 2018.

Administrative Expense

Administrative expense was $22.0 million in the three months ended September 30, 2019, a $0.4 million decrease from the same period in 2018, attributable to our ongoing cost reduction initiatives, largely offset by additional expenses in connection with businesses acquired in 2019.

Gain on Sale of Real Estate

(In thousands)	Three Months Ended September 30, 2019	2018	Change
Healthcare	$ 833	$ —	$ 833
Other Equity and Debt	7,391	33,016	(25,625)
	$ 8,224	$ 33,016	(24,792)

Gain on sale in both three months ended September 30, 2019 and 2018 relate primarily to our European properties.

Gain on sale of $5.2 million and $4.3 million in the three months ended September 30, 2019 and 2018, respectively, were attributed to noncontrolling interests in investment entities.

Equity Method Earnings (Losses)

(In thousands)	Three Months Ended September 30, 2019	2018	Change
Colony Credit	$ 7,979	$ (19,480)	$ 27,459
Other Equity and Debt	35,587	24,517	11,070
Investment Management (including ($474) and $3,837 of carried interest, respectively)	2,737	3,831	(1,094)
	$ 46,303	$ 8,868	37,435

Colony Credit—For the three months ended September 30, 2019, we recorded our share of net income of approximately $8.0 million compared to a net loss of $19.5 million in the three months ended September 30, 2018. The net loss in 2018 resulted from loan loss provision and real estate impairments recorded by Colony Credit. In the third quarter of 2019, our share of loan loss provision and impairment charges recorded by Colony Credit was not recognized as equity method losses but applied to reduce the basis difference between the carrying value of our investment in Colony Credit and our proportionate share of Colony Credit's book value (see Note 5 to the consolidated financial statements).

Other Equity and Debt—Equity method earnings increased $11.1 million comparing the three months ended September 30, 2019 and 2018, resulting primarily from $12.4 million gain from the sale of NRE, income from new ADC loan originations and additional fundings, all of which were partially offset by loss of earnings from repayments of our preferred equity investments and sales of investments, and impairment of an equity method investment in a land development project

Investment Management—Equity method income was $1.1 million lower comparing the three months ended September 30, 2019 and 2018. This was because the prior year period included additional income from a subsequently sold investment, unrealized carried interest allocation and management fees from the Digital Colony Manager joint venture prior to its consolidation in July 2019, all of which were partially offset by impairment charges on an investment.

Other Gain (Loss), Net

We recognized a net loss of $44.6 million in the three months ended September 30, 2019 compared to a net gain of $29.7 million in the same period in 2018.

This loss resulted primarily from a $91.5 million loss in the three months ended September 30, 2019 compared to a $27.8 million gain in the same period in 2018 on a non-designated interest rate swap assumed through the Merger that was intended to hedge future refinancing risk on certain NRF mortgage debt. $1.2 billion of the $2.0 billion notional amount on the swap was settled in the third quarter of 2019. In October 2019, the Company terminated the remaining position for a net settlement of $141.2 million that is expected to be paid in December 2019.

This loss was partially offset by a $51.4 million gain from remeasurement of our 50% interest in Digital Colony Manager upon closing of the DBH acquisition (see Note 2 to the consolidated financial statements).

Income Tax Benefit (Expense)

We recorded an income tax expense of $10.0 million compared to an income tax benefit of $2.0 million in the three months ended September 30, 2019 and 2018, respectively. The third quarter of 2019 included additional income tax expense arising primarily from a gain recognized on the remeasurement of our preexisting interest in Digital Colony Manager upon the acquisition of DBH.

Income from Discontinued Operations

(In thousands)	Three Months Ended September 30, 2019	2018	Change
Revenues			
Property operating income	$ 97,188	$ 73,036	$ 24,152
Fee income	3,400	2,140	1,260
Interest and other income	1,454	866	588
Revenues from discontinued operations	102,042	76,042	26,000
Expenses			
Property operating expense	26,051	21,409	4,642
Interest expense	21,130	10,872	10,258
Investment and servicing expense	54	41	13
Depreciation and amortization	12,342	33,503	(21,161)
Impairment loss	—	774	(774)
Compensation expense—cash and equity-based	3,914	2,257	1,657
Compensation expense—carried interest	17,796	1,933	15,863
Administrative expenses	960	857	103
Expenses from discontinued operations	82,247	71,646	10,601
Other income (loss)			
Gain from sale of real estate	4,675	2,104	2,571
Other loss, net	(12)	—	(12)
Equity method earnings, including carried interest	35,765	4,930	30,835
Income from discontinued operations before income taxes	60,223	11,430	48,793
Income tax benefit (expense)	127	(188)	315
Income from discontinued operations	$ 60,350	$ 11,242	49,108

Discontinued operations in the third quarters of 2019 and 2018 represent the results of operations of the industrial segment and the associated management platform, and include property operations, fee income, equity method earnings from the Company's general partner interest in the industrial open-end fund, and related compensation expense.

Income from discontinued operations of our industrial business increased $49.1 million comparing the three months ended September 30, 2019 and 2018, attributed primarily to the following:

- Property operating income and expense were $24.2 million and $4.6 million higher, respectively, resulting from continued growth of our industrial portfolio as acquisitions outpaced dispositions, including the acquisition of a $1.1 billion portfolio of 50 properties in February 2019. At September 30, 2019 and September 30, 2018, our industrial portfolio consisted of 456 and 406 buildings, respectively, with a net addition of 50 buildings and 12.7 million rentable square feet.
- Additionally, depreciation and amortization expense decreased $21.2 million as real estate depreciation ceased beginning July 2019 upon classification of the industrial business as held for sale and the third quarter of 2019 included only amortization of lease intangibles.
- The positive property operating results were partially offset by an increase in interest expense of $10.3 million as we obtained $952 million of additional debt to fund new acquisitions in the first nine months of 2019, along with additional drawdowns from our industrial revolver, which capacity was expanded from $400 million to $600 million. As a result, we also incurred higher deferred financing costs and higher unused fees on the revolver. These increases, however, were partially offset by higher capitalization of interest on development projects in 2019.
- Cash and equity-based compensation was also higher, driven by compensatory arrangements with employees of the industrial segment in order to retain their employment through completion of the sale of the industrial business.
- In connection with managing third party capital in our sponsored open-end industrial fund, fee income, calculated based on net asset value of the fund, was $1.3 million higher as a result of additional capital raised and appreciation in value of our industrial properties. In the third quarter of 2019, there was a significant increase of $30.8 million in carried interest recognized compared to the third quarter of 2018, included in equity method earnings, due to a significant increase in the net asset value of the fund that reflects the expected sales proceeds pursuant to definitive sale agreements for the industrial business. Correspondingly, carried interest compensation

increased $15.9 million, which also included the effects of an adjustment to the employee sharing percentage approved by the compensation committee in 2019.

Comparison of Nine Months Ended September 30, 2019 to Nine Months Ended September 30, 2018

(In thousands)	Nine Months Ended September 30, 2019	2018	Change
Revenues			
Property operating income	$ 1,409,841	$ 1,500,991	$ (91,150)
Interest income	121,362	167,326	(45,964)
Fee income	178,315	106,733	71,582
Other income	64,475	35,762	28,713
Total revenues	1,773,993	1,810,812	(36,819)
Expenses			
Property operating expense	824,333	871,536	(47,203)
Interest expense	406,661	415,397	(8,736)
Investment and servicing expense	51,562	55,546	(3,984)
Transaction costs	2,922	3,585	(663)
Placement fees	373	6,477	(6,104)
Depreciation and amortization	379,739	331,981	47,758
Provision for loan loss	35,847	27,133	8,714
Impairment loss	675,216	298,781	376,435
Compensation expense—cash and equity-based	160,990	144,085	16,905
Compensation expense—carried interest and incentive fee	13,264	1,535	11,729
Administrative expenses	64,544	69,390	(4,846)
Total expenses	2,615,451	2,225,446	390,005
Other income (loss)			
Gain on sale of real estate	43,754	91,869	(48,115)
Other gain (loss), net	(183,137)	133,731	(316,868)
Equity method earnings (losses)	(178,448)	34,338	(212,786)
Equity method earnings—carried interest	6,258	3,837	2,421
Loss before income taxes	(1,153,031)	(150,859)	(1,002,172)
Income tax benefit (expense)	(13,751)	35,279	(49,030)
Loss from continuing operations	(1,166,782)	(115,580)	(1,051,202)
Income from discontinued operations	86,139	28,100	58,039
Net loss	(1,080,643)	(87,480)	(993,163)
Net income (loss) attributable to noncontrolling interests:			
Redeemable noncontrolling interests	2,317	2,042	275
Investment entities	51,744	74,517	(22,773)
Operating Company	(90,160)	(14,509)	(75,651)
Net loss attributable to Colony Capital, Inc.	(1,044,544)	(149,530)	(895,014)
Preferred stock redemption	—	(3,995)	3,995
Preferred stock dividends	81,412	89,960	(8,548)
Net loss attributable to common stockholders	$ (1,125,956)	$ (235,495)	(890,461)

Property Operating Income and Property Operating Expenses

(In thousands)	Nine Months Ended September 30, 2019	2018	Change
Property operating income:			
Healthcare	$ 424,570	$ 441,438	$ (16,868)
Hospitality	641,836	648,845	(7,009)
Other Equity and Debt	343,435	410,708	(67,273)
	$ 1,409,841	$ 1,500,991	(91,150)
Property operating expenses:			
Healthcare	$ 194,268	$ 203,247	$ (8,979)
Hospitality	422,271	425,856	(3,585)
Other Equity and Debt	207,794	242,433	(34,639)
	$ 824,333	$ 871,536	(47,203)

Healthcare—Property operating income decreased $16.9 million comparing the nine months ended September 30, 2019 and 2018. This was driven by a reversal of uncollected straight-line rent receivables, as the leases are expected to be restructured for lower rents in the near term. There was also a reversal of uncollected current rent receivables on our net lease properties and medical office buildings, with rents related to those leases recognized on a cash basis beginning the third quarter of 2019. In 2019, property taxes and insurance paid directly to third parties by tenants or operators are no longer recognized on a gross basis in income and expense under the new lease accounting standard. Additionally, the prior year period included a non-recurring termination fee from an early lease termination in our medical office building portfolio. These decreases were partially offset by a reduction to lease revenue following the disposition of a net lease portfolio with above market leases in the third quarter of 2019. There was also an increase in resident fee income in our senior housing operating portfolio from higher rents in 2019, although such increase in income did not fully absorb the corresponding increase in resident service costs, primarily labor costs, due to increased competition.

Property operating expenses decreased $9.0 million comparing the nine months ended September 30, 2019 and 2018. This is due largely to the recording of bad debts as a direct reduction of revenue beginning 2019 and the effect of no longer grossing up property taxes and insurance under the new lease accounting standard. Additionally, lower property management fees were incurred in 2019 following the termination of a third party management contract in October 2018. These decreases were partially offset by higher legal and marketing costs, and higher resident service costs as noted above, in 2019.

Hospitality—Property operating income and expense decreased $7.0 million and $3.6 million, respectively, comparing the nine months ended September 30, 2019 and 2018, driven by the sale of nine hotels in 2019. On a same store basis, however, there were marginal increases of $1.1 million in property operating income and $1.6 million in property operating expenses. The increase in property operating income can be attributed to higher ancillary income such as parking and cancellation fees, largely offset by weaker corporate demand and new supply in certain markets. The increase in property operating expenses was due primarily to higher labor costs and ground lease expense, partially offset by the reversal of a property tax liability.

Other Equity and Debt—Property operating income and expenses decreased $67.3 million and $34.6 million, respectively, comparing the nine months ended September 30, 2019 and 2018. The decreases were driven by continued sales of our non-core properties, primarily in our THL Hotel Portfolio and European portfolio, and contribution of real estate to Colony Credit on January 31, 2018. These decreases were partially offset by property operating income and expenses from a portfolio of office and industrial buildings in France that was acquired in November 2018.

Interest Income

Interest income decreased $46.0 million for the nine months ended September 30, 2019 compared to the same period in 2018. The decrease can be attributed to our contribution of $1.3 billion of loans to Colony Credit on January 31, 2018, sale and deconsolidation of our securitization trusts in the second quarter of 2018, and continuing repayments, payoffs and sales of our loan and securities portfolio. These decreases more than offset additional loan fundings subsequent to the third quarter of 2018.

Fee Income

Fee income is earned from the following sources:

(In thousands)	Nine Months Ended September 30, 2019	2018	Change
Institutional funds and other investment vehicles	$ 50,283	$ 38,169	$ 12,114
Public companies (Colony Credit, NRE)	109,777	44,099	65,678
Non-traded REITs	15,089	23,846	(8,757)
Other	3,166	619	2,547
	$ 178,315	$ 106,733	71,582

Fee income increased $71.6 million for the nine months ended September 30, 2019 compared to the same period in 2018, resulting from:

- net increase of $12.1 million in fees from institutional funds and similar investment vehicles, driven by $18.5 million of fees from legacy DBH investment vehicles and Colony Latam funds, which were acquired in July and April, 2019, respectively, and higher fees from our first sponsored global credit fund and Accorinvest fund, partially offset by decreases in fees from liquidating funds;
- termination payment of $64.6 million from NRE, inclusive of $21.5 million of incentive fees for fiscal year 2019 through termination, received upon the sale of NRE and concurrent termination of our management agreement on September 30, 2019, net of lower management fees in 2019 prior to sale compared to 2018; and
- $2.5 million increase in other fees related to asset management and advisory services in 2019;

partially offset by:

- approximately $4.0 million decrease in fee income from Colony Credit, which replaced fees from non-traded REITs, NorthStar I and NorthStar II beginning February 1, 2018 due to a) acquisition and disposition fees from NorthStar I and NorthStar II in 2018 prior to the closing of the Combination as such fees are excluded from the Colony Credit fee structure, and b) lower fee basis in 2019 due to a decrease in Colony Credit's stockholders' equity; and
- approximately $2.9 million decrease in fee income from NorthStar Healthcare following a decrease in its NAV fee basis effective December 2018.

Other Income

Other income increased $28.7 million to $64.5 million in the nine months ended September 30, 2019 compared to the same period in 2018. There were higher amounts grossed up in other income and compensation expense related to acceleration of NRE equity awards and other cash compensation paid by NRE to employees upon the sale of NRE in September 2019 totaling $25.1 million. In 2019, there were also higher cost reimbursement income in relation to investment due diligence activities and from Digital Colony Manager prior to our acquisition of the remaining interest in the joint venture in July 2019, dividend income from our interest in a mutual fund beginning in 2019, and hotel management fee income from our acquisition of a distressed hotel manager in July 2019. These increases were partially offset by a decrease in collateral management fees from N-Star CDOs, insurance recoveries in 2018 for business interruptions due to hurricanes that affected our THL Hotel Portfolio, and lower recovery income from our loan portfolios which continue to resolve over time.

Interest Expense

(In thousands)	Nine Months Ended September 30, 2019	2018	Change
Investment-level financing:			
Healthcare	$ 150,691	$ 143,740	$ 6,951
Hospitality	124,297	112,501	11,796
Other Equity and Debt	88,497	118,062	(29,565)
Investment management debt	1,585	—	1,585
Corporate-level debt	41,591	41,094	497
	$ 406,661	$ 415,397	(8,736)

The $8.7 million net decrease in interest expense for the nine months ended September 30, 2019 compared to the same period in 2018 can be attributed to the following:

Healthcare—Interest expense was approximately $7.0 million higher, driven primarily by the effects of the $1.7 billion debt refinancing in June 2019, including additional interest expense recognized from, among others, deferred financing costs and prepayment penalties incurred from early repayment of debt upon sale of the underlying collateral in September 2019. Additionally, interest expense was generally higher in 2019 compared to 2018 on our variable rate debt due to higher average LIBOR.

Hospitality—Interest expense increased $11.8 million, resulting from additional debt obtained in connection with debt refinancing, the impact of higher LIBOR on variable rate debt, and higher deferred financing costs expensed as a result of the refinancing. The prior year period had included recognition of interest expense from certain debt discount that was written off in connection with debt refinancing in 2019, which partially offset the increase.

Other Equity and Debt—Interest expense decreased $29.6 million, driven by: (i) debt payoffs from continued sales and resolutions of our non-core investments, (ii) sale and deconsolidation of our securitization trusts in the second quarter of 2018, and (iii) contribution of certain assets along with their underlying debt to Colony Credit on January 31, 2018. These decreases were partially offset by an increase in interest expense from new debt acquired to finance the acquisition of a portfolio of office and industrial buildings in France in November 2018.

Investment Management Debt—This represents interest expense on the borrowing on our corporate credit facility to partially finance the DBH acquisition in July 2019.

Corporate-level Debt—Interest expense increased in the first nine months of 2019 resulting from the effect of a higher LIBOR on our junior subordinated debt, largely offset by a lower average outstanding balance on our corporate credit facility.

Investment and Servicing Expense

There was a $4.0 million net decrease in investment and servicing costs comparing the nine months ended September 30, 2019 and 2018. The decrease can be attributed mainly to lower write-offs of receivables related to retail companies, lower management fee expense in our hotel portfolio and also in our healthcare portfolio following the termination of a third party healthcare operator in October 2018, and lower bad debt expense. These decreases were partially offset by higher expenses incurred in 2019 related to our European investments, refinancing of our healthcare debt, unconsummated deals, and settlement of an employee litigation claim in our THL Hotel Portfolio.

Transaction Costs

Transaction costs of $2.9 million in the nine months ended September 30, 2019 related to our acquisitions of DBH, the Latin American investment management business of The Abraaj Group, a hotel manager and a hotel portfolio in France through a joint venture. Transaction costs of $3.6 million in the nine months ended September 30, 2018 related mainly to an investment in Spain.

Placement Fees

Immaterial placement fees were incurred in connection with our open-end industrial fund and our new global credit fund in the nine months ended September 30, 2019, while $6.5 million was incurred in the nine months ended September 30, 2018 related to fundraising for our co-investment vehicle in AccorInvest.

Depreciation and Amortization

There was a net increase of $47.8 million in depreciation and amortization comparing the nine months ended September 30, 2019 and 2018, which can be attributed mainly to: (i) accelerated amortization of the NRE management contract beginning in December 2018 through closing of the NRE sale in September 2019, (ii) acquisition of a portfolio of office and industrial buildings in France in November 2018, and (iii) amortization of management contracts, customer relationships and trade name acquired from DBH in July 2019. These increases were mostly offset by non-core properties sold or transferred to held for sale and a decrease in amortization of the NorthStar trade name upon write-off in June 2019.

Provision for Loan Losses

	Nine Months Ended September 30,		
(In thousands)	2019	2018	Change
Non-PCI loans	$ 30,035	$ 7,950	$ 22,085
PCI loans	5,812	19,183	(13,371)
Total provision for loan losses	$ 35,847	$ 27,133	8,714

Provision for loan losses in the nine months ended September 30, 2019 related to two non-PCI loans due to increased uncertainty over our ability to realize our investment due to a prolonged and complicated foreclosure process. A subordinated mezzanine position secured by an underperforming regional mall was fully reserved during the nine months ended September 30, 2019 due to uncertainty that the collateral value would be sufficient to satisfy any portion of our loan. We also increased the loan loss provision on a land development loan to reflect a lower estimated fair value of the collateral. In the nine months ended September 30, 2018, provision for loan losses was driven by write-downs on certain securitized loans prior to the sale of our interest in the securitization trust that resulted in a deconsolidation of the trust in June 2018 and a loan in maturity default as it relates to non-PCI loans, and sales of PCI loans.

Of the total provision for loan losses, $10.7 million and $15.2 million in the nine months ended September 30, 2019 and 2018, respectively, were attributable to noncontrolling interests in investment entities.

Impairment Loss

	Nine Months Ended September 30,		
(In thousands)	2019	2018	Change
Healthcare	$ 144,209	$ 5,488	$ 138,721
Hospitality	35,825	61,865	(26,040)
Other Equity and Debt	107,533	23,687	83,846
Investment Management	387,000	207,741	179,259
Unallocated	649	—	649
	$ 675,216	$ 298,781	376,435

Healthcare—Impairment in the nine months ended September 30, 2019 arose from (i) a shortfall in the undiscounted future net cash flows expected to be generated by these properties using a shorter holding period assumption in comparison to their carrying values, and written down based upon offer prices received by the Company, with such properties not having met all the criteria to be classified as held for sale as of September 30, 2019; (ii) a negotiated purchase option exercised by a tenant on three hospitals; and (iii) offers received on certain net lease properties. In the nine months ended September 30, 2018, impairment was recorded based upon sales prices and on properties with hurricane-related damage from 2017.

Hospitality—In the nine months ended September 30, 2019, impairment was recorded based upon shortened hold periods on two hotels in Pennsylvania and unfavorable operating performance on a hotel in Houston. Additional impairment net of $2.3 million reversal was also recorded in 2019 based upon final net proceeds from certain hotel sales. The hotels sold in 2019 were initially impaired in the third quarter of 2018 when we adopted a sales strategy.

Other Equity and Debt—Impairment was $83.8 million higher at $107.5 million in the nine months ended September 30, 2019 compared to the same period last year. The increase resulted from additional impairments based upon final sales and revised expected sales prices in the current market, primarily on our real estate portfolios in the United Kingdom and Italy, and multi-tenant office properties in the United States.

Investment Management—In the third quarter of 2019, $387.0 million impairment was taken on the investment management goodwill, driven primarily by loss of future fee income that is expected to result from the pending sale of its

industrial business and the amendment of Colony Credit's management agreement to reduce the fee base to reflect Colony Credit's reduced book value.

Impairment in the nine months ended September 30, 2018 was related predominantly to the write-off of (i) NorthStar I and NorthStar II management contract intangibles totaling $139.0 million as these contracts were terminated upon closing of the Combination on January 31, 2018; (ii) NorthStar/RXR NY Metro management contract intangible of approximately $1.4 million upon the termination of its offering period effective March 31, 2018; (iii) write-off of the NorthStar trade name of $59.5 million; and (iv) $7.0 million impairment of the NorthStar Healthcare management contract intangible based upon updated NAV.

Unallocated—Impairment was recorded on an office operating lease asset in the second quarter of 2019.

Of the $675.2 million and $298.8 million of total impairment in the nine months ended September 30, 2019 and 2018, respectively, $96.5 million and $18.3 million were attributable to noncontrolling interests in investment entities, respectively.

Compensation Expense

The following table provides the components of compensation expense.

(In thousands)	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018	Change
Cash compensation and benefits	$ 103,849	$ 108,178	$ (4,329)
Equity-based compensation	22,916	28,008	(5,092)
Incentive and carried interest compensation	13,264	1,535	11,729
	140,029	137,721	2,308
Compensation grossed up in income and expense			
NRE related cash compensation	3,576	—	3,576
Equity-based compensation—NRE and CLNC awards	30,649	7,899	22,750
	34,225	7,899	26,326
Total compensation expense	$ 174,254	$ 145,620	28,634

Compensation expense in the nine months ended September 30, 2019 included incremental compensation related to NRE, specifically:

- $26.1 million of gross up of compensation costs included in other income and compensation expense in the third quarter of 2019, attributed to the acceleration of NRE equity awards held by certain employees upon the sale of NRE and other cash compensation for termination and retention benefits paid by NRE to certain employees of the Company at closing;
- severance payments of $11.4 million upon the sale of NRE; and
- $10.8 million of incentive compensation, representing 50% of incentive income from NRE, which was realized upon termination of our management contract concurrent with the sale of NRE, that was allocated to senior management, investment professionals and certain employees.

On the other hand, the nine months ended September 30, 2018 included (i) $13.0 million of incremental compensation related to the Merger, of which $9.5 million was severance costs and $3.3 million was equity-based compensation in connection with awards granted to certain NSAM executives that vested one year from closing of the Merger; and (ii) $1.9 million of severance costs related to contribution of our broker-dealer business to a joint venture.

Excluding the above items, compensation costs decreased $3.7 million comparing the nine months ended September 30, 2019 and 2018 driven by cost savings resulting from a decrease in headcount following the Company's corporate restructuring beginning in November 2018, which more than offset additional compensation expense following our acquisitions of the Colony Latam platform in April 2019, DBH and a distressed hotel manager in July 2019.

Administrative Expenses

Administrative expenses were $64.5 million for the nine months ended September 30, 2019, a $4.8 million decrease from the same period in 2018, attributable to our ongoing cost reduction initiatives, partially offset by additional expenses in connection with businesses acquired in 2019.

Gain on Sale of Real Estate

(In thousands)	Nine Months Ended September 30, 2019	2018	Change
Healthcare	$ 833	$ —	$ 833
Hospitality	279	—	279
Other Equity and Debt	42,642	91,869	(49,227)
	$ 43,754	$ 91,869	(48,115)

Healthcare—A gain of $0.8 million was recorded based upon final proceeds from the sale in September 2019 of a net lease portfolio that had been previously impaired.

Hospitality—Gain on sale in 2019 pertained to proceeds received on a parcel of land in Virginia subject to eminent domain and based upon final proceeds from the sale of a hotel in Georgia that had been previously impaired.

Other Equity and Debt—Sales of our European properties resulted in higher gains in the prior year period, while the current year period also included gains from the sale of our U.S. multi-tenant offices that had been previously impaired.

Gain on sale of $39.9 million and $34.7 million in the nine months ended September 30, 2019 and 2018, respectively, were attributable to noncontrolling interests in investment entities.

Equity Method Earnings (Losses)

(In thousands)	Nine Months Ended September 30, 2019	2018	Change
Colony Credit	$ (254,420)	$ (17,721)	$ (236,699)
Other Equity and Debt	85,952	59,501	26,451
Investment Management (including $6,258 and $3,837 of carried interest, respectively)	(3,722)	(3,605)	(117)
	$ (172,190)	$ 38,175	(210,365)

Colony Credit—In June 2019, we wrote down our investment in Colony Credit by $227.9 million given the prolonged period of time the carrying value of our investment in Colony Credit has exceeded its market value. The impairment was measured as the excess of carrying value over fair value of our investment based on Colony Credit's closing stock price on June 28, 2019, the last trading day of the second quarter. For the nine months ended September 30, 2019 and 2018, we also recorded our share of net loss of $26.5 million and $17.7 million, respectively.

Other Equity and Debt—Equity method earnings increased $26.5 million comparing the nine months ended September 30, 2019 and 2018, driven by $12.4 million gain from the sale of NRE, income new ADC loan originations and additional fundings, gains from sale of underlying real estate by an investee and sales of investments that were incurring losses or were impaired in the prior year period. These increases were partially offset by repayments of our preferred equity investments, sales of investments and write-down of an investment based upon recoverable value of its underlying real estate.

Investment Management—Equity method losses in both periods were driven by impairment charges, partially offset by unrealized carried interest allocation from our sponsored and/or co-sponsored investment vehicles and management fees from the Digital Colony Manager joint venture prior to its consolidation in July 2019.

Other Gain (Loss), Net

We recognized a loss of $183.1 million in the nine months ended September 30, 2019 compared to a gain of $133.7 million in the same period in 2018, resulting primarily from the following items:

- $237.6 million loss in the nine months ended September 30, 2019 compared to $108.8 million gain in the same period in 2018 on a non-designated interest rate swap assumed through the Merger which was intended to hedge future refinancing risk on certain NRF mortgage debt. $1.2 billion of the $2.0 billion notional amount on the swap was settled in the third quarter of 2019. In October 2019, the Company terminated the remaining position for a net settlement of $141.2 million that is expected to be paid in December 2019;
- Various non-recurring gains recorded in the nine months ended September 30, 2018, including:

- $9.9 million gain in connection with the Combination, which represents the excess of fair value over carrying value of the Company's equity interest in the CLNY Investment Entities, retained through the Company's interest in Colony Credit; and
- $10.9 million gain from deconsolidation of N-Star CDOs.

The above items which had an unfavorable impact to the first nine months of 2019 compared to 2018 were partially offset by a $51.4 million gain from remeasurement of our 50% interest in Digital Colony Manager upon closing of the DBH acquisition (see Note 2 to the consolidated financial statements).

Income Tax Benefit (Expense)

We recorded income tax expense of $13.8 million and income tax benefit of $35.3 million in the nine months ended September 30, 2019 and 2018, respectively. The income tax expense in 2019 arose primarily from a gain recognized on the remeasurement of our preexisting interest in Digital Colony Manager upon the acquisition of DBH. In contrast, the income tax benefit in 2018 resulted primarily from write-off of deferred tax liabilities in connection with management contract write-offs for NorthStar I and NorthStar II as the contracts were terminated upon closing of the Combination and for NorthStar RXR/NY Metro upon termination of its offering period.

Income from Discontinued Operations

	Nine Months Ended September 30,		
(In thousands)	2019	2018	Change
Revenues			
Property operating income	$ 270,161	$ 213,544	$ 56,617
Fee income	8,849	5,088	3,761
Interest and other income	3,822	2,774	1,048
Revenues from discontinued operations	282,832	221,406	61,426
Expenses			
Property operating expense	74,058	63,862	10,196
Interest expense	55,482	31,918	23,564
Investment and servicing expense	592	304	288
Depreciation and amortization	97,147	95,930	1,217
Impairment loss	—	948	(948)
Compensation expense—cash and equity-based	10,253	7,284	2,969
Compensation expense—carried interest	18,136	3,852	14,284
Administrative expenses	3,976	3,248	728
Expenses from discontinued operations	259,644	207,346	52,298
Other income (loss)			
Gain from sale of real estate	28,070	4,397	23,673
Other loss, net	(69)	—	(69)
Equity method earnings, including carried interest	35,121	9,763	25,358
Income from discontinued operations before income taxes	86,310	28,220	58,090
Income tax expense	(171)	(120)	(51)
Income from discontinued operations	$ 86,139	$ 28,100	58,039

All of discontinued operations for 2019 and most of discontinued operations for 2018 represent the results of operations of the industrial segment and the associated management platform, and include property operations, fee income, equity method earnings from the Company's general partner interest in the industrial open-end fund, and related compensation expense.

The first half of 2018 also includes loss from discontinued operations of $0.1 million related to certain properties in the THL Hotel Portfolio acquired in July 2017 that qualified as held for sale at the time of foreclosure. Such properties were fully disposed of in the second quarter of 2018.

Income from discontinued operations increased $58.0 million comparing the nine months ended September 30, 2019 and 2018, attributed primarily to the following:

- Property operating income and expense were $56.6 million and $10.2 million higher, respectively, resulting from continued growth in our industrial portfolio as acquisitions outpaced dispositions, in particular, the acquisition of a

$1.1 billion portfolio of 50 properties in February 2019. At September 30, 2019 and September 30, 2018, our industrial portfolio consisted of 456 and 406 buildings, respectively, with a net addition of 50 buildings and 12.7 million rentable square feet.

- There was a minimal increase in depreciation and amortization expense of $1.2 million as additional expense resulting from continued growth in the portfolio was mostly offset by a cessation of real estate depreciation beginning the third quarter of 2019 upon classification of the industrial business as held for sale.
- The positive property operating results were partially offset by an increase in interest expense of $23.6 million as we obtained $952 million of additional debt to fund new acquisitions in the first nine months of 2019, along with additional drawdowns from our industrial revolver, which capacity was expanded from $400 million to $600 million. As a result, we also incurred higher deferred financing costs and higher unused fees on the revolver. These increases, however, were partially offset by higher capitalization of interest on development projects in 2019.
- Cash and equity-based compensation was also higher, driven by compensatory arrangements with employees of the industrial segment in order to retain their employment through completion of the sale of the industrial business.
- In connection with managing third party capital in our sponsored open-end industrial fund, fee income, calculated based on net asset value of the fund, was $3.8 million higher as a result of additional capital raised and appreciation in value of our industrial properties. Additionally, there was a significant increase of $25.4 million in carried interest recognized between the nine months ended September 30, 2018 and 2019 included in equity method earnings due to a significant increase in the net asset value of the fund that reflects the expected sales proceeds pursuant to definitive sale agreements for the industrial business. Correspondingly, carried interest compensation increased $14.3 million, which also included the effects of an adjustment to the employee sharing percentage approved by the compensation committee in 2019.

Preferred Stock Redemption

In the second quarter of 2018, $4.0 million was recorded to decrease net loss attributable to common stockholders, which amount represent the excess of carrying value over the redemption price of $25.00 per share of Series D preferred stock that was redeemed in full. The excess was due to the fact that the Series D preferred stock carrying value included a premium that was recognized when we assumed Series D preferred stock based upon its trading price at the closing of the Merger.

Segments

The following discussion summarizes key information on each of our six segments.

Healthcare

Our healthcare segment is composed of a diverse portfolio of senior housing, skilled nursing facilities, medical office buildings and hospitals. We earn rental income from our senior housing, skilled nursing facilities and hospital assets that are under net leases to single tenants/operators and from medical office buildings which are both single tenant and multi-tenant. In addition, we also earn resident fee income from senior housing properties that are managed by operators under a RIDEA structure, which effectively allows us to gain financial exposure to the underlying operations of the facility in a tax efficient manner versus receiving contractual rent under a net lease arrangement.

At September 30, 2019, our interest in our healthcare segment was 71%.

Portfolio Overview

Our healthcare portfolio is located across 32 states domestically and 14% of our portfolio (based upon NOI) is in the United Kingdom.

The following table presents key balance sheet data of our healthcare segment:

(In thousands)	September 30, 2019	December 31, 2018
Real estate		
Held for investment	$ 4,497,753	$ 4,995,298
Held for sale	159,498	—
Debt	2,913,811	3,213,992

The following table presents selected operating metrics of our healthcare segment:

	Number of Properties[2]	Capacity	Average Occupancy[1]	Average Remaining Lease Term (Years)
September 30, 2019				
Senior housing—operating	83	6,388 units	85.3%	N/A
Medical office buildings	106	3.8 million sq. ft.	82.2%	4.6
Net lease—senior housing	81	4,231 units	80.5%	11.0
Net lease—skilled nursing facilities	89	10,601 beds	82.5%	5.7
Net lease—hospitals	12	872 beds	58.3%	9.4
Total	371			
December 31, 2018				
Senior housing—operating	83	6,388 units	86.8%	N/A
Medical office buildings	106	3.8 million sq. ft.	82.3%	4.5
Net lease—senior housing	81	4,231 units	82.1%	11.7
Net lease—skilled nursing facilities	98	11,829 beds	82.4%	5.9
Net lease—hospitals	12	872 beds	58.1%	9.7
Total	380			

(1) Occupancy represents property operator's patient occupancy for all types except medical office buildings. Average occupancy is based upon the number of units, beds or square footage by type of facility. Occupancy percentage is as of the last day of the quarter presented for medical office buildings, average of the quarter presented for senior housing—operating, and average of the prior quarter for net lease properties.

(2) Data as of December 31, 2018 has been revised to reflect number of properties (previously number of buildings) to conform to current period presentation.

Revenue mix of our healthcare portfolio weighted by net operating income ("NOI") for the twelve months ended June 30, 2019 (as our operators report on a quarter lag) was as follows:

Payor Sources	Revenue Mix % [1]
Private Pay	61%
Medicaid	30%
Medicare	9%
Total	100%

(1) Excludes two operating partners who do not track or report payor source data.

Dispositions

At September 30, 2019, real estate properties with aggregate carrying value of $159.5 million were held for sale, comprising a portfolio of net lease senior housing with 292 units that is financed with $31.1 million of debt and three hospitals that are unencumbered.

In the third quarter of 2019, we sold a portfolio of skilled nursing facilities under net leases totaling 1,228 beds for gross proceeds of $102.0 million and paid off $58.7 million of associated debt in our effort to monetize non-core assets.

Financing

At September 30, 2019, our healthcare portfolio was financed by $2.95 billion of outstanding debt principal, of which $0.4 billion was fixed and $2.55 billion was variable rate debt, bearing a combined weighted average interest rate of 5.48%.

Through October 2019, we refinanced an aggregate of $2.21 billion of debt principal, which collectively addressed all material near term healthcare real estate loan maturities, extending their maturities through 2024 (including extension options). Previous default due to debt and/or lease coverage ratios on two of the refinanced debt have been cured.

Our completed refinancings during 2019 included $1.725 billion of non-recourse fixed rate mortgage debt on certain properties in our U.S. healthcare portfolio, which was paid in full with proceeds from a new secured debt, and $250 million of new equity contribution, of which $174 million was funded by us and remainder by our equity partners in the portfolio. The new $1.515 billion interest-only debt consists of $1.025 billion first mortgage debt and $490 million mezzanine debt, has an initial two year term with three one-year extension options and carries a blended interest rate of one-month LIBOR plus 3.33%. The underlying collateral for the new debt includes 158 U.S. healthcare properties or 189 buildings consisting

of medical office buildings, senior housing properties, skilled nursing facilities and hospitals, but excludes certain assets that were collateral for the previous debt.

Performance

Results of operations of our healthcare segment were as follows:

(In thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Total revenues	$ 136,091	$ 147,907	$ 427,761	$ 445,921
Net loss attributable to Colony Capital, Inc.	(82,763)	(12,197)	(148,841)	(36,913)

Net Operating Income

NOI generated by our healthcare segment, in total and by portfolio, was as follows. NOI is reconciled to the most directly comparable GAAP measure in "*—Non-GAAP Supplemental Financial Measures.*"

(In thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Total revenues	$ 136,091	$ 147,907	$ 427,761	$ 445,921
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease asset	1,235	(5,140)	(8,809)	(11,039)
Other income	—	—	(36)	—
Property operating expenses [(1)]	(66,042)	(66,298)	(194,268)	(203,247)
NOI—Healthcare	$ 71,284	$ 76,469	$ 224,648	$ 231,635

(1) Fees paid to third parties for property management are included in property operating expenses.

($ in thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Change $	Change %	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018	Change $	Change %
Senior housing—operating	$ 15,612	$ 16,464	$ (852)	(5.2)%	$ 49,415	$ 50,706	$ (1,291)	(2.5)%
Medical office buildings	12,923	13,386	(463)	(3.5)%	38,828	43,655	(4,827)	(11.1)%
Net lease—senior housing	14,103	15,294	(1,191)	(7.8)%	44,772	45,316	(544)	(1.2)%
Net lease—skilled nursing facilities	25,477	26,257	(780)	(3.0)%	78,116	77,161	955	1.2 %
Net lease—hospitals	3,169	5,068	(1,899)	(37.5)%	13,517	14,797	(1,280)	(8.7)%
NOI—Healthcare	$ 71,284	$ 76,469	(5,185)	(6.8)%	$ 224,648	$ 231,635	(6,987)	(3.0)%

For the three months ended September 30, 2019 compared to the same period in 2018, NOI was lower by $5.2 million or 6.8%, largely due to a reversal of uncollected current rent receivables on our net lease properties and medical office buildings, with rents related to those leases recognized on a cash basis beginning the third quarter of 2019. Additionally, NOI on our senior housing operating portfolio decreased as a result of increased costs, primarily labor costs, without offsetting revenue absorption due to increased competition.

Comparing the nine months ended September 30, 2019 and 2018, NOI was lower by $7.0 million or 3.0%, largely due to a non-recurring termination fee received from an early lease termination in our medical office building portfolio in 2018. We also incurred higher bad debt expense and higher property level legal and marketing costs in 2019, partially offset by lower property management fees following the termination of a third party management contract in October 2018. Additionally, NOI on our senior housing operating portfolio was affected by higher labor costs, without offsetting revenue absorption due to increased competition.

Industrial

In September 2019, we entered into definitive agreements for the sale of our light industrial portfolio and the related management platform for an aggregate gross sales price of approximately $5.7 billion, which is expected to generate a significant gain, and is expected to close in the fourth quarter of 2019, subject to customary closing conditions. This agreement now excludes our bulk industrial portfolio for which we are in the process of negotiating a sale separately with another third party. However, no assurances can be made that these sales can be completed within the time frame contemplated, or on the terms anticipated, or at all.

As previously discussed, the operating results of the industrial business are presented as discontinued operations in the consolidated statements of operations, and the related assets and liabilities are presented as assets and liabilities held for sale on the consolidated balance sheets.

Our industrial segment is primarily composed of light industrial assets throughout the U.S. Our light industrial strategy is to pursue accretive asset acquisitions, capturing the benefits of scale as one of the few institutional investors primarily focused on the fragmented light industrial sector. Light industrial buildings are generally multi-tenant buildings up to 250,000 square feet with an office build-out of less than 20%. They are typically located in supply constrained locations and serve as the “last mile” of the logistics chain, which are vital for e-commerce and tenants that require increasingly quick delivery times by providing smaller industrial distribution spaces located closer to a company's customer base. They are designed to meet the local and regional distribution needs of businesses of every size, from large international to local and regional firms.

In addition, in February 2019, we acquired six bulk industrial buildings, which are warehouses generally greater than 500,000 square feet, and are stabilizing the existing portfolio.

Our investment in the industrial portfolio is made alongside third party limited partners through joint ventures, composed of sponsored and managed partnerships, including an open end industrial fund for our light portfolio. We also have a wholly owned industrial operating platform which provides vertical integration from acquisitions and development to asset management and property management.

Capitalization

Light Industrial—At September 30, 2019, we owned 33.6% of our light industrial platform based upon net asset value through our capital contributions totaling $749.2 million. Our ownership interest decreased from 35.3% at December 31, 2018 as we continued to expand our light industrial platform through third party capital, with $141.7 million of additional capital closed in the first quarter of 2019, bringing total third party capital to $1.66 billion at September 30, 2019. Additional fundraising is currently on hold in contemplation of the sale of the industrial business.

Bulk Industrial—We own 51% of our bulk industrial portfolio through a capital contribution of $72.5 million, with the remaining $70.0 million of capital contributed by a third-party institutional investor for a 49% interest in a newly formed joint venture.

Portfolio Overview

Our industrial portfolio is well-diversified with 57.4 million square feet of light industrial and 4.2 million square feet of bulk industrial, aggregating to over 1,000 tenants across 27 major U.S. markets, with significant concentrations (based upon NOI) in Atlanta (12%) and Dallas (12%).

The following table presents key balance sheet data of our industrial segment, which are classified as held for sale:

(In thousands)	September 30, 2019	December 31, 2018
Real estate	$ 4,240,742	$ 2,793,004
Debt	2,131,497	1,064,585

We present and discuss below certain key metrics related to our industrial portfolio:

	September 30, 2019				December 31, 2018			
	Number of Buildings [(1)]	Rentable Square Feet (in thousands)	Leased %	Average Remaining Lease Term (Years)	Number of Buildings	Rentable Square Feet (in thousands)	Leased %	Average Remaining Lease Term (Years)
Light industrial	450	57,403	90.9%	3.9	400	48,526	94.5%	3.8
Bulk industrial	6	4,183	67.4%	11.5	—	—	—	—
Total	456	61,586	89.3%	4.3	400	48,526	94.5%	3.8

(1) Includes five buildings for which development was completed in 2019.

- At September 30, 2019, as it relates to our total portfolio, 78.0% of our tenants (based upon leased square feet) were international and national companies, with the top ten tenants making up 8.1% of our portfolio based upon annualized base rent.
- Leased percentage for our light industrial portfolio declined from 94.5% at December 31, 2018 to 90.9% at September 30, 2019, driven largely by vacancy in new acquisitions. The market for light industrial space continues to experience capacity constraints and is driving rental rate growth and strong tenant demand, with

initial rental rates on new and renewed leases commencing in 2019 (excluding leases less than 12 months) experiencing a 9.1% growth compared to prior ending rents (on a cash basis).

- At September 30, 2019, no more than 14.9% of existing leases by square footage in our total portfolio was scheduled to expire in any single year over the next ten years.
- Acquisitions and dispositions in 2019 are summarized below.

	Number of Buildings	Rentable Square Feet (in thousands)	Weighted Average Leased % At Acquisition	Purchase Price [(1)] (in thousands)	Gross Sales Price (in thousands)	Realized Gain (in thousands)
Acquisitions						
Light industrial	84	10,325	75%	$ 1,135,157	NA	NA
Bulk industrial	6	4,183	67%	373,182	NA	NA
	90	14,508		$ 1,508,339		
Dispositions						
Light industrial	39	2,494	NA	NA	$ 142,172	$ 28,070

(1) Purchase price reflects capitalized transaction costs. Acquisitions include five land parcels totaling $20.8 million for co-development with operating partners.

- A significant value-add portfolio of 50 buildings was acquired in February 2019 at a purchase price of approximately $1.1 billion. The portfolio is located across 10 markets, totaling approximately 11.1 million square feet and averaged 73.4% leased at the time of purchase. Forty-four buildings are light industrial, while the remaining six buildings are bulk industrial. We acquired three additional light industrial buildings within the same portfolio in the third quarter of 2019 totaling 519,100 square feet for $78.7 million (excluding transaction costs) upon completion of construction, with the acquisition of another light industrial building pending completion of construction in the fourth quarter of 2019.

  In June 2019, we acquired a portfolio of 30 fully leased light industrial buildings in New Jersey, including two land parcels, for $192.0 million (excluding transaction costs), totaling 1.3 million square feet.

- As of September 30, 2019, we have funded $5.4 million with remaining unfunded purchase commitment of $58.4 million for the acquisition of three light industrial buildings which are under construction, aggregating 0.8 million square feet.

Financing

At September 30, 2019, we have outstanding debt at total carrying value of $2.1 billion, bearing a weighted average interest rate of 3.72%, with a weighted average remaining maturity of 7.6 years.

In connection with our light industrial portfolio acquisition in February 2019, we obtained a $500 million floating rate, five-year term loan, of which $300 million is fixed through the use of interest rate swaps. We replaced our existing $400 million revolver with a $600 million revolver having a four-year initial term. The combined financing is unsecured, supported by an unencumbered asset pool within the light industrial portfolio and is non-recourse to the Company. We also closed on a $235 million first mortgage debt secured by the bulk industrial portfolio.

Additionally, in June 2019, we obtained a $100 million fixed rate loan to finance the acquisition of our 30 building light industrial portfolio in New Jersey, and in July 2019, we obtained another $112 million fixed rate loan to finance an acquisition and pay down our revolver.

All outstanding debt financing our light industrial assets is expected to be assumed by the buyer or extinguished concurrent with closing of the sale of our light industrial business.

Performance

Results of operations of our industrial segment, presented as part of discontinued operations, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Total revenues	$ 98,642	$ 73,902	$ 273,983	$ 215,132
Net income attributable to Colony Capital, Inc.	10,263	1,001	13,556	3,089

Same Store Property Operating Income and Expense

($ in thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Change	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018	Change
Industrial: [1]						
Same store property operating income	$ 61,447	$ 60,136	2.2 %	$ 183,816	$ 182,783	0.6 %
Same store property operating expenses	17,240	17,444	(1.2)%	52,591	53,447	(1.6)%

[1] The same store portfolio is defined once a year at the beginning of the current calendar year and includes buildings that were owned and stabilized throughout the entirety of both the current and prior years. Stabilized properties are properties held for more than one year or that are greater than 90% leased. Properties acquired or disposed after the same store portfolio is determined are excluded. Our same store portfolio consisted of 311 buildings for both the quarter-to-date and year-to-date periods ended September 30, 2019 and 2018.

On a same store basis, there was a marginal increase in property operating income and a marginal decrease in property operating expenses comparing both the three and nine months ended September 30, 2019 and 2018.

Average same store occupancy decreased in both the quarter-to-date period (from 94.8% to 94.4% in the three months ended September 30, 2018 and 2019, respectively) and year-to-date period (from 95.0% to 94.4% in the nine months ended September 30, 2018 and 2019, respectively), largely reflecting natural tenant turnover in a stabilized portfolio, which generally averages approximately 93.6% occupancy.

The comparison of property operating income and expense was affected by adoption of the new lease accounting standard in 2019, pursuant to which property taxes and insurance paid directly to third parties by tenants or operators are no longer recognized on a gross basis in income and expense.

The increase in income can be attributed to higher base rents, which offset both the slightly lower average occupancy rate, and the netting of property taxes and insurance in 2019. In comparing both the three and nine months ended September 30, 2019 to the same periods in 2018, excluding the netting of property taxes and insurance in 2018, property operating expenses would have increased marginally. While 2018 included additional cost for bad debts, this cost was offset by higher expenses incurred in 2019, primarily repair and maintenance costs.

Net Operating Income

NOI generated by our industrial segment was determined as follows. NOI is reconciled to the most directly comparable GAAP figure in *"—Non-GAAP Supplemental Financial Measures."*

(In thousands)	Three Months Ended September 30, 2019 — Light Industrial	Three Months Ended September 30, 2019 — Bulk Industrial	Three Months Ended September 30, 2019 — Total	Three Months Ended September 30, 2018 — Light Industrial
Total revenues	$ 93,628	$ 5,014	$ 98,642	$ 73,902
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease asset	(4,039)	(479)	(4,518)	(3,012)
Interest income	(231)	(9)	(240)	(107)
Property operating expenses	(24,990)	(1,061)	(26,051)	(21,409)
Compensation and administrative expense [1]	(1,042)	—	(1,042)	(387)
NOI—Industrial	$ 63,326	$ 3,465	$ 66,791	$ 48,987

(In thousands)	Nine Months Ended September 30, 2019 — Light Industrial	Nine Months Ended September 30, 2019 — Bulk Industrial	Nine Months Ended September 30, 2019 — Total	Nine Months Ended September 30, 2018 — Light Industrial
Total revenues	$ 262,419	$ 11,564	$ 273,983	$ 215,132
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease asset	(10,645)	(1,171)	(11,816)	(7,863)
Interest income	(530)	(9)	(539)	(701)
Property operating expenses	(71,351)	(2,707)	(74,058)	(62,703)
Compensation and administrative expense [1]	(2,701)	—	(2,701)	(1,166)
NOI—Industrial	$ 177,192	$ 7,677	$ 184,869	$ 142,699

(1) Compensation and administrative costs of employees engaged in property management and operations are included in compensation and administrative expenses.

The increase in total NOI comparing the three months ended September 30, 2019 and 2018 of $17.8 million (or 36.3%) as well as the nine months ended September 30, 2019 and 2018 of $42.2 million (or 29.6%) reflects the continued growth of our portfolio, with net increase in total rentable square feet of 61.6 million, taking into account both acquisitions and dispositions during the period. The six buildings under the bulk portfolio were 67.4% occupied and contributed $3.5 million in NOI for the third quarter of 2019 and $7.7 million in NOI for the nine months ended September 30, 2019. In the light portfolio, although average occupancy decreased (from 92.0% to 90.2% in the three month periods and from 92.8% to 90.9% in the nine month periods) due mainly to vacancy in newly acquired value-add properties, the overall increase in revenues from new acquisitions, however, more than offset corresponding increase in property operating expenses.

Hospitality

Our hotel portfolio consists primarily of extended stay hotels and premium branded select service hotels located in both major metropolitan markets and high-demand suburban markets throughout the U.S. The majority of our hotels are affiliated with top hotel brands such as Marriott and Hilton. We seek to achieve value optimization through capital improvements, asset management and as appropriate, opportunistic asset sales.

At September 30, 2019, we owned 94% of our hospitality segment.

Portfolio Overview

Our hotel portfolio is located across 26 states in the U.S., with concentrations (based upon NOI before FF&E Reserve) in California (16.8%), Texas (9.5%) and Florida (8.4%).

The following table presents key balance sheet data of our hospitality segment:

(In thousands)	September 30, 2019	December 31, 2018
Real estate		
Held for investment	$ 3,593,772	$ 3,668,824
Held for sale	—	69,699
Debt	2,623,383	2,603,599

A majority of our portfolio is affiliated with top hotel brands. Composition of our hotel portfolio by brand at September 30, 2019 is as follows:

Brands	% by Rooms
Marriott	78%
Hilton	17%
Hyatt	4%
Intercontinental	1%
Total	100%

The following table presents selected operating metrics of our hotel portfolio:

	September 30,		Three Months Ended September 30,			Nine Months Ended September 30,		
Type	Number of Hotel Properties	Number of Rooms	Average Occupancy	ADR (1)	RevPAR (2)	Average Occupancy	ADR (1)	RevPAR (2)
2019								
Select service	88	11,886	76.2%	$ 124	$ 95	73.0%	$ 126	$ 92
Extended stay	66	7,936	83.5%	137	114	80.2%	134	108
Full service	4	966	74.1%	159	118	74.1%	166	123
Total	158	20,788	78.8%	131	103	75.7%	131	99
2018								
Select service	97	13,193	77.7%	$ 127	$ 99	73.1%	$ 125	$ 91
Extended stay	66	7,936	82.9%	136	113	78.6%	133	104
Full service	4	962	77.3%	166	128	72.5%	173	126
Total	167	22,091	79.6%	132	105	75.0%	130	98

(1) Average daily rate ("ADR") is calculated by dividing room revenue by total rooms sold.

(2) RevPAR is calculated by dividing room revenue by room nights available for the period.

Dispositions

In the first three quarters of 2019, we sold nine properties in our select service hotel portfolio totaling 1,308 rooms for aggregate gross sales proceeds of $70 million in our effort to monetize non-core assets.

Financing

At September 30, 2019, our hotel portfolio was financed by $2.7 billion of predominantly variable rate debt, bearing a weighted average interest rate of 5.18%.

In February 2019, we refinanced an aggregate $115.5 million of debt principal, extending their maturities to March 2021 with three one-year extension options.

Performance

Results of operations of our hospitality segment were as follows.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Total revenues	$ 218,378	$ 224,384	$ 642,073	$ 649,539
Net loss attributable to Colony Capital, Inc.	(28,359)	(62,900)	(54,670)	(67,183)

Net Operating Income before Reserves for Furniture, Fixtures and Equipment ("NOI before FF&E Reserve")

NOI before FF&E Reserve for our hospitality segment, in total and by type, was as follows, and is reconciled to the most directly comparable GAAP figure in "*—Non-GAAP Supplemental Financial Measures.*"

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2019	2018	2019	2018
Total revenues	$ 218,378	$ 224,384	$ 642,073	$ 649,539
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease asset	314	(6)	940	(19)
Interest income	—	—	(6)	—
Other income	(69)	—	(72)	(556)
Property operating expenses [(1)]	(141,235)	(146,440)	(422,271)	(425,856)
NOI before FF&E Reserve—Hospitality	$ 77,388	$ 77,938	$ 220,664	$ 223,108

(1) Fees paid to third parties for hotel management are included in property operating expenses.

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
($ in thousands)	2019	2018	$	%	2019	2018	$	%
Select service	$ 40,143	$ 40,164	$ (21)	(0.1)%	$ 120,025	$ 120,632	$ (607)	(0.5)%
Extended stay	34,195	34,614	(419)	(1.2)%	89,765	91,081	(1,316)	(1.4)%
Full service	3,050	3,160	(110)	(3.5)%	10,874	11,395	(521)	(4.6)%
NOI before FF&E Reserve—Hospitality	$ 77,388	$ 77,938	$ (550)	(0.7)%	$ 220,664	$ 223,108	$ (2,444)	(1.1)%

NOI before FF&E Reserve decreased $0.6 million and $2.4 million comparing the three and nine months ended September 30, 2019 and 2018, respectively, due to the sales of nine hotels in 2019. Excluding the effect of the sales, there would have been a slight increase in NOI before FF&E Reserve in both periods. The 2019 periods benefited from higher ancillary income such as parking and cancellation fees, and reversal of a property tax liability, however, these items were largely offset by weaker corporate demand, new supply in certain markets, and higher costs, primarily labor and ground lease expense.

Colony Credit

At September 30, 2019, we have a 36.4% interest (on a fully diluted basis) in Colony Credit.

In June 2019, in connection with the preparation and review of the financial statements, we wrote down our investment in Colony Credit by $227.9 million due to the prolonged period of time the carrying value of our investment in

Colony Credit had exceeded its market value. The impairment was measured based on Colony Credit's closing stock price of $15.50 per share on June 28, 2019, the last trading day of the second quarter, recorded as part of equity method loss. For the three months ended September 30, 2019, our share of net income was $8.0 million, which excludes our share of loan loss provision and impairment charges recorded by Colony Credit that was applied to reduce the basis difference between the carrying value of our investment in Colony Credit and our proportionate share of Colony Credit's book value (see Note 5 to the consolidated financial statements). We recorded net losses of $19.5 million for the three months ended September 30, 2018, and $26.5 million and $17.7 million for the nine months ended September 30, 2019 and 2018, respectively, resulting from loan loss provision and real estate impairments recorded by Colony Credit.

Other Equity and Debt

Our other equity and debt segment consists of a diversified group of strategic and non-strategic real estate and real estate-related debt and equity investments. Our interests in other equity and debt assets are held as direct interests as well as indirect interests through unconsolidated ventures. Strategic investments include our co-investments as a general partner and/or manager alongside third party capital that we raised and manage for investment management economics in the form of real estate, loans receivable and equity investments, including through direct limited partnership interests in our sponsored funds. Non-strategic investments include net lease, multifamily and multi-tenant office properties, the THL Hotel Portfolio, our interest in a portfolio of CRE loans and securities, limited partnership interests in private equity funds and various other equity investments. Over time, we intend to recycle capital from non-strategic investments in our other equity and debt investments and shift our balance sheet exposure to strategic investments and our core real estate segments.

Our other equity and debt segment generated the following results of operations:

(In thousands)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Total revenues	$ 151,137	$ 182,288	$ 465,891	$ 578,392
Net income (loss) attributable to Colony Capital, Inc.	(16,992)	57,715	1,089	138,157

Investments and debt in our other equity and debt portfolio are summarized below:

(In thousands)	September 30, 2019	December 31, 2018
Real estate		
Held for investment	$ 1,630,895	$ 2,161,888
Held for sale	786,553	651,303
Equity and debt investments		
NRE (sold in September 2019)	—	87,696
Limited partnership interests in our sponsored and co-sponsored funds	112,271	90,062
Other equity investments [1]	1,225,689	1,026,870
N-Star CDO bonds	59,953	64,127
CMBS of consolidated fund	2,771	32,706
Loans receivable	1,400,522	1,597,214
Debt [2]	2,094,893	2,309,347

(1) Significant investments include acquisition, development and construction loans ($516.7 million) and preferred equity investments ($139.0 million).

(2) Includes debt carrying value of $523.7 million related to real estate held for sale.

Significant activities in our other equity and debt segment in the nine months ended September 30, 2019 were as follows:

- Together with our sponsored credit funds, acquired a portfolio of six hotels in France and a hotel management business, with the hotel portfolio held through an equity method investee.
- We continue to monetize other non-strategic assets, primarily our loan portfolios and our real estate in Europe, in our efforts to streamline our business and redeploy capital to more strategic areas.
- In September 2019, NRE sold all of its outstanding common stock for $17.01 per share. This resulted in a sale of our 11% interest in NRE, totaling 5.6 million shares of NRE common stock, which generated proceeds of approximately $96.0 million and a gain of $12.4 million, included in equity method earnings.

Investment Management

We manage capital on behalf of third party institutional and retail investors through private funds, and traded and non-traded REITs, which provide a stable stream of management fee income. Our investment management platform allows us to raise private third party capital in partnership with our own balance sheet to further scale our core real estate segments and also allows us to pursue a balance sheet light strategy.

Significant Developments in the Investment Management Segment

Colony Latam—In April 2019, we acquired the private equity platform of the Abraaj Group in Latin America, which was renamed Colony Latam Partners. Colony Latam Partners, which manages approximately $574 million of fee earning equity under management ("FEEUM"), continues to be headed by its existing senior management team, who became our employees. The core strategy of the platform will focus on investing growth capital in mid-cap companies in the Latin American region.

DBH—In July 2019, we acquired DBH for $329 million, in a combination of cash and OP units, as part of our strategic evolution to become the leading platform for digital infrastructure and real estate. This acquisition follows the May 2019 final closing of the Digital Colony fund, co-sponsored by us and DBH.

Global Credit Fund—In July 2019, we closed on our fifth global real estate credit fund (second as a public company), a United States dollar and Euro denominated fund structure primarily focused on opportunistic credit investments in Europe, with total capital commitments of approximately $428 million or €384 million (inclusive of our capital commitment of $121 million or €109 million, which may be reduced to no less than 5% of total commitments from future third party commitments).

NRE—In September 2019, NRE sold all of its outstanding common stock to a third party. Concurrent with the sale, the NRE management agreement was terminated, resulting in a termination payment by NRE of approximately $65 million, inclusive of $21.5 million of incentive fees for fiscal year 2019 through termination. Including the 2018 incentive fees of $5 million, we received total contractual termination payment of $70 million from NRE. Fifty percent of the incentive fees received was allocated as compensation expense. The termination also resulted in an accelerated amortization of the remaining balance of the NRE management contract intangible asset of approximately $53.7 million.

Colony Credit—In November 2019, the management agreement with Colony Credit was amended and restated to reduce the fee base to reflect Colony Credit's reduced book value, which will result in a decrease in management fees to the Company effective in the beginning of the fourth quarter of 2019.

Performance

Results of operations of our Investment Management segment were as follows.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2019**	**2018**	**2019**	**2018**
Total revenues [1]	$ 144,203	$ 41,987	$ 228,010	$ 131,103
Net income (loss) attributable to Colony Capital, Inc.	(287,833)	19,145	(262,934)	(108,445)

[1] Includes cost reimbursement income from Colony Credit, NRE (prior to its sale) and retail companies of $7.3 million and $3.9 million for the three months ended September 30, 2019 and 2018, respectively, and $14.0 million and $11.4 million for the nine months ended September 30, 2019 and 2018, respectively, which are recorded gross as income and expense in the results of operations.

Net loss in the nine months ended September 30, 2019 was driven by a $387 million impairment of the investment management goodwill. This loss was partially offset by a $35 million increase in carried interest from our industrial open-end fund, of which $18 million was allocated as compensation expense. Additionally, we recorded a $51 million gain from remeasurement of our preexisting interest in Digital Colony Manager upon closing of the DBH acquisition in July 2019.

Net loss in 2018 was driven by various impairment charges on intangible assets, specifically (i) write-off of $139 million on the NorthStar I and NorthStar II management contracts that were terminated upon closing of the Combination; (ii) $1.4 million on the NorthStar/RXR NY Metro management contract upon termination of its offering period and subsequent liquidation; (iii) $59.5 million on the NorthStar trade name; and (iv) $7 million on the NorthStar Healthcare management contract.

Balance sheet investments of $203.9 million in our Investment Management segment generally consist of our general partner and co-general partner interests in investment vehicles we sponsor or co-sponsor, which, as of September 30, 2019, included $62.3 million of unrealized carried interest allocation (including the open-end industrial fund that is classified as held for sale), as well as interests in other asset managers.

Capital Raising, Assets Under Management and Fee Earning Equity Under Management

In the nine months ended September 30, 2019, we raised approximately $600 million of third party capital, driven primarily by $307 million in our global credit fund, $142 million in our open-end industrial fund, $70 million in our bulk industrial joint venture partnership and $59 million in Digital Colony, our digital real estate infrastructure vehicle.

Below is a summary of our third party AUM and FEEUM:

			AUM [(1)] (In billions)		FEEUM [(2)] (In billions)	
Type	**Products**	**Description**	**September 30, 2019**	**December 31, 2018**	**September 30, 2019**	**December 31, 2018**
Other Investment Vehicles	Digital real estate and infrastructure	Earns base management fees and service fees; potential for carried interest from Digital Colony	$ 13.8	$ 1.9	$ 7.1	$ 1.9
Institutional funds	Credit funds, opportunistic funds, value-add funds, Colony industrial open end fund and other co-investment vehicles	Earns base and asset management fees from all managed funds; potential for carried interest on sponsored funds	10.6	9.5	7.0	6.4
Retail Companies	NorthStar Healthcare CC Real Estate Income Fund [(3)]	Earns base management fees and potential for carried interest	3.4	3.5	1.4	1.4
Public companies	NorthStar Realty Europe Corp.	NYSE-listed European equity REIT (sold in September 2019)	—	1.7	—	1.0
	Colony Credit Real Estate, Inc.[(4)]	NYSE-listed credit REIT	3.5	3.5	3.0	3.1
		Earns base management fees and potential for incentive fees				
Non-wholly owned real estate investment management platform	Joint venture investments in co-sponsored investment vehicles and third party asset managers	Earns share of earnings from equity method investments:				
		Others include investments in RXR Realty (27% interest in a real estate investor, developer and asset manager) and AHI (43% interest in a healthcare asset manager and sponsor of non-traded vehicles)	8.0	8.3	3.9	3.8
			$ 39.3	**$ 28.4**	**$ 22.4**	**$ 17.6**

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(1) Assets for which the Company and its affiliates provide investment management services, including assets for which the Company may or may not charge management fees and/or incentives. AUM is based upon reported gross undepreciated carrying value of managed investments as reported by each underlying vehicle. AUM further includes a) uncalled capital commitments and b) the Company's pro rata share of assets of the real estate investment management platform of its joint ventures and investees as presented and calculated by them. The Company's calculation of AUM may differ materially from those of other asset managers, and as a result, may not be comparable to similar measures presented by other asset managers.

(2) Equity for which the Company and its affiliates provide investment management services and derive management fees and/or incentives. FEEUM generally represents a) the basis used to derive fees, which may be based upon invested equity, stockholders' equity, or fair value pursuant to the terms of each underlying investment management agreement and b) the Company's pro rata share of fee bearing equity of its joint ventures and investees as presented and calculated by them. The Company's calculation of FEEUM may differ materially from other asset managers, and as a result, may not be comparable to similar measures presented by other asset managers.

(3) In February 2019, the board of directors of CC Real Estate Income Fund ("CCREIF") approved a plan to dissolve, liquidate and terminate CCREIF and distribute the net proceeds of such liquidation to its shareholders. As CCREIF's advisor, we have begun the process of liquidating its portfolio, however, no assurances can be made as to the timing or completion of the liquidation.

(4) Represents third party ownership share of CLNC's pro rata share of total assets, excluding consolidated securitization trusts.

The Company's third party FEEUM was $22.4 billion at September 30, 2019 and $17.6 billion at December 31, 2018. The $4.8 billion net increase in the first nine months of 2019 is attributable to an incremental increase of $5.2 billion FEEUM from the acquisition of DBH in July 2019 for which the Company previously co-sponsored 50% interest in a digital infrastructure vehicle. To a lesser extent, FEEUM increased from the acquisition of the Colony Latam platform in April 2019 and from fee-bearing capital raised in our light and bulk industrial platform in the first quarter of 2019 and our global credit fund in July 2019. This was partially offset by a decrease of FEEUM from the sale of NRE and continued liquidation of legacy Colony private funds.

Non-GAAP Supplemental Financial Measures

The Company reports funds from operations ("FFO") as an overall non-GAAP supplemental financial measure. The Company also reports NOI for the healthcare and industrial segments and EBITDA for the hospitality segment, which are supplemental non-GAAP financial measures widely used in the equity REIT industry. FFO and NOI should not be considered alternatives to GAAP net income as indications of operating performance, or to cash flows from operating activities as measures of liquidity, nor as indications of the availability of funds for our cash needs, including funds

available to make distributions. Our calculation of FFO and NOI may differ from methodologies utilized by other REITs for similar performance measurements, and, accordingly, may not be comparable to those of other REITs.

Funds from Operations

We calculate FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, which defines FFO as net income or loss calculated in accordance with GAAP, excluding (i) extraordinary items, as defined by GAAP; (ii) gains and losses from sales of depreciable real estate; (iii) impairment write-downs associated with depreciable real estate; and (iv) gains and losses from a change in control in connection with interests in depreciable real estate or in-substance real estate; plus (v) real estate-related depreciation and amortization; and (vi) including similar adjustments for equity method investments. Included in FFO are gains and losses from sales of assets which are not depreciable real estate such as loans receivable, equity method investments, and equity and debt securities, as applicable.

We believe that FFO is a meaningful supplemental measure of the operating performance of our business because historical cost accounting for real estate assets in accordance with GAAP assumes that the value of real estate assets diminishes predictably over time, as reflected through depreciation. Because real estate values fluctuate with market conditions, management considers FFO an appropriate supplemental performance measure by excluding historical cost depreciation, as well as gains or losses related to sales of previously depreciated real estate.

The following table presents a reconciliation of net income attributable to common stockholders to FFO attributable to common interests in Operating Company and common stockholders. Amounts in the table include our share of activity in unconsolidated ventures.

	Three Months Ended September 30, 2019		Nine Months Ended September 30, 2019	
(In thousands)	2019	2018	2019	2018
Net loss attributable to common stockholders	$ (554,953)	$ (69,975)	$ (1,125,956)	$ (235,495)
Adjustments for FFO attributable to common interests in Operating Company and common stockholders:				
Net loss attributable to noncontrolling common interests in Operating Company	(53,560)	(4,403)	(90,160)	(14,509)
Real estate depreciation and amortization	116,615	153,303	430,513	437,808
Impairment of real estate	177,900	78,595	291,122	103,057
Gain on sales of real estate	(12,928)	(38,432)	(75,250)	(104,107)
Less: Adjustments attributable to noncontrolling interests in investment entities[(1)]	(67,498)	(46,959)	(191,477)	(117,193)
FFO attributable to common interests in Operating Company and common stockholders	$ (394,424)	$ 72,129	$ (761,208)	$ 69,561

(1) For the three months ended September 30, 2019 and 2018, adjustments attributable to noncontrolling interests in investment entities include $30.6 million and $46.4 million of real estate depreciation and amortization, $45.2 million and $4.9 million of impairment of real estate, offset by $8.3 million and $4.3 million of gain on sales of real estate, respectively. For the nine months ended September 30, 2019 and 2018, adjustments attributable to noncontrolling interests in investment entities include $138.8 million and $134.4 million of real estate depreciation and amortization, $95.8 million and $18.3 million of impairment of real estate, offset by $43.1 million and $35.5 million of gain on sales of real estate, respectively.

Net Operating Income

NOI for our real estate segments represents total property and related income less property operating expenses, adjusted primarily for the effects of (i) straight-line rental income adjustments; and (ii) amortization of acquired above- and below-market lease adjustments to rental income, where applicable. For our hospitality segment, NOI does not reflect the reserve contributions to fund certain capital expenditures, repair, replacement and refurbishment of furniture, fixtures, and equipment ("FF&E Reserve"), based on a percentage of revenues, typically 4% to 5%, that is required under certain debt agreements and/or franchise and brand-managed hotel agreements.

We believe that NOI is a useful measure of operating performance of our respective real estate portfolios as it is more closely linked to the direct results of operations at the property level. NOI also reflects actual rents received during the period after adjusting for the effects of straight-line rents and amortization of above- and below-market leases; therefore, a comparison of NOI across periods better reflects the trend in occupancy rates and rental rates at our properties.

NOI excludes historical cost depreciation and amortization, which are based upon different useful life estimates depending on the age of the properties, as well as adjust for the effects of real estate impairment and gains or losses on

sales of depreciated properties, which eliminate differences arising from investment and disposition decisions. This allows for comparability of operating performance of our properties period over period and also against the results of other equity REITs in the same sectors.

Additionally, by excluding corporate level expenses or benefits such as interest expense, any gain or loss on early extinguishment of debt and income taxes, which are incurred by the parent entity and are not directly linked to the operating performance of our properties, NOI provides a measure of operating performance independent of our capital structure and indebtedness.

However, the exclusion of these items as well as others, such as capital expenditures, FF&E reserve and leasing costs, which are necessary to maintain the operating performance of our properties, and transaction costs and administrative costs, may limit the usefulness of NOI.

The following tables present reconciliations of net income (loss) of the healthcare, industrial and hospitality segments to NOI of the respective segments.

	Healthcare		Industrial		Hospitality [1]	
	Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,	
(In thousands)	2019	2018	2019	2018	2019	2018
Net income (loss)	$ (112,554)	$ (15,051)	$ 38,981	$ 6,296	$ (34,365)	$ (66,620)
Adjustments:						
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease asset	1,235	(5,140)	(4,518)	(3,012)	314	(6)
Interest income	—	—	(240)	(107)	—	—
Other income	—	—	—	—	(69)	—
Interest expense	46,029	47,620	21,130	10,872	40,641	41,646
Transaction, investment and servicing costs	1,009	1,556	54	41	1,728	1,938
Depreciation and amortization	38,998	43,697	12,342	33,503	36,133	36,503
Impairment loss	92,885	(274)	—	774	31,555	61,865
Compensation and administrative expense	2,537	1,696	3,832	2,727	1,658	1,579
Gain on sale of real estate	(833)	—	(4,675)	(2,104)	—	—
Other loss, net	2,544	1,122	12	—	37	178
Income tax (benefit) expense	(566)	1,030	(127)	(3)	(244)	855
NOI / NOI (before FF&E Reserve)	$ 71,284	$ 76,469	$ 66,791	$ 48,987	$ 77,388	$ 77,938

	Healthcare		Industrial		Hospitality [1]	
	Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2019	
(In thousands)	2019	2018	2019	2018	2019	2018
Net income (loss)	$ (201,280)	$ (47,665)	$ 60,472	$ 17,285	$ (63,947)	$ (71,735)
Adjustments:						
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease asset	(8,809)	(11,039)	(11,816)	(7,863)	940	(19)
Interest income	—	—	(539)	(701)	(6)	—
Other income	(36)	—	—	—	(72)	(556)
Interest expense	150,691	143,740	55,482	31,918	124,297	112,501
Transaction, investment and servicing costs	13,214	6,976	592	175	6,024	7,026
Depreciation and amortization	119,907	123,053	97,147	95,930	109,389	107,885
Impairment loss	144,209	5,488	—	948	35,825	61,865
Compensation and administrative expense	6,491	5,825	11,528	9,366	5,745	5,194
Gain on sale of real estate	(833)	—	(28,070)	(4,397)	(279)	—
Other loss, net	2,938	2,661	69	—	150	17
Income tax (benefit) expense	(1,844)	2,383	4	38	2,598	930
NOI / NOI (before FF&E Reserve)	$ 224,648	$ 231,635	$ 184,869	$ 142,699	$ 220,664	$ 223,108

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(1) NOI for the hospitality segment excludes FF&E Reserve which is determined based on a percentage of revenues.

Liquidity and Capital Resources

Our financing strategy in general favors investment-specific financing principally on a non-recourse basis, and then corporate financing, which is generally recourse to the Company or the Company's assets. We seek to match terms and currencies, as available and applicable.

Our current primary liquidity needs are to fund:

- our general partner commitments to our future investment vehicles and co-investment commitments to other investment vehicles;
- acquisitions of our target assets for our balance sheet and third party capital and related ongoing commitments;
- principal and interest payments on our borrowings, including interest obligation on our corporate level debt;
- our operations, including compensation, administrative and overhead costs;
- capital expenditures for our real estate investments;
- distributions to our stockholders;
- acquisitions of common stock under our common stock repurchase program and potentially other corporate securities;
- income tax liabilities of taxable REIT subsidiaries and of the Company subject to limitations as a REIT; and
- settlement of remaining $0.8 billion of the $2.0 billion notional interest rate swap in December 2019.

Our current primary sources of liquidity are:

- cash on hand;
- our credit facilities;
- fees received from our investment management business;
- cash flow generated from our investments, both from operations and return of capital;
- proceeds from full or partial realization of investments;
- investment-level financing;
- proceeds from public or private equity and debt offerings; and
- third party capital commitments of sponsored investment vehicles.

We believe that our capital resources are sufficient to meet our short-term and long-term capital requirements. Distribution requirements imposed on us to qualify as a REIT generally require that we distribute to our stockholders 90% of our taxable income, which constrains our ability to accumulate operating cash flows.

Additional discussions of our liquidity needs and sources of liquidity are presented below.

Liquidity Needs

Commitments

Our commitments in connection with our investment activities and other activities are described in *"—Contractual Obligations, Commitments and Contingencies."*

Dividends

U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. We intend to pay regular quarterly dividends to our stockholders in an amount equal to our net taxable income, if and to the extent authorized by our board of directors. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service, if any. If our cash available for distribution is less than our net taxable income, we may be required to sell assets or borrow funds to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

Common Stock—Our board of directors declared the following dividends in 2019:

Declaration Date	Record Date	Payment Date	Dividend Per Share
February 27, 2019	March 29, 2019	April 15, 2019	$ 0.11
May 7, 2019	June 28, 2019	July 15, 2019	0.11
August 6, 2019	September 30, 2019	October 15, 2019	0.11
November 6, 2019	December 31, 2019	January 15, 2020	0.11

Preferred Stock—We are required to make quarterly cash distributions on our outstanding preferred stock as follows:

Description	Dividend Rate Per Annum	Shares Outstanding September 30, 2019 (in thousands)	Quarterly Cash Distributions Total (In thousands)	Quarterly Cash Distributions Per Share
Series B	8.25%	6,114	$ 3,153	$ 0.5156250
Series E	8.75%	10,000	5,469	0.5468750
Series G	7.5%	3,450	1,617	0.4687500
Series H	7.125%	11,500	5,121	0.4453125
Series I	7.15%	13,800	6,167	0.4468750
Series J	7.125%	12,600	5,611	0.4453125
		57,464	$ 27,138	

Common Stock Repurchases

During the nine months ended September 30, 2019, the Company repurchased 652,311 shares of its class A common stock, at an aggregate cost of approximately $3.2 million (excluding commissions), or a weighted average price of $4.84 per share pursuant to a $300 million share repurchase program authorized by its board of directors in May 2018. As of November 5, 2019, $246.7 million remained outstanding under the May 2018 stock repurchase program. In May 2019, the Company's board of directors authorized an extension of the stock repurchase program for an additional one year term.

Settlement of Interest Rate Swap

In connection with the Merger, we assumed a $2 billion notional interest rate swap intended to hedge against future interest rate increases on refinancing of certain healthcare mortgage debt at a break-even 10-year swap rate of 3.394%. This interest rate swap does not qualify for hedge accounting; therefore, unrealized gains (losses) resulting from fair value changes at the end of each reporting period are recognized in earnings. The swap is out of the money and is subject to margin calls if the liability is in excess of $160 million. The swap expires in December 2019 with a mandatory cash settlement at fair value (receivable to the Company if the 10-year swap rate is greater than 3.394% and a liability of the Company if the 10-year swap rate is lower than 3.394%) and can be terminated by the Company any time prior to expiration at termination value. In the third quarter of 2019, the Company settled $1.2 billion of the notional amount on the interest rate swap for $224 million and reduced its interest rate risk on the remaining notional amount through a series of reverse interest rate swaps. Subsequently, in October 2019, the Company terminated its outstanding exposure on the interest rate swap and reverse swaps for a settlement of $141 million, expected to be paid to the swap counterparty in December 2019.

Sources of Liquidity

Cash From Operations

Our investments generate cash, either from operations or as a return of our invested capital. We primarily generate revenue from net operating income of our real estate properties. We also generate interest income from commercial real estate related loans and securities as well as receive periodic distributions from some of our equity investments, including our GP Co-Investments. Such income is partially offset by interest expense associated with borrowings against our investments.

Additionally, we generate fee revenue from our investment management segment through the management of various types of investment products, including both institutional and retail capital. Management fee income is generally a predictable and stable revenue stream, while carried interest and contractual incentive fees are by nature less predictable in amount and timing. Our ability to establish new investment vehicles and raise investor capital depends on general market conditions and availability of attractive investment opportunities as well as availability of debt capital.

Asset Monetization

We periodically monetize our investments through asset sales that are opportunistic in nature or to recycle capital from non-core assets. In September 2019, we entered into definitive agreements for the sale of our light industrial portfolio, including the related management platform, for an aggregate $5.7 billion. The sale is anticipated to result in net sale proceeds of approximately $1.2 billion in the fourth quarter of 2019. We may redeploy a portion of the proceeds into higher total return strategies (e.g., digital infrastructure), or use the proceeds to reduce corporate leverage or for other uses.

Investment-Level Financing

We have various forms of investment-level financing, as described in Note 9 to the consolidated financial statements.

Our ability to raise and access third party capital in our sponsored investment vehicles would allow us to scale our investment activities by pooling capital to access larger transactions and diversify our investment exposure.

Corporate Credit Facility

As described in Note 9 to the consolidated financial statements, the Credit Agreement, which was amended in April 2019, provides a secured revolving credit facility in the maximum principal amount of $750 million, which may be increased to a maximum capacity of $1.125 billion, subject to customary conditions. The credit facility is scheduled to mature in January 2021, with two 6-month extension options.

The maximum amount available at any time is limited by a borrowing base of certain investment assets. As of November 5, 2019, the borrowing base valuation was sufficient to permit borrowings of up to the full $750 million commitment, of which $566 million was available to be drawn.

The Credit Agreement contains various affirmative and negative covenants, including financial covenants that require the Company to maintain minimum tangible net worth, liquidity levels and financial ratios, as defined in the Credit Agreement and as amended in April 2019. As of September 30, 2019, we were in compliance with the financial covenants, as amended.

Convertible and Exchangeable Senior Notes

Convertible and exchangeable senior notes issued by us and that remain outstanding are described in Note 9 to the consolidated financial statements.

Public Offerings

We may offer and sell various types of securities under our effective shelf registration statement. These securities may be issued from time to time at our discretion based on our needs and depending upon market conditions and available pricing.

There were no public offerings of securities in the nine months ended September 30, 2019 and in the year ended December 31, 2018.

Cash Flows

The following table summarizes our cash flow activity for the periods presented.

	Nine Months Ended September 30,	
(In thousands)	2019	2018
Net cash provided by (used in):		
Operating activities	$ 234,590	$ 393,299
Investing activities	(937,667)	81,982
Financing activities	605,873	(1,029,265)

Operating Activities

Cash inflows from operating activities are generated primarily through property operating income from our real estate investments, interest received from our loans and securities portfolio, distributions of earnings received from equity investments, and fee income from our investment management business. This is partially offset by payment of operating expenses supporting our various lines of business, including property management and operations, loan servicing and workout of loans in default, investment transaction costs, as well as compensation and general administrative costs.

Our operating activities generated cash of $234.6 million and $393.3 million in the nine months ended September 30, 2019 and 2018, respectively. The net cash inflow in 2019 included the receipt of $64.6 million of incentive and termination

fee from NRE upon termination of our management agreement concurrent with the sale of NRE, and net of a payment of $223.9 million for settlement of $1.2 billion of the $2.0 billion notional amount on the forward starting interest rate swap assumed through the Merger.

We believe cash flows from operations, available cash balances and our ability to generate cash through short and long-term borrowings are sufficient to fund our operating liquidity needs.

Investing Activities

Investing activities include cash outlays for acquisition of real estate, disbursements on new and/or existing loans, and contributions to unconsolidated ventures, which are partially offset by repayments and sales of loans receivable, distributions of capital received from unconsolidated ventures, proceeds from sale of real estate, as well as proceeds from maturity or sale of securities.

Our investing activities resulted in net cash outflows of $937.7 million while generating net cash inflows of $82.0 million in the nine months ended September 30, 2019 and 2018, respectively.

The net cash outflows in the nine months ended September 30, 2019 was driven by $1.1 billion of cash paid for real estate acquisitions, net of proceeds from real estate sales, in particular, our acquisition of a 50 building portfolio in our industrial segment for $1.1 billion in February 2019. In contrast, we had significantly less real estate investment activities in the nine months ended September 30, 2018, with net cash outflows of $163.3 million.

Net cash inflows from our equity and debt investments were lower in the first nine months of 2019 totaling $334.2 million compared to the same period in 2018 totaling $495.8 million. The 2019 period included $96.0 million of proceeds from sale of our interest in NRE. However, net cash inflows were higher in 2018, which included $132.6 million of proceeds from sale of our interests in certain third party private equity funds, a return of capital of $142.3 million from our initial investment in the digital real estate infrastructure joint venture as we raised third party capital through our Digital Colony fund, and $142.3 million of proceeds from sale of our equity interests in two securitization trusts, net of cash and restricted cash deconsolidated, all of which were partially offset by additional contributions to our equity investees, and loan disbursements and acquisitions.

Additionally, the cash inflows in 2018 were also partially offset by a contribution to Colony Credit of $141.2 million of cash and restricted cash held by the CLNY Contributed Portfolio, and for funding of $95.6 million of deposits for investment acquisitions. On the other hand, a $181.2 million cash payment in connection with the acquisition of DBH further contributed to the net cash outflows in 2019.

Financing Activities

We finance our investing activities largely through investment-level secured debt along with capital from third party or affiliated co-investors. We also draw upon our corporate credit facility to finance our investing and operating activities, as well as have the ability to raise capital in the public markets through issuances of preferred stock, common stock and debt such as our convertible notes. Accordingly, we incur cash outlays for payments on our investment-level and corporate debt, dividends to our preferred and common stockholders, as well as distributions to our noncontrolling interests.

Financing activities generated net cash inflows of $605.9 million in the nine months ended September 30, 2019 compared to net cash outflows of $1.0 billion in the nine months ended September 30, 2018.

The net cash inflows in the nine months ended September 30, 2019 can be attributed to borrowings exceeding debt repayments by $750.0 million, in particular aggregate borrowings of $952.0 million in our industrial segment, primarily to fund a large portfolio acquisition in February 2019. In contrast, in the nine months ended September 30, 2018, debt repayments exceeded borrowings by $459.6 million.

Net cash outflows in the nine months ended September 30, 2018 was also driven by repurchases of 54.8 million shares of common stock and settlement of our Series D preferred stock redemption aggregating to $519.0 million, and dividend payments of $350.1 million. In the nine months ended September 30, 2019, common stock repurchase activity was significantly reduced at 0.7 million shares for $10.7 million and dividend payments were lower at $241.9 million, primarily as a result of lower per share dividends beginning in the second quarter of 2018 combined with dividend savings from common stock repurchases and preferred stock redemptions throughout 2018 and in the first quarter of 2019.

Contractual Obligations, Commitments and Contingencies

There were no material changes outside the ordinary course of business to the information regarding specified contractual obligations contained in our Form 10-K for the year ended December 31, 2018.

Guarantees and Off-Balance Sheet Arrangements

In connection with financing arrangements for certain equity method investments, we provide customary non-recourse carve-out guarantees. We believe that the likelihood of making any payments under the guarantees is remote and no liability has been recorded as of September 30, 2019.

In connection with the THL Hotel Portfolio, we entered into guarantee agreements with various hotel franchisors, pursuant to which we guaranteed the franchisees' obligations, including payments of franchise fees and marketing fees, for the term of the agreements, which expire between 2027 and 2032. In the event of default or termination of the franchise agreements, the Company is liable for liquidated damages not to exceed $75 million.

We have off-balance sheet arrangements with respect to our retained interests in N-Star CDOs. In each case, our exposure to loss is limited to the carrying value of our investment.

Risk Management

Risk management is a significant component of our strategy to deliver consistent risk-adjusted returns to our stockholders. In order to maintain our qualification as a REIT for U.S. federal income tax purposes and our exemption from registration under the 1940 Act, we closely monitor our portfolio and actively manage risks associated with, among other things, our assets and interest rates. In addition, the risk committee of our board of directors, in consultation with our chief risk officer, internal auditor and other management, periodically reviews our policies with respect to risk assessment and risk management, including key risks to which we are subject, including credit risk, liquidity risk, financing risk, foreign currency risk and market risk, and the steps that management has taken to monitor and control such risks. The audit committee of our board of directors maintains oversight of financial reporting risk matters.

Underwriting

In connection with evaluating any potential equity or debt investment for our portfolio or a managed investment vehicle, our underwriting team, in conjunction with third party providers, undertakes an asset-level due diligence process, involving data collection and analysis, to ensure that we understand the state of the market and the risk-reward profile of the asset. In addition, we evaluate material accounting, legal, financial and business issues surrounding such investment. These issues and risks are built into the valuation of an asset and ultimate pricing of an investment.

During the underwriting process, we review the following data, including, but not limited to: property financial data including historic and budgeted financial statements, liquidity and capital expenditure plans, property operating metrics (including occupancy, leasing activity, lease expirations, sales information, tenant credit review, tenant delinquency reports, operating expense efficiency and property management efficacy) and local and real estate market conditions including vacancy rates, absorption, new supply, rent levels and comparable sale transactions, as applicable. For debt investments, we also analyze metrics such as loan-to-collateral value ratios, debt service coverage ratios, debt yields, sponsor credit ratings and performance history.

In addition to evaluating the merits of any particular proposed investment, we evaluate the diversification of our or a particular managed investment vehicle's portfolio of assets, as the case may be. Prior to making a final investment decision, we determine whether a target asset will cause the portfolio of assets to be too heavily concentrated with, or cause too much risk exposure to, any one real estate sector, geographic region, source of cash flow such as tenants or borrowers, or other geopolitical issues. If we determine that a proposed investment presents excessive concentration risk, we may decide not to pursue an otherwise attractive investment.

Investment Committees

We have established investment committees composed of senior executives for our various business segments as well as for the portfolios of the funds we manage. These investment committees review and evaluate potential investment opportunities, and meet periodically with the Company's portfolio management team to review and monitor risks posed by existing investments.

Allocation Procedures

We currently manage, and may in the future manage, REITs and other entities that have investment and/or rate of return objectives similar to our own or to other investment vehicles that we manage. In order to address the risk of potential conflicts of interest among us and our managed investment vehicles, we have implemented an investment allocation policy consistent with our duty as a registered investment adviser to treat our managed investment vehicles fairly and equitably over time. Pursuant to this policy, investment allocation decisions are based on a suitability assessment involving a review of numerous factors, including the particular source of capital's investment objectives,

available cash, diversification/concentration, leverage policy, the size of the investment, tax, anticipated pipeline of suitable investments and fund life.

Portfolio Management

The comprehensive portfolio management process generally includes day-to-day oversight by the Company's portfolio management team, regular management meetings and quarterly asset review process. These processes are designed to enable management to evaluate and proactively identify asset-specific issues and trends on a portfolio-wide basis for both assets on our balance sheet and assets of the companies within our investment management business. Nevertheless, we cannot be certain that such review will identify all issues within our portfolio due to, among other things, adverse economic conditions or events adversely affecting specific assets; therefore, potential future losses may also stem from investments that are not identified during these credit reviews.

We use many methods to actively manage our risk to preserve our income and capital. For commercial real estate equity and debt investments, frequent re-underwriting and dialogue with tenants, operators, partners and/or borrowers and regular inspections of our collateral and owned properties have proven to be an effective process for identifying issues early. With respect to our healthcare properties, we consider the impact of regulatory changes on operator performance and property values. During a quarterly review, or more frequently as necessary, investments are monitored and identified for possible asset impairment and loan loss reserves, as appropriate, based upon several factors, including missed or late contractual payments, significant declines in collateral performance and other data which may indicate a potential issue in our ability to recover our invested capital from an investment. In addition, we seek to utilize services of certain strategic partnerships and joint ventures with third parties with expertise in commercial real estate or other sectors and markets to assist our portfolio management.

In order to maintain our qualification as a REIT for U.S. federal income tax purposes and our exemption from registration under the 1940 Act, and maximize returns and manage portfolio risk, we may dispose of an asset earlier than anticipated or hold an asset longer than anticipated if we determine it to be appropriate depending upon prevailing market conditions or factors regarding a particular asset. We can provide no assurances, however, that we will be successful in identifying or managing all of the risks associated with acquiring, holding or disposing of a particular asset or that we will not realize losses on certain assets.

Interest Rate and Foreign Currency Hedging

Subject to maintaining our qualification as a REIT for U.S. federal income tax purposes and our exemption from registration under the 1940 Act, we may mitigate the risk of interest rate volatility through the use of hedging instruments, such as interest rate swap agreements and interest rate cap agreements. The goal of our interest rate management strategy is to minimize or eliminate the effects of interest rate changes on the value of our assets, to improve risk-adjusted returns and, where possible, to lock in, on a long-term basis, a favorable spread between the yield on our assets and the cost of financing such assets. In addition, because we are exposed to foreign currency exchange rate fluctuations, we employ foreign currency risk management strategies, including the use of, among others, currency hedges, and matched currency financing. We can provide no assurances, however, that our efforts to manage interest rate and foreign currency exchange rate volatility will successfully mitigate the risks of such volatility on our portfolio.

Financing Strategy

Our financing strategy in general is to favor investment-specific financing principally on a non-recourse basis, and then corporate financing, which is generally recourse to the Company or the Company’s assets. We seek to match terms and currencies, as available and applicable, and the amount of leverage we use is based on our assessment of a variety of factors, including, among others, the anticipated liquidity and price volatility of the assets in our investment portfolio, the potential for losses and extension risk in our portfolio, the ability to raise additional equity to reduce leverage and create liquidity for future investments, the availability of credit at favorable prices or at all, the credit quality of our assets, our outlook for borrowing costs relative to the income earned on our assets and financial covenants within our credit facilities.

Our decision to use leverage to finance our assets is at our discretion and not subject to the approval of our stockholders. To the extent that we use leverage in the future, we may mitigate interest rate risk through utilization of hedging instruments, primarily interest rate swap and cap agreements, to serve as a hedge against future interest rate increases on our borrowings.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP, which requires the use of estimates and assumptions that involve the exercise of judgment and that affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

In particular, estimates that require significant management judgment and assumptions related to the recoverability of our investments and the impairment assessment of our investment management goodwill, which are discussed further in Notes 1 and 6 to the consolidated financial statements.

Other than adoption of the new lease accounting standard, which is included in Note 2 to our consolidated financial statements in Item 1 of this Quarterly Report, there have been no changes to our critical accounting policies or those of our unconsolidated joint ventures since the filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Recent Accounting Updates

Recent accounting updates are included in Note 2 to our consolidated financial statements in Item 1 of this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk includes the exposure to loss resulting from changes in interest rates, credit curve spreads, foreign currency exchange rates, commodity prices, equity prices and credit risk in our underlying investments.

Credit Risk

We are subject to the credit risk of the tenant/operators of our properties. We seek to undertake a rigorous credit evaluation of each tenant and operator prior to acquiring properties. This analysis includes an extensive due diligence investigation of the tenant/operator's business as well as an assessment of the strategic importance of the underlying real estate to the tenant/operator's core business operations. Where appropriate, we may seek to augment the tenant/operator's commitment to the facility by structuring various credit enhancement mechanisms into their management assessments, where applicable, and underlying leases. These mechanisms could include security deposit requirements or guarantees from entities we deem creditworthy.

In addition, our investment in loans receivable is subject to a high degree of credit risk through exposure to loss from loan defaults. Default rates are subject to a wide variety of factors, including, but not limited to, borrower financial condition, property performance, property management, supply/demand factors, construction trends, consumer behavior, regional economics, interest rates, the strength of the U.S. economy and other factors beyond our control. All loans are subject to a certain probability of default. We manage credit risk through the underwriting process, acquiring our investments at the appropriate discount to face value, if any, and establishing loss assumptions. We also carefully monitor the performance of the loans, including those held through our joint venture investments, as well as external factors that may affect their value.

For more information, see Item 2, "*Management's Discussion and Analysis—Risk Management*."

Interest Rate and Credit Curve Spread Risk

Interest rate risk relates to the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Credit curve spread risk is highly sensitive to the dynamics of the markets for loans and securities we hold. Excessive supply of these assets combined with reduced demand will cause the market to require a higher yield. This demand for higher yield will cause the market to use a higher spread over the U.S. Treasury securities yield curve, or other benchmark interest rates, to value these assets.

As U.S. Treasury securities are priced to a higher yield and/or the spread to U.S. Treasuries used to price the assets increases, the price at which we could sell some of our fixed rate financial assets may decline. Conversely, as U.S. Treasury securities are priced to a lower yield and/or the spread to U.S. Treasuries used to price the assets decreases, the value of our fixed rate financial assets may increase. Fluctuations in LIBOR may affect the amount of interest income we earn on our floating rate borrowings and interest expense we incur on borrowings indexed to LIBOR, including under credit facilities and investment-level financing.

We utilize a variety of financial instruments on some of our investments, including interest rate swaps, caps, floors and other interest rate exchange contracts, in order to limit the effects of fluctuations in interest rates on our operations. The use of these types of derivatives to hedge interest-earning assets and/or interest-bearing liabilities carries certain risks, including the risk that losses on a hedge position will reduce the funds available for distribution and that such losses may exceed the amount invested in such instruments. A hedge may not perform its intended purpose of offsetting losses of rising interest rates. Moreover, with respect to certain of the instruments used as hedges, we are exposed to the risk that the counterparties with which we trade may cease making markets and quoting prices in such instruments, which may render us unable to enter into an offsetting transaction with respect to an open position. If we anticipate that the income from any such hedging transaction will not be qualifying income for REIT income purposes, we may conduct all or part of our hedging activities through a to-be-formed corporate subsidiary that is fully subject to federal corporate income taxation. Our profitability may be adversely affected during any period as a result of changing interest rates.

Foreign Currency Risk

We have foreign currency rate exposures related to our foreign currency-denominated investments held predominantly by our foreign subsidiaries and to a lesser extent, by U.S. subsidiaries. Changes in foreign currency rates can adversely affect the fair values and earnings of our non-U.S. holdings. We generally mitigate this foreign currency risk by utilizing currency instruments to hedge our net investments in our foreign subsidiaries. The types of hedging instruments that we may employ on our foreign subsidiary investments are forwards and costless collars (buying a protective put while writing an out-of the-money covered call with a strike price at which the premium received is equal to the premium of the protective put purchased) which involved no initial capital outlay. The puts are generally structured with strike prices up to 10% lower than our cost basis in such investments, thereby limiting any foreign exchange fluctuations to up to 10% of the original capital invested.

At September 30, 2019, we had approximately €505.6 million and £275.2 million or a total of $0.9 billion, in net investments in our European subsidiaries. A 1% change in these foreign currency rates would result in a $8.6 million increase or decrease in translation gain or loss included in other comprehensive income in connection with our investment in our European subsidiaries, and a $0.3 million gain or loss in earnings in connection with the foreign denominated loan receivable held by a U.S subsidiary.

A summary of the foreign exchange contracts in place at September 30, 2019, including notional amounts and key terms, is included in Note 10 to the consolidated financial statements. The maturity dates of these instruments approximate the projected dates of related cash flows for specific investments. Termination or maturity of currency hedging instruments may result in an obligation for payment to or from the counterparty to the hedging agreement. We are exposed to credit loss in the event of non-performance by counterparties for these contracts. To manage this risk, we select major international banks and financial institutions as counterparties and perform a quarterly review of the financial health and stability of our trading counterparties. Based on our review at September 30, 2019, we do not expect any counterparty to default on its obligations.

Inflation

Many of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors influence our performance more so than inflation, although inflation rates can often have a meaningful influence over the direction of interest rates. Furthermore, our financial statements are prepared in accordance with GAAP and our distributions as determined by our board of directors will be primarily based on our taxable income, and, in each case, our activities and balance sheet are measured with reference to historical cost and/or fair value without considering inflation.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) that are designed to ensure that information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

As required by Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at September 30, 2019.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company may be involved in litigations and claims in the ordinary course of business. As of September 30, 2019, the Company was not involved in any material legal proceedings.

Item 1A. Risk Factors.

There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2019.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

Redemption of Membership Units in OP ("OP Units")—Holders of OP Units have the right to require the OP to redeem all of a portion of their OP Units for cash or, at our option, shares of our class A common stock on a one-for-one basis. During the nine months ended September 30, 2019, in satisfaction of redemption requests by certain OP Unit holders, we issued an aggregate of 187,995 shares of our class A common stock, of which 3,601 shares were issued to certain of our employees and 184,394 shares to an educational institution. Such shares of class A common stock were issued in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended.

In connection with the acquisition of DBH, we issued 21,478,515 OP Units in July 2019. Such OP United were issued pursuant to the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, as a transaction not involving a public offering. Following the expiration of certain lock-up restrictions, the OP Units are redeemable by the holder for (i) cash based on the market value of an equivalent number of shares of class A common stock at the time of redemption, or (ii) at the Company's election as managing member of the Operating Company, through issuance of shares of class A common stock on a one-for-one basis. The number of OP Units issued was based upon a value of $108.3 million divided by the volume weighted average trading price of the Company's class A common stock for the 30 trading days ending five business days prior to the acquisition.

Purchases of Equity Securities by Issuer and Affiliated Purchasers

On May 23, 2018, the Company's board of directors authorized a common stock repurchase program pursuant to which the Company may repurchase up to $300 million of its outstanding shares of class A common stock over a one-year period, either in the open market or through privately negotiated transactions. In May 2019, the Company's board of directors authorized an extension of the stock repurchase program for an additional one year term.

There were no purchases by the Company of its class A common stock in the third quarter of 2019. As of September 30, 2019, the maximum dollar value remaining under the May 2018 repurchase program was $246.7 million.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Amended and Restated Colony Credit Management Agreement

On November 6, 2019, in connection with Colony Credit's portfolio rationalization and related impairments, CLNC Manager, LLC, a subsidiary of the Company (the "Manager"), amended and restated its management agreement, dated as of January 31, 2018 (the "Management Agreement"), with Colony Credit and Credit RE Operating Company, LLC, Colony Credit's operating company ("Credit OP"), which will result in a reduction to Colony Credit's stockholders' equity (the basis for the base management fee) by Colony Credit's accumulated unrealized provisions for loan losses and real estate impairments to date. Except for the changes to the definition of Core Earnings as described below, the terms of the amended and restated Management Agreement are otherwise substantially the same as the original Management

Agreement, the terms of which are more fully described in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2018.

The amended and restated Management Agreement provides that Core Earnings, which is a non-GAAP measure, is defined as U.S. GAAP net income (loss) attributable to the Colony Credit's common stockholders (or, without duplication, the owners of the common equity of Colony Credit's direct subsidiaries, such as Credit OP) and excluding (i) non-cash equity compensation expense, (ii) the expenses incurred in connection with Colony Credit's formation and an IPO, including the initial underwriting discounts and commissions, (iii) the incentive fee, (iv) acquisition costs from successful acquisitions, (v) depreciation and amortization, (vi) any unrealized gains or losses or other similar non-cash items that are included in net income for the current quarter, regardless of whether such items are included in other comprehensive income or loss, or in net income, (vii) one-time events pursuant to changes in U.S. GAAP and (viii) certain material non-cash income or expense items that in the judgment of management should not be included in Core Earnings. For (a) unrealized provisions for loan losses and real estate impairments and (b) clauses (vii) and (viii), such exclusions shall only be applied after discussions between the Manager and Colony Credit's independent directors and after approval by a majority of Colony Credit's independent directors.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Articles of Amendment and Restatement of Colony NorthStar, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 10, 2017)
3.2	Articles of Amendment of Colony Capital, Inc. (fka Colony NorthStar, Inc.), as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on August 9, 2018)
3.3	Amended and Restated Bylaws of Colony Capital, Inc. (fka Colony NorthStar, Inc.) (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on June 25, 2018)
3.4	Articles Supplementary designating Colony NorthStar, Inc.'s 7.15% Series I Cumulative Redeemable Perpetual Preferred Stock, liquidation preference $25.00 per share, par value $0.01 per share (incorporated by reference to Exhibit 3.2 to the Company's Form 8-A filed on June 5, 2017)
3.5	Articles Supplementary designating Colony NorthStar, Inc.'s 7.125% Series J Cumulative Redeemable Perpetual Preferred Stock, liquidation preference $25.00 per share, par value $0.01 per share (incorporated by reference to Exhibit 3.3 to Colony NorthStar, Inc.'s Registration Statement on Form 8-A filed on September 22, 2017)
10.1	Employment Agreement, dated as of July 25, 2019, between Colony Capital, Inc. and Marc Ganzi (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 30, 2019)
10.2	Share Purchase Agreement, dated as of September 29, 2019, by and between Colony Industrial Fund JV L.P. and BREP 9 Sapphire Holdings LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 3, 2019)
10.3*	Amended and Restated Management Agreement, dated as of November 6, 2019, by and among Colony Credit Real Estate, Inc., Credit RE Operating Company, LLC and CLNC Manager, LLC
31.1*	Certification of Thomas J. Barrack Jr., Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Mark M. Hedstrom, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Thomas J. Barrack Jr., Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Mark M. Hedstrom, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
104**	Cover Page Interactive Data File

* Filed herewith.

** The document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

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 thereunto duly authorized.

Dated: November 8, 2019

COLONY CAPITAL, INC.

By: /s/ Thomas J. Barrack, Jr.

Thomas J. Barrack, Jr.

Chief Executive Officer (Principal Executive Officer)

By: /s/ Mark M. Hedstrom

Mark M. Hedstrom

Chief Financial Officer (Principal Financial Officer)

By: /s/ Neale Redington

Neale Redington

Chief Accounting Officer (Principal Accounting Officer)

Exhibit 10.3

AMENDED AND RESTATED
MANAGEMENT AGREEMENT

by and among

Colony Credit Real Estate, Inc.,

Credit RE Operating Company, LLC

and

CLNC Manager, LLC

This AMENDED AND RESTATED MANAGEMENT AGREEMENT, effective November 6, 2019, is made and entered into by and among Colony Credit Real Estate, Inc., a Maryland corporation (the "Company"), Credit RE Operating Company, LLC, a Delaware limited liability company ("Operating Company"), and CLNC Manager, LLC, a Delaware limited liability company (the "Manager").

W I T N E S S E T H:

WHEREAS, the Company was formed as a corporation and intends to elect to be treated as a real estate investment trust ("REIT") for U.S. federal income tax purposes pursuant to Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, Operating Company is a Subsidiary of the Company; and

WHEREAS, the Company, Operating Company and the Manager entered into that certain management agreement (the "Original Management Agreement"), effective January 31, 2018 (the "Effective Date"), pursuant to which the Manager provided certain management and advisory services as set forth therein;

WHEREAS, the Company, Operating Company and the Manager desire to amend and restate the Original Management Agreement, pursuant to which the Manager shall provide certain management and advisory services on the terms and conditions hereinafter set forth, and the Manager desires to continue to provide such services upon the terms and conditions hereof.

NOW, THEREFORE, for the mutual promises made herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Definitions.

(a) The following terms have the following meanings assigned to them:

"Affiliate" means, with respect to any Person, (i) any other Person directly or indirectly controlling, controlled by, or under common control with such other Person, (ii) any executive officer, general partner, managing member, control person or employee of such Person, (iii) any member of the board of directors or board of managers (or bodies performing similar functions) of such Person, and (iv) any legal entity for which such Person acts as an executive officer, general partner, managing member or control person.

"Agreement" means this Management Agreement, as amended, restated or supplemented from time to time.

"Bankruptcy" means, with respect to any Person, (i) the filing by such Person of a voluntary petition seeking liquidation, reorganization, arrangement or readjustment, in any form, of its debts under Title 11 of the United States Code or any other federal, state or foreign insolvency law, or such Person's filing an answer consenting to or acquiescing in any such petition, (ii) the making by

such Person of any assignment for the benefit of its creditors, (iii) the expiration of ninety (90) days after the filing of an involuntary petition under Title 11 of the Unites States Code, an application for the appointment of a receiver for a material portion of the assets of such Person, or an involuntary petition seeking liquidation, reorganization, arrangement or readjustment of its debts under any other federal, state or foreign insolvency law; provided that the same shall not have been vacated, set aside or stayed within such ninety (90)-day period or (iv) the entry against it of a final and non-appealable order for relief under any bankruptcy, insolvency or similar law now or hereinafter in effect.

"Base Management Fee" means a fee equal to one and one-half percent (1.50%) of Stockholders' Equity per annum, calculated and payable quarterly in arrears in cash.

"Board of Directors" means the Board of Directors of the Company.

"Business Day" means any day except a Saturday, a Sunday or a day on which banking institutions in New York, New York are not required to be open.

"Business Opportunity" shall have the meaning set forth in Section 3(b) of this Agreement.

"Claim" shall have the meaning set forth in Section 13(d) of this Agreement.

"Code" shall have the meaning set forth in the recitals of this Agreement.

"Common Equity" means:

(i) the sum of:

(a) the net proceeds received by the Company (or, without duplication, the Company's direct Subsidiaries, such as Operating Company) from all issuances of Common Stock or such Subsidiaries' common equity securities since inception (allocated on a pro rata daily basis for such issuances during the calendar quarter of any such issuance); plus

(b) cumulative Core Earnings from and after the Effective Date to the end of the most recently completed calendar quarter,

(ii) less:

(a) any distributions to the Company's common stockholders (or owners of common equity of the Company's direct Subsidiaries, such as Operating Company) (other than the Company or any of such Subsidiaries);

(b) any amount that the Company or any of the Company's direct Subsidiaries (such as Operating Company) has paid to

repurchase for cash the Common Stock or common equity securities of such Subsidiaries since the Effective Date; and

(c) any Incentive Fee paid to the Manager following the Effective Date.

With respect to that portion of the period from and after the Effective Date that is used in the calculation of the Incentive Fee, all items in the foregoing calculation (other than clause (i)(b)) shall be calculated on a daily weighted average basis. For the avoidance of doubt, Common Equity shall include any restricted shares of Common Stock or common equity of the Company's direct Subsidiaries (such as Operating Company) and any other shares of Common Stock or common equity of such Subsidiaries underlying awards granted under one or more of the Company's or such Subsidiaries' equity incentive plans. The amount of net proceeds received shall be subject to the determination of the Board of Directors to the extent such proceeds are other than cash.

"Common Stock" means the common stock, par value $0.01, of the Company.

"Company" shall have the meaning set forth in the preamble of this Agreement.

"Company Account" shall have the meaning set forth in Section 5 of this Agreement.

"Company Covered Person" shall have the meaning set forth in Section 13(c) of this Agreement.

"Company Parties" means the Company, Operating Company and any other Subsidiaries.

"Confidential Information" shall have the meaning set forth in Section 6(b) of this Agreement.

"Constellation" means Colony Capital, Inc., a Maryland corporation, or its successor(s).

"Core Earnings" means the net income (loss) attributable to the common stockholders of the Company or, without duplication, owners of common equity of the Company's direct Subsidiaries (such as Operating Company), computed in accordance with GAAP, and excluding (i) non-cash equity compensation expense, (ii) the expenses incurred in connection with the formation of the Company and the Initial Public Offering, if any, including the initial underwriting discounts and commissions, (iii) the Incentive Fee, (iv) acquisition costs from successful acquisitions, (v) depreciation and amortization, (vi) any unrealized gains or losses or other similar non-cash items that are included in net income for the current quarter, regardless of whether such items are included in other comprehensive income or loss, or in net income, (vii) one-time events pursuant to changes in GAAP and (viii) certain material non-cash income or expense items that in the judgment of management should not be included in Core Earnings. For (a) unrealized provisions for loan losses and real estate impairments and (b) clauses (vii) and (viii), such exclusions shall only be applied after (x) discussions between the Manager and the Independent Directors and (y) approval by a majority of the Independent Directors.

"Effective Date" shall have the meaning set forth in the recitals of this Agreement.

“Effective Termination Date” shall have the meaning set forth in Section 14(a) of this Agreement.

“Excess Funds” shall have the meaning set forth in Section 2(l) of this Agreement.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Expenses” shall have the meaning set forth in Section 11(a) of this Agreement.

“GAAP” means generally accepted accounting principles in effect in the United States on the date such principles are applied.

“Governing Instruments” means, with regard to any entity, the articles of incorporation or certificate of incorporation and bylaws in the case of a corporation, the certificate of limited partnership (if applicable) and the partnership agreement in the case of a general or limited partnership, the articles of formation or certificate of formation and the limited liability company agreement or operating agreement in the case of a limited liability company, the trust instrument in the case of a trust, or similar governing documents, in each case as amended from time to time.

“Incentive Fee” means the incentive management fee calculated and payable with respect to each calendar quarter (or part thereof) that this Agreement is in effect in arrears in an amount, not less than zero, equal to the difference between:

(i) the product of (a) twenty percent (20%) and (b) the difference between (1) Core Earnings for the most recent twelve (12)-month period (or if the Effective Date is less than twelve (12) months earlier, since the Effective Date), including the current quarter, and (2) the product of (A) the Common Equity in the most recent twelve (12)-month period (or if the Effective Date is less than twelve (12) months earlier, since the Effective Date), including the current quarter, and (B) seven percent (7%) per annum, and

(ii) the sum of any Incentive Fee paid to the Manager with respect to the first three (3) calendar quarters of the most recent twelve (12)-month period (or if the Effective Date is less than twelve (12) months earlier, since the Effective Date);

provided, however, that no Incentive Fee shall be payable with respect to any calendar quarter unless Core Earnings is greater than zero for the most recently completed twelve (12) calendar quarters (or if the Effective Date is less than twelve (12) calendar quarters earlier, since the Effective Date).

For purposes of calculating the Incentive Fee prior to the completion of a twelve (12)-month period during the term of this Agreement, Core Earnings shall be calculated on the basis of the number of days that this Agreement has been in effect on an annualized basis.

If the Effective Termination Date does not correspond to the end of a calendar quarter, the Manager’s Incentive Fee shall be calculated for the period beginning on the day after the end of the calendar quarter immediately preceding the Effective Termination Date and ending on the Effective

Termination Date, which Incentive Fee shall be calculated using Core Earnings for the twelve (12)-month period ending on the Effective Termination Date.

"Indemnified Party" shall have the meaning set forth in Section 13(c) of this Agreement.

"Indemnifying Party" shall have the meaning set forth in Section 13(d) of this Agreement.

"Independent Directors" means the members of the Board of Directors who are not officers or employees of the Manager or any Person directly or indirectly controlling or controlled by the Manager, and who are otherwise "independent" in accordance with the Company's Governing Instruments and the rules of the applicable National Securities Exchange on which the Common Stock is listed.

"Initial Public Offering" means the Company's sale of Common Stock to the public through underwriters pursuant to the Company's Registration Statement on Form S-11.

"Initial Term" shall have the meaning set forth in Section 14(a) of this Agreement.

"Investment Allocation Policy" means the investment allocation policy and procedures of Colony Capital Investment Advisors, LLC, a registered investment advisor and an Affiliate of the Manager, in effect from time to time, with respect to the allocation of investment opportunities among the Company and one or more of its clients (as the same may be amended, updated or revised from time to time).

"Investment Company Act" means the Investment Company Act of 1940, as amended.

"Investment Guidelines" shall have the meaning set forth in Section 2(b)(i) of this Agreement.

"Investments" means the investments of the Company and the Subsidiaries.

"Losses" shall have the meaning set forth in Section 13(b) of this Agreement.

"Majority-Owned Affiliate" means an Affiliate of a Person (i) that is directly or indirectly controlled by such Person and (ii) in which such Person directly or indirectly owns securities representing more than fifty percent (50%) of the outstanding securities of any class of voting securities of such Affiliate.

"Manager" shall have the meaning set forth in the preamble of this Agreement.

"Manager Covered Person" shall have the meaning set forth in Section 13(b) of this Agreement.

"Monitoring Services" shall have the meaning set forth in Section 2(b) of this Agreement.

"National Securities Exchange" means any national securities exchange or nationally recognized automated quotation system on which the shares of the Common Stock of the Company are listed, traded, exchanged or quoted.

"Notice of Proposal to Negotiate" shall have the meaning set forth in Section 14(a) of this Agreement.

"Operating Company" shall have the meaning set forth in the preamble of this Agreement.

"Original Management Agreement" shall have the meaning set forth in the recitals of this Agreement.

"Other Constellation Funds" means, collectively, any other investment funds, vehicles, accounts, products and/or other similar arrangements sponsored, branded, advised and/or managed by Constellation or any of its Affiliates, whether currently in existence or subsequently established, in each case, including any related successor funds, alternative vehicles, supplemental capital vehicles, co-investment vehicles and other entities formed in connection with Constellation's side-by-side or additional general partner investments with respect thereto.

"Person" means any individual, corporation, partnership, joint venture, limited liability company, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof or any other legal entity and any fiduciary acting in such capacity on behalf of any of the foregoing.

"Portfolio Management Services" shall have the meaning set forth in Section 2(b) of this Agreement.

"Protected Opportunity" shall have the meaning set forth in Section 3(b)(ii) of this Agreement.

"REIT" shall have the meaning set forth in the recitals of this Agreement.

"Renewal Term" shall have the meaning set forth in Section 14(a) of this Agreement.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Stockholders' Equity" means:

(i) the sum of:

(a) the net proceeds received by the Company (or, without duplication, the Company's direct Subsidiaries, such as Operating Company) from all issuances of the Company's or such Subsidiaries' common and preferred equity securities since inception (allocated on a pro rata daily basis for such

issuances during the calendar quarter of any such issuance); plus

(b) cumulative Core Earnings from and after the Effective Date to the end of the most recently completed calendar quarter,

(ii) less:

(a) any distributions to the Company's common stockholders (or owners of common equity of the Company's direct Subsidiaries, such as Operating Company) (other than the Company or any of such Subsidiaries);

(b) any amount that the Company or any of the Company's direct Subsidiaries (such as Operating Company) has paid to (1) repurchase for cash the Common Stock or common equity securities of such Subsidiaries or (2) repurchase or redeem for cash preferred equity securities of the Company or such Subsidiaries, in each case since the Effective Date; and

(c) any Incentive Fee paid to the Manager following the Effective Date.

With respect to that portion of the period from and after the Effective Date that is used in the calculation of the Base Management Fee, all items in the foregoing calculation (other than clause (i)(b)) shall be calculated on a daily weighted average basis. For the avoidance of doubt, Stockholders' Equity shall include any restricted shares of Common Stock or common equity of the Company's direct Subsidiaries (such as Operating Company) and any other shares of Common Stock or common equity of such Subsidiaries underlying awards granted under one or more of the Company's or such Subsidiaries' equity incentive plans. The amount of net proceeds received shall be subject to the determination of the Board of Directors to the extent such proceeds are other than cash.

"Subsidiary" means a corporation, limited liability company, partnership, joint venture or other entity or organization of which: (i) the Company or any other subsidiary of the Company is a general partner or managing member; or (ii) voting power to elect a majority of the board of directors, trustees or others performing similar functions with respect to such entity or organization is held by the Company or by any one or more of the Company's subsidiaries.

"Termination Fee" shall have the meaning set forth in Section 14(b) of this Agreement.

"Termination Notice" shall have the meaning set forth in Section 14(a) of this Agreement.

"Treasury Regulations" means the regulations promulgated under the Code, as amended from time to time.

(b) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section references are to this Agreement unless otherwise specified.

(c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms. The words include, includes and including shall be deemed to be followed by the phrase "without limitation", unless such phrase otherwise appears.

Section 2. Appointment and Duties of the Manager.

(a) The Company, Operating Company and each of the other Subsidiaries hereby appoint the Manager to manage the assets and the day-to-day operations of the Company, Operating Company and the other Subsidiaries subject to the terms and conditions set forth in this Agreement, and the Manager hereby agrees to use its commercially reasonable efforts to perform each of the duties set forth herein, except where a higher standard of care is specified in this Agreement, in which case such higher standard of care shall apply.

The appointment of the Manager shall be exclusive to the Manager except to the extent that the Manager otherwise agrees, in its sole and absolute discretion, and except to the extent that the Manager elects, in accordance with the terms of this Agreement, to cause the duties of the Manager hereunder to be provided by third parties.

(b) The Manager, in its capacity as manager of the assets and the day-to-day operations of the Company and the Subsidiaries, at all times will be subject to the supervision and direction of the Board of Directors, and the Manager will have only such functions and authority as the Company may delegate to it, including the functions and authority identified herein and delegated to the Manager hereby. Without limiting the power and authority granted to the Manager pursuant to Section 2(c), the Manager will be responsible for the day-to-day operations of the Company and the Subsidiaries and will perform (or cause to be performed) such services and activities relating to the assets and operations of the Company and the Subsidiaries as may be appropriate, including:

(i) serving as the Company's and the Subsidiaries' consultant with respect to the periodic review of the investment guidelines and other parameters for the Investments, financing activities and operations, which review shall occur no less often than annually, any modification to which shall be approved by a majority of the Independent Directors (such guidelines as initially approved and attached hereto as Exhibit A, as the same may be modified, supplemented or waived with such approval, the "Investment Guidelines");

(ii) identifying, investigating, analyzing and selecting possible investment opportunities and acquiring, negotiating, monitoring, financing, retaining, selling, restructuring or disposing of Investments consistent in all material respects with the Investment Guidelines;

(iii) with respect to prospective purchases, sales or exchanges of Investments, conducting negotiations on behalf of the Company and the Subsidiaries with sellers, purchasers, trustees, primary dealers, custodians and brokers and, if applicable, their respective agents and representatives;

(iv) negotiating and entering into, on behalf of the Company and the Subsidiaries, bank credit facilities, repurchase agreements, interest rate swap agreements, agreements relating to borrowings under programs established by the U.S. Government and/or any agencies thereunder and other agreements and instruments required for the Company and the Subsidiaries to conduct their business;

(v) engaging and supervising, on behalf of the Company and the Subsidiaries and at the expense of Operating Company or its designee(s), independent contractors that provide investment banking, securities brokerage, mortgage brokerage, other financial services, due diligence services, underwriting review services, legal and accounting services, and all other services (including transfer agent and registrar services) as may be required relating to the Company's and the Subsidiaries' operations or Investments (or potential investments);

(vi) advising on, preparing, negotiating and entering into, on behalf of the Company and the Subsidiaries, applications and agreements relating to programs established by the U.S. Government and/or any agencies thereunder;

(vii) coordinating and managing operations of any joint venture or co-investment interests held by the Company and the Subsidiaries and conducting all matters with the joint venture or co-investment partners;

(viii) providing executive and administrative personnel, office space and office services required in rendering services to the Company and the Subsidiaries, including office space for any persons who are employed directly by the Company or its Subsidiaries and who are not simultaneously employed by the Manager or any of its Affiliates;

(ix) administering the day-to-day operations and performing and supervising the performance of such other administrative functions necessary to the management of the Company and the Subsidiaries as may be agreed upon by the Manager and the Board of Directors, including the services in respect of any equity incentive plans, the collection of revenues and the payment of the debts and obligations of the Company and the Subsidiaries and maintenance of appropriate computer services to perform such administrative functions;

(x) communicating on behalf of the Company and the Subsidiaries with the holders of any of their equity or debt securities as required to satisfy the reporting and other requirements of any governmental bodies or agencies or trading markets and to maintain effective relations with such holders, including website maintenance,

logo design, analyst presentations, investor conferences and annual meeting arrangements;

(xi) counseling the Company in connection with policy decisions to be made by the Board of Directors;

(xii) evaluating and recommending to the Board of Directors hedging strategies and engaging in hedging activities on behalf of the Company and the Subsidiaries, consistent with such strategies as modified from time to time, while maintaining the Company's qualification as a REIT and within the Investment Guidelines;

(xiii) counseling the Company regarding the maintenance of its qualification as a REIT and monitoring compliance with the various REIT qualification tests and other rules set forth in the Code and Treasury Regulations thereunder and using commercially reasonable efforts to cause the Company to qualify as a REIT for tax purposes;

(xiv) counseling the Company and the Subsidiaries regarding the maintenance of their exemptions from the status of an investment company required to register under the Investment Company Act, monitoring compliance with the requirements for maintaining such exemptions and using commercially reasonable efforts to cause them to maintain such exemptions from such status;

(xv) furnishing reports and statistical and economic research to the Company and the Subsidiaries regarding their activities and services performed for the Company and the Subsidiaries by the Manager and its Affiliates;

(xvi) monitoring the operating performance of Investments and providing periodic reports with respect thereto to the Board of Directors, including comparative information with respect to such operating performance and budgeted or projected operating results;

(xvii) investing and reinvesting on behalf of the Company and the Subsidiaries any money and securities of the Company and the Subsidiaries (including investing in short-term Investments pending investment in other Investments, payment of fees, costs and expenses and payment of dividends or other distributions to stockholders, members and partners of the Company and the Subsidiaries) and advising the Company and the Subsidiaries as to their capital structure and capital raising;

(xviii) causing the Company and the Subsidiaries to retain qualified accountants, tax professionals and legal counsel, as applicable, to assist in developing appropriate accounting procedures and systems, internal controls and other compliance procedures and testing systems with respect to financial reporting obligations and compliance with the provisions of the Code applicable to REITs and,

if applicable, domestic taxable REIT subsidiaries, and to conduct quarterly compliance reviews with respect thereto;

(xix) assisting the Company and the Subsidiaries in qualifying to do business in all applicable jurisdictions and to obtain and maintain all appropriate licenses;

(xx) assisting the Company and the Subsidiaries in complying with all regulatory requirements applicable to them with respect to their business activities, including preparing or causing to be prepared all financial statements required under applicable regulations and contractual undertakings and all reports and documents, if any, required under the Exchange Act, the Securities Act, or by the applicable National Securities Exchange on which the Common Stock is listed;

(xxi) assisting the Company and the Subsidiaries in taking all necessary actions to enable them to make required tax filings and reports, including soliciting stockholders for all information required by the provisions of the Code and Treasury Regulations applicable to REITs;

(xxii) placing, or arranging for the placement of, all orders pursuant to the Manager’s investment determinations on behalf of the Company and the Subsidiaries, either directly with the issuer or with a broker or dealer (including any affiliated broker or dealer);

(xxiii) handling and resolving on behalf of the Company and the Subsidiaries all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) in which the Company and/or the Subsidiaries may be involved or to which they may be subject arising out of their day-to-day operations (other than with the Manager or its Affiliates), subject to such reasonable limitations or parameters as may be imposed from time to time by the Board of Directors;

(xxiv) using commercially reasonable efforts to cause expenses incurred by the Company and the Subsidiaries or on their behalf to be commercially reasonable or commercially customary and within any budgeted parameters or expense guidelines set by the Board of Directors from time to time;

(xxv) advising the Company and the Subsidiaries with respect to and structuring (1) long-term financing vehicles for their portfolio of assets and (2) the offering and selling of securities publicly or privately in connection with any such structured financing;

(xxvi) serving as the Company’s and the Subsidiaries’ consultant with respect to decisions regarding any financings, hedging activities or borrowings undertaken by the Company and/or the Subsidiaries, including (1) assisting the Company and/or the Subsidiaries in developing criteria for debt and equity financing

that are specifically tailored to the Company's and the Subsidiaries' investment objectives, and (2) advising the Company and the Subsidiaries with respect to obtaining appropriate financing for the Investments;

(xxvii) arranging marketing materials, advertising, industry group activities (such as conference participations and industry organization memberships) and other promotional efforts designed to promote the Company's and the Subsidiaries' business; and

(xxviii) performing such other services as may be required from time to time for the management of, and other activities relating to, the assets, business and operations of the Company and the Subsidiaries as the Board of Directors shall reasonably request or as the Manager shall deem appropriate under the particular circumstances.

Without limiting the foregoing, the Manager will perform portfolio management services (the "Portfolio Management Services") on behalf of the Company and the Subsidiaries with respect to the Investments. Such services will include, but not be limited to, consulting with the Company and the Subsidiaries on the purchase and sale of, and other investment opportunities in connection with, assets; the collection of information and the submission of reports pertaining to the Company's assets, interest rates and general economic conditions; periodic review and evaluation of the performance of the Company's and the Subsidiaries' portfolio of assets; acting as a liaison between the Company and the Subsidiaries and banking, mortgage banking, investment banking and other parties with respect to the purchase, financing and disposition of assets; and other customary functions related to portfolio management. Additionally, the Manager will perform monitoring services (the "Monitoring Services") on behalf of the Company and the Subsidiaries with respect to any activities provided by third parties. Such Monitoring Services will include, but not be limited to, negotiating servicing agreements; acting as a liaison between servicer providers of the assets and the Company and the Subsidiaries; reviewing servicers' delinquency, foreclosure and other reports on assets; supervising claims filed under any insurance policies; and enforcing the obligation of any servicer to repurchase assets.

(c) For the period and on the terms and conditions set forth in this Agreement, the Company, Operating Company and each of the other Subsidiaries hereby constitutes, appoints and authorizes the Manager, and any officer of the Manager acting on its behalf from time to time, as its true and lawful agent and attorney-in-fact, in its name, place and stead, to negotiate, execute, deliver and enter into such finance agreements and arrangements and securities repurchase and reverse repurchase agreements and arrangements, brokerage agreements, interest rate swap agreements, "to be announced" forward contracts, agreements relating to borrowings under programs established by the U.S. Government and/or any agencies thereunder and such other certificates, agreements, instruments and authorizations on their behalf, on such terms and conditions as the Manager, acting in its sole and absolute discretion, deems necessary or appropriate. This power of attorney is deemed to be coupled with an interest. In performing such services, as an agent of the Company, Operating Company and each of the other Subsidiaries, the Manager shall have the right to exercise all powers and authority that are reasonably necessary and customary to

perform its obligations under this Agreement, including the following powers, subject in each case to the terms and conditions of this Agreement, including the Investment Guidelines:

(i) to purchase, exchange or otherwise acquire and to sell, exchange or otherwise dispose of, any Investment at public or private sale;

(ii) to borrow and, for the purpose of securing the repayment thereof, to pledge, mortgage or otherwise encumber investments and enter into agreements in connection therewith, including repurchase agreements, master repurchase agreements, International Swap Dealer Association swap, caps and other agreements and annexes thereto and other futures and forward agreements;

(iii) to purchase, take and hold Investments subject to mortgages or other liens;

(iv) to extend the time of payment of any liens or encumbrances that may at any time be encumbrances upon any Investment, irrespective of by whom the same were made;

(v) to foreclose, to reduce the rate of interest on, and to consent to the modification and extension of the maturity or other terms of any Investments, or to accept a deed in lieu of foreclosure;

(vi) to join in a voluntary partition of any investment;

(vii) to cause to be demolished any structures on any real estate Investment;

(viii) to cause renovations and capital improvements to be made to any real estate Investment;

(ix) to abandon any real estate Investment deemed to be worthless;

(x) to enter into joint ventures or otherwise participate in investment vehicles investing in Investments;

(xi) to cause any real estate Investment to be leased, operated, developed, constructed or exploited;

(xii) to obtain and maintain insurance in such amounts and against such risks as are prudent in accordance with customary and sound business practices in the appropriate geographic area;

(xiii) to cause any property to be maintained in good state of repair and upkeep; and to pay the taxes, upkeep, repairs, carrying charges, maintenance and premiums for insurance;

(xiv) to use the personnel and resources of its Affiliates in performing the services specified in this Agreement; and

(xv) to take any and all other actions as are necessary or appropriate in connection with the Investments.

The Manager shall be authorized to represent to third parties that it has the power to perform the actions that it is authorized to perform under this Agreement.

(d) The Manager may enter into agreements with other parties, including its Affiliates (in accordance with Section 11(a)), for the purpose of engaging one or more parties for and on behalf of the Company and the Subsidiaries, and, except as otherwise agreed, at the sole cost and expense of Operating Company or its designee(s), to provide credit analysis, risk management services, asset management and/or other services to the Company and the Subsidiaries (including Portfolio Management Services and Monitoring Services) pursuant to agreement(s) with terms that are then customary for agreements regarding the provision of services to companies that have assets similar in type, quality and value to the assets of the Company and the Subsidiaries; provided that, with respect to Portfolio Management Services, the Manager shall remain liable for the performance of such Portfolio Management Services.

(e) To the extent that the Manager deems necessary or advisable, the Manager may, from time to time, and at the sole cost and expense of the Manager, propose to retain one or more additional entities for the provision of sub-advisory services to the Manager, in order to enable the Manager to provide the services to the Company and the Subsidiaries specified by this Agreement; provided that any agreements relating to such sub-advisory services shall (i) be on terms and conditions substantially identical to the terms and conditions of this Agreement or otherwise not adverse to the Company and the Subsidiaries and (ii) not result in an increased Base Management Fee or additional expenses payable hereunder.

(f) The Manager may designate, engage and retain, for and on behalf of the Company and the Subsidiaries and, at the sole cost and expense of Operating Company or its designee(s), such services of accountants, legal counsel, appraisers, insurers, brokers, transfer agents, registrars, investment banks, financial advisors, tax advisors, due diligence firms, engineers, banks and other lenders and other professionals, consultants and service providers as the Manager deems necessary or advisable in connection with the management and operations of the Company and the Subsidiaries, which may include Affiliates of the Manager (in accordance with Section 11(a)).

(g) As frequently as the Manager may deem necessary or advisable, or at the direction of the Board of Directors, the Manager shall, at the sole cost and expense of Operating Company or its designee(s), prepare, or cause to be prepared, with respect to any Investment, reports regarding the operating and asset performance and other information reasonably requested by the Company.

(h) The Manager shall prepare, or cause to be prepared, at the sole cost and expense of Operating Company or its designee(s), all reports, financial or otherwise, with respect

to the Company and the Subsidiaries reasonably required by the Board of Directors in order for the Company and the Subsidiaries to comply with their Governing Instruments or any other materials required to be filed with any governmental body or agency, including the SEC, and shall prepare, or cause to be prepared, at the sole cost and expense of Operating Company or its designee(s), all materials and data necessary to complete such reports and other materials, including an annual audit of the Company's and the Subsidiaries' books of account by a nationally recognized registered independent public accounting firm.

(i) The Manager shall prepare, or cause to be prepared, at the sole cost and expense of Operating Company or its designee(s), regular reports for the Board of Directors to enable the Board of Directors to review the Company's and the Subsidiaries' acquisitions, portfolio composition and characteristics, credit quality, performance and compliance with the Investment Guidelines and other policies approved by the Board of Directors.

(j) If requested by the Company, the Manager shall provide, or cause to be provided, at the sole cost and expense of Operating Company or its designee(s), such internal audit, compliance and control services as may be required for the Company and the Subsidiaries to comply with applicable law (including the Securities Act and the Exchange Act), regulation (including SEC regulations) and the rules and requirements of the applicable National Securities Exchange on which the Common Stock is listed and as otherwise reasonably requested by the Company or the Board of Directors from time to time.

(k) Each year, the Manager shall prepare, or cause to be prepared, at the sole cost and expense of the Operating Company or its designee(s), an annual operating budget of the Company, which shall be subject to the approval of the Board of Directors. In addition, any material changes to such annual operating budget shall be subject to the approval of the Board of Directors.

(l) Notwithstanding anything contained in this Agreement to the contrary, except to the extent that the payment of additional money is proven by the Company to have been required as a direct result of the Manager's acts or omissions that result in the right of the Company and the Subsidiaries to terminate this Agreement pursuant to Section 15 of this Agreement, the Manager shall not be required to expend money ("Excess Funds") in connection with any expenses that are required to be paid for or reimbursed by Operating Company or its designee(s) pursuant to Section 11 in excess of that contained in any applicable Company Account or otherwise made available by Operating Company or its designee(s) to be expended by the Manager hereunder. Failure of the Manager to expend Excess Funds out-of-pocket shall not give rise or be a contributing factor to the right of the Company and the Subsidiaries under Section 14(a) of this Agreement to terminate this Agreement due to the Manager's unsatisfactory performance.

(m) In performing its duties under this Section 2, the Manager shall be entitled to rely reasonably on qualified experts and professionals (including accountants, legal counsel and other service providers) hired by the Manager at Operating Company's or Operating Company's designee(s)'s sole cost and expense.

Section 3. Devotion of Time; Additional Activities of the Manager; Allocation of Investment Opportunities; Non-Solicitation; Restrictions.

(a) The Manager and its Affiliates will provide the Company and the Subsidiaries with a management team, including a chief executive officer, president and chief financial officer (provided that each such executive officer shall be satisfactory to and approved by the Board of Directors), along with appropriate support personnel, to provide the management services to be provided by the Manager to the Company and the Subsidiaries hereunder, the members of which team shall devote such portion of their time to the management of the Company and the Subsidiaries as is necessary and appropriate to enable the Company to operate its business, commensurate with the Company's level of activity. None of the officers or employees of the Manager will be dedicated exclusively to the Company and the Subsidiaries. The Manager and Constellation shall provide reasonable access to their respective investment professionals in order to support the day-to-day operations of the Company.

(b) Subject to the terms of the Investment Allocation Policy, none of Constellation or any of its Affiliates, including the Manager, or any of its or their officers, directors, employees or personnel, shall have any duty to refrain from directly or indirectly:

(i) engaging in any business opportunity, including business opportunities in the same or similar business activities or lines of business in which the Company or any of its Affiliates may, from time to time, be engaged or propose to engage (a "Business Opportunity"), including (x) investing in, or rendering advisory services to others investing in, any type of business (including investments that meet the principal investment objectives of the Company), whether or not the investment objectives or policies of any such other Person are similar to those of the Company, including the sponsoring, branding, advising and/or managing of any Other Constellation Funds that employ investment objectives or strategies that overlap, in whole or in part, with the Investment Guidelines of the Company, (y) buying, selling or trading any securities or investments for their own accounts or for the account of others for whom Constellation or any of its Affiliates, including the Manager, or any of its or their officers, directors, employees or personnel may be acting, and (z) receiving fees or other compensation or profits from such activities described in this Section 3(b)(i), which shall be for Constellation's (and/or its Affiliates') sole benefit; or

(ii) competing with the Company, and none of Constellation or any of its Affiliates, including the Manager, shall be liable to the Company for breach of any duty (statutory, contractual or otherwise (other than for breach by Constellation or any of its Affiliates, including the Manager, of any express restrictions on competition contained in any written contract between Constellation or any of its Affiliates, including the Manager, on the one hand, and the Company, on the other hand)) by reason of the fact Constellation or any of its Affiliates, including the Manager, engages in any such activities, and the doctrine of corporate opportunity or any similar doctrine applicable to the Company shall not apply to Constellation or any of its Affiliates, including the Manager. The Company hereby renounces any interest or expectancy in, or in being offered an opportunity to participate in, any Business Opportunity presented to Constellation or any of its Affiliates, including

the Manager, unless such Business Opportunity is offered to an Affiliate of Constellation who is a director or officer of the Company and such Business Opportunity is expressly offered to such director or officer in his or her capacity as a director or officer of the Company (a "Protected Opportunity"). Except for a Protected Opportunity, in the event that Constellation or any of its Affiliates, including the Manager, acquires knowledge of a Business Opportunity, Constellation or its applicable Affiliate, as the case may be, shall have no duty to communicate or offer such Business Opportunity to the Company or any of its Affiliates and shall not be liable to the Company by reason of the fact that Constellation or any of its Affiliates, including the Manager, pursues or acquires such Business Opportunity for itself, directs such Business Opportunity to another Person, or does not present such opportunity to the Company or its subsidiaries.

(c) While information and recommendations supplied to the Company and the Subsidiaries shall, in the Manager's reasonable and good faith judgment, be appropriate under the circumstances and in light of the investment objectives and policies of the Company, such information and recommendations may be different in certain material respects from the information and recommendations supplied by the Manager or any Affiliate of the Manager to others (including, for greater certainty, the Other Constellation Funds and their investors, including Other Constellation Funds in which the Manager or its Affiliates may have a beneficial interest, as described more fully in Section 3(d)). The Manager and the Company acknowledge and agree that, notwithstanding anything to the contrary contained herein, (i) Affiliates of the Manager sponsor, brand, advise and/or manage one or more Other Constellation Funds and may in the future sponsor, brand, advise and/or manage additional Other Constellation Funds, (ii) the Manager will allocate investment opportunities that overlap with the Investment Guidelines of the Company and such Other Constellation Funds in accordance with the Investment Allocation Policy, to the extent applicable, and (iii) nothing in this Agreement shall prevent the Company and the Subsidiaries from entering into transactions that constitute co-investments with Other Constellation Funds; provided that any such transaction described in this clause (iii) is (1) permitted pursuant to the Investment Guidelines or (2) receives or has received the prior approval of the Board of Directors (including a majority of the Independent Directors). The Investment Allocation Policy may not be materially amended in any manner that is reasonably likely to be adverse to the Company, unless such amendment has been approved by a majority of the Independent Directors.

(d) In connection with the services of the Manager hereunder, the Company acknowledges and/or agrees that (i) as part of Constellation's regular businesses, personnel of the Manager and its Affiliates may from time-to-time work on other projects and matters (including with respect to one or more Other Constellation Funds), and that conflicts may arise with respect to the allocation of personnel between the Company and the Subsidiaries and one or more Other Constellation Funds and/or the Manager and such other Affiliates, (ii) there may be circumstances where investments that are consistent with the Company's Investment Guidelines may be shared with or allocated to one or more Other Constellation Funds (in lieu of the Company and the Subsidiaries) in accordance with the Investment Allocation Policy, to the extent applicable, (iii) the Manager and its Affiliates may from time-to-time receive fees from portfolio entities or other issuers

for the arranging, underwriting, syndication or refinancing of investments or other additional fees, including acquisition fees, loan servicing fees, special servicing fees and administrative fees and fees or advisory or asset management fees, including with respect to Other Constellation Funds and related portfolio entities, and while such fees may give rise to conflicts of interest, the Company and the Subsidiaries will not receive the benefit of any such fees, and (iv) the terms and conditions of the Governing Instruments of such Other Constellation Funds (including with respect to the economic, reporting and other rights afforded to investors in such Other Constellation Funds) are materially different from the terms and conditions applicable to the Company and the Subsidiaries and their respective equityholders, and none of the Company, the Subsidiaries or any such equityholders (in such capacity) shall have the right to receive the benefit of any such different terms applicable to investors in such Other Constellation Funds as a result of an investment in the Company or the Subsidiaries or otherwise.

(e) Where investments that are consistent with the Company's Investment Guidelines are shared with one or more Other Constellation Funds, the Manager may, but is not obligated to, aggregate sales and purchase orders of securities and other investments of the Company and the Subsidiaries with similar orders being made simultaneously for such Other Constellation Funds, if in the Manager's judgment, such aggregation is likely to result generally in an overall economic benefit to the Company and the Subsidiaries. The determination of such economic benefit to the Company and the Subsidiaries by the Manager is subjective and represents the Manager's evaluation that the Company and the Subsidiaries are benefited by relatively better purchase or sales prices, lower commission expenses, increased access to investment opportunities, beneficial timing of transactions or a combination of these and other factors.

(f) Managers, partners, officers, employees, personnel and agents of the Manager or Affiliates of the Manager may serve as directors, officers, employees, partners, personnel, agents, nominees or signatories for the Company and/or any Subsidiary, to the extent permitted by their Governing Instruments or by any resolutions duly adopted by the Board of Directors pursuant to the Company's Governing Instruments. When executing documents or otherwise acting in such capacities for the Company or the Subsidiaries, such persons shall use their respective titles in the Company or the Subsidiaries.

(g) Subject to Section 2(d), the Manager is authorized, for and on behalf of the Company, and at the sole cost and expense of Operating Company or its designee(s), to employ securities dealers for the purchase and sale of Investments as the Manager deems necessary or appropriate, in its sole discretion.

(h) The Company agrees to take, or cause to be taken, all actions reasonably required to permit and enable the Manager to carry out its duties and obligations under this Agreement, including all steps reasonably necessary to allow the Manager to make any filing or application, or provide any notice, required to be made or provided under the Securities Act, Exchange Act, Code, or other applicable law, rule or regulation, including the rules and regulations of the applicable National Securities Exchange on which the Common Stock is listed, on behalf of the Company in a timely manner. The Company further agrees to use commercially reasonable efforts to make available to the Manager all resources, information and materials reasonably

requested by the Manager to enable the Manager to satisfy its obligations hereunder, including its obligations to deliver financial statements and any other information or reports with respect to the Company or any Subsidiary.

(i) In the event of a termination of this Agreement by the Company pursuant to Section 14(a), for two (2) years after such termination of this Agreement, the Company and the Subsidiaries shall not, and shall cause any successor to the Manager not to, without the consent of the Manager, employ or otherwise retain any employee of the Manager or any of its Affiliates or any person who has been employed by the Manager or any of its Affiliates at any time within the two (2)-year period immediately preceding the date on which such person commences employment with or is otherwise retained by the Company, a Subsidiary or any successor to the Manager. The Company acknowledges and agrees that, in addition to any damages, the Manager may be entitled to equitable relief for any violation of this Section 3(i) by the Company, the Subsidiaries or any successor to the Manager, including injunctive relief.

Section 4. Agency. The Manager shall act as agent of the Company and the Subsidiaries in making, acquiring, financing and disposing of Investments, disbursing and collecting the funds of the Company and the Subsidiaries, paying the debts and fulfilling the obligations of the Company and the Subsidiaries, supervising the performance of professionals engaged by or on behalf of the Company and the Subsidiaries and handling, prosecuting and settling any claims of or against the Company and the Subsidiaries, the Board of Directors, holders of the Company's securities or representatives or assets of the Company and the Subsidiaries.

Section 5. Bank Accounts. At the direction of the Board of Directors, the Manager may establish and maintain as an agent on behalf of the Company, one or more bank accounts in the name of the Company or any Subsidiary (any such account, a "Company Account"), and may collect and deposit funds into any such Company Account or Company Accounts, and disburse funds from any such Company Account or Company Accounts, under such terms and conditions as the Board of Directors may approve; and the Manager from time to time render appropriate accountings of such collections and payments to the Board of Directors and, upon request, to the auditors of the Company or any Subsidiary.

Section 6. Records; Confidentiality.

(a) The Manager shall maintain appropriate books of accounts and records relating to services performed under this Agreement, and such books of account and records shall be accessible for inspection by representatives of the Company or any Subsidiary at any time during normal business hours.

(b) The Manager shall keep confidential any and all confidential, proprietary or non-public information of or concerning the performance, terms, business, operations, activities, personnel, training, finances, actual or potential investments, plans, compensation, clients or investors of the Company or the Subsidiaries, written or oral, obtained by the Manager in connection with the services rendered under this Agreement ("Confidential Information") and shall not disclose any such Confidential Information (or use the same except in furtherance of its duties under this Agreement) to unaffiliated third parties, except: (i) to officers, directors, employees, agents,

representatives or advisors of the Manager or its Affiliates who need to know such Confidential Information for the purpose of rendering services hereunder or in furtherance of Constellation's asset management or capital markets businesses; (ii) with the prior written consent of the Board of Directors; (iii) to legal counsel, accountants and other professional advisors; (iv) to appraisers, lenders or other potential financing sources, co-originators, custodians, administrators, brokers, commercial counterparties or any similar entity and others in the ordinary course of the Company's and the Subsidiaries' business; (v) to governmental agencies or officials having jurisdiction over the Company or any Subsidiary; (vi) in connection with (1) any governmental or regulatory filings of the Company or any Subsidiary (including any filings made by Constellation) or (2) subject to an undertaking of confidentiality, non-disclosure and non-use, disclosure or presentations to investors of the Company or Constellation; (vii) to existing or prospective investors in Other Constellation Funds and their advisors to the extent such persons reasonably request such information, subject to an undertaking of confidentiality, non-disclosure and non-use; (viii) otherwise with the consent of the Company, including pursuant to a separate agreement entered into between the Manager and/or any Other Constellation Fund and the Company; (ix) as required by law or legal process to which the Manager or any person to whom disclosure is permitted hereunder is a party; or (x) to the extent reasonably required in connection with the exercise of any remedy hereunder; provided, however, that with respect to clause (ix), it is agreed that, to the extent practicable and so long as not legally prohibited, the Manager will (w) provide the Company with written notice within a reasonable period of time of the existence, terms and circumstances surrounding the law or legal process requiring disclosure of such Confidential Information, (x) consult with the Company on the advisability of taking steps to resist or narrow such disclosure obligation, (y) if disclosure of such Confidential Information is required, furnish only such portion of the Confidential Information as the Manager is advised by counsel is legally required to be disclosed, and (z) cooperate, at the Company's expense, with any action reasonably requested by the Company in its efforts to obtain an order or other reliable assurance that confidential treatment will be accorded to such portion of the Confidential Information that is required to be disclosed. Notwithstanding the foregoing, Confidential Information shall not include information that (A) is in the public domain at the time it is received by the Manager, (B) becomes public other than by reason of a disclosure by the Manager in breach of this Agreement, (C) was already in the possession of the Manager prior to the time it was received by the Manager from the Company or its Affiliates, (D) was obtained by the Manager from a third party and, to the Manager's knowledge, was not disclosed in breach of an obligation of such third party not to disclose such information, or (E) was developed independently by the Manager without using or referring to any of the Confidential Information. The provisions of this Section 6(b) shall survive the expiration or earlier termination of this Agreement for a period of one (1) year.

Section 7. Obligations of Manager; Restrictions.

(a) The Manager shall require each seller or transferor of Investments to the Company and the Subsidiaries to make such representations and warranties regarding such assets as may, in the judgment of the Manager, be necessary and appropriate. In addition, the Manager shall take such other action as it deems necessary or appropriate with regard to the protection of the Investments.

(b) The Manager shall refrain from any action that, in its sole judgment made in good faith:

(i) is not in compliance with the Investment Guidelines;

(ii) would adversely and materially affect the qualification of the Company as a REIT under the Code;

(iii) would adversely and materially affect the Company's or any Subsidiary's status as an entity intended to be exempted or excluded from registration under the Investment Company Act; or

(iv) would violate any law, rule or regulation of any governmental body or agency having jurisdiction over the Company or any Subsidiary or that would otherwise not be permitted by the Company's Governing Instruments, code of conduct or other compliance or governance policies and procedures or those of the applicable National Securities Exchange on which the Common Stock is listed.

If the Manager is ordered to take any such action by the Board of Directors, the Manager shall promptly notify the Board of Directors if it is the Manager's judgment that such action would adversely and materially affect the qualification of the Company as a REIT, the Company's or any Subsidiary's status as an entity intended to be exempted or excluded from registration under the Investment Company Act, or violate any such law, rule or regulation or the Governing Instruments. Notwithstanding the foregoing, the Manager and its officers, directors, members, managers and employees shall not be liable to the Company or any Subsidiary or to any director or stockholder of the Company or any Subsidiary for acts or omissions performed in accordance with and pursuant to this Agreement, except as provided in Section 13 of this Agreement.

(c) The Board of Directors may periodically review the Investment Guidelines and the Company's and the Subsidiaries' portfolio of Investments, but is not required to review each proposed investment; provided that the Manager shall not consummate on behalf of the Company or any Subsidiary any transaction (other than a transaction that constitutes a co-investment, which is addressed in Section 3(c)(iii) above) that involves (i) the sale of any investment to, (ii) the acquisition of any investment from, (iii) investing in, (iv) merging with, (v) arranging financing from, or (vi) providing financing to, Constellation, any Other Constellation Fund or any of their Affiliates, unless such transaction (A) is on terms no more favorable to Constellation, any Other Constellation Fund or any of their Affiliates than would be obtained from a third party on an arm's length basis and (B) has been approved by a majority of the Independent Directors. In connection with the foregoing, it is understood and/or agreed for greater certainty that, while conflicts of interests may arise from time-to-time in connection with the investment activities of the Company, Constellation and the Other Constellation Funds (including as more fully described in Sections 3(c) and 3(d) above) and the Manager will seek to resolve any such conflicts of interest in a fair and equitable manner in accordance with the Investment Allocation Policy, to the extent applicable, and its prevailing policies and procedures with respect to conflicts resolution among Other Constellation Funds generally, there can be no assurance that any such conflicts will be resolved in favor of the Company and the Subsidiaries and only those transactions set forth above

shall be required to be presented for approval by the Independent Directors; provided that the foregoing shall not limit the ability of the Manager, in its discretion, to present additional matters involving the Company and/or the Subsidiaries to the Independent Directors from time-to-time for review, advice and/or approval to the extent the Manager reasonably determines that doing so is appropriate under the circumstances (including as a result of a determination that such matters give rise to material conflicts of interest that are appropriate to be reviewed and/or approved by the Independent Directors); provided further that if (x) the majority of the Independent Directors approve any matter or transaction presented for their approval despite a conflict of interest after the Manager has disclosed all material facts relating to such conflict of interest or (y) the Manager acts in a manner, or pursuant to standards or procedures, approved by a majority of the Independent Directors with respect to such conflicts of interest that arise or may arise from time to time, then the Manager shall not have any liability to the Company, the Subsidiaries or any of their respective equityholders by reason of such conflict of interest for actions in respect of such matter taken in good faith by any of them, including actions in the pursuit of their own interests. If a majority of the Independent Directors determine in their periodic review of transactions that a particular transaction does not comply with the Investment Guidelines, then a majority of the Independent Directors will consider what corrective action, if any, can be taken. The Manager shall be permitted to rely upon the direction of the Secretary of the Company to evidence the approval of the Board of Directors or the Independent Directors with respect to a proposed investment.

(d) The Manager shall not consummate on behalf of the Company or any Subsidiary any offering or repurchase of the Company's common or preferred equity securities or debt obligations unless such offering or repurchase has been authorized and/or approved by the Board of Directors or a duly constituted committee of the Board of Directors.

(e) The Manager agrees to be bound by all policies and procedures, including the Company's code of conduct and other compliance and governance policies and procedures, applicable to the Manager and its officers, directors, members, managers and employees that are adopted by the Board of Directors from time to time, including those required under the Exchange Act, the Securities Act, or by the applicable National Securities Exchange on which the Common Stock is listed, and to take, or cause to be taken, all actions reasonably required to cause its officers, directors, members, managers and employees, and any principals, officers or employees of its Affiliates (including Constellation) who are involved in the business and affairs of the Company, to be bound by such policies and procedures to the extent applicable to such Persons.

(f) The Manager shall at all times during the term of this Agreement maintain "errors and omissions" insurance coverage and other insurance coverage that is customarily carried by asset and investment managers performing functions similar to those of the Manager under this Agreement with respect to assets similar to the assets of the Company and the Subsidiaries, in an amount which is comparable to that customarily maintained by other managers or servicers of similar assets.

Section 8. Base Management Fee.

(a) During the Initial Term and any Renewal Term, Operating Company or its designee(s) shall pay the Manager the Base Management Fee quarterly in arrears, commencing with

the quarter in which the Effective Date occurs (with such initial and final payments pro-rated based on the number of days during such initial and final quarter, respectively, that this Agreement was in effect). The Base Management Fee is payable independent of the performance of the Company, any of the Subsidiaries or the Investments.

(b) The Manager shall compute each installment of the Base Management Fee within thirty (30) days after the end of the calendar quarter with respect to which such installment is payable. A copy of the computations made by the Manager to calculate such installment of the Base Management Fee shall thereafter promptly be delivered to the Board of Directors and, upon such delivery, payment of such installment of the Base Management Fee shown therein shall, subject in any event to Section 14(a) of this Agreement, be due and payable in cash no later than the date that is five (5) Business Days after the date of delivery to the Board of Directors of such computations.

(c) The Base Management Fee is subject to adjustment pursuant to and in accordance with the provisions of Section 14(a) of this Agreement.

Section 9. Incentive Fee.

(a) The Incentive Fee shall be payable in arrears in cash, in quarterly installments commencing with the quarter in which the Effective Date occurs. The Manager shall compute each quarterly installment of the Incentive Fee within forty-five (45) days after the end of the calendar quarter with respect to which such installment is payable. A copy of the computations made by the Manager to calculate such installment shall thereafter promptly be delivered to the Board of Directors and, upon such delivery, payment of such installment of the Incentive Fee shown therein shall be due and payable no later than the date which is five (5) Business Days after the date of delivery to the Board of Directors of such computations.

Section 10. Other Compensation Matters. As a component of the Manager's compensation, the Company or any Subsidiary may issue to the Manager or personnel of the Manager stock-based or other equity-based compensation under the Company's or any such Subsidiary's equity incentive plan.

Section 11. Expenses of the Company.

(a) Operating Company or its designee(s) shall pay all of the expenses of the Company Parties and shall reimburse the Manager for documented expenses of the Manager incurred on behalf of the Company Parties (collectively, the "Expenses") excepting only those expenses that are specifically the responsibility of the Manager pursuant to Section 2 of this Agreement. Notwithstanding anything contained herein to the contrary, the Manager shall have the right to cause any services contemplated by this Agreement (including pursuant to Sections 2(d) and 2(f)) to be rendered by the Manager's personnel or Affiliates (and Operating Company or its designee(s) shall pay or reimburse the Manager or its applicable Affiliate performing such services for the documented cost thereof); provided that such services may be provided by personnel or Affiliates of the Manager only to the extent that such costs and reimbursements are no greater than those that would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's length basis. Without limiting the generality of the foregoing, it is specifically

agreed that the following costs and expenses of the Company Parties shall be paid by Operating Company or its designee(s) and shall not be paid by the Manager or Affiliates of the Manager:

(i) fees, costs and expenses in connection with the Initial Public Offering, if any;

(ii) fees, costs and expenses in connection with the issuance and transaction costs incident to the Company's and the Subsidiaries' unconsummated investments and the acquisition, negotiation, structuring, trading, settling disposition and financing of the Company's and the Subsidiaries' consummated Investments, including brokerage commissions, hedging costs, prime brokerage fees, custodial expenses, clearing and settlement charges, forfeited deposits, and other investment costs, fees and expenses actually incurred in connection with the pursuit, making, holding, settling, monitoring or disposing of actual or potential investments;

(iii) the cost of legal, tax, accounting, consulting, auditing, finance, administrative, investment banking, capital markets and other similar services rendered for the Company and the Subsidiaries by providers retained by the Manager, which may include personnel or Affiliates of the Manager;

(iv) the compensation and expenses of the Company's directors (excluding those directors who are officers of the Manager) and the cost of "errors and omissions" liability insurance to indemnify the Company's directors and officers;

(v) interest, fees and expenses arising out of borrowings made by the Company or any Subsidiary, including costs associated with the establishment and maintenance of any of the Company's or any Subsidiary's credit facilities, other financing arrangements, or other indebtedness of the Company or any Subsidiary (including commitment fees, accounting fees, legal fees, closing and other similar costs) or any of the Company's or any Subsidiary's securities offerings;

(vi) expenses connected with communications to holders of the Company's or any Subsidiary's securities and other bookkeeping and clerical work necessary in maintaining relations with holders of such securities and in complying with the continuous reporting and other requirements of governmental bodies or agencies, including all costs of preparing and filing required reports with the SEC, the costs payable by the Company to any transfer agent and registrar in connection with the listing and/or trading of the Company's stock on any National Securities Exchange, the fees payable by the Company to any such National Securities Exchange in connection with its listing, costs of preparing, printing and mailing the Company's annual report to its stockholders and proxy materials with respect to any meeting of the Company's stockholders;

(vii) technology-related expenses, including costs associated with any computer software or hardware, electronic equipment or purchased information

technology services from third party vendors, in each case that is used by the Company and/or the Subsidiaries;

(viii) expenses incurred by managers, officers, personnel and agents of the Manager for travel solely on the Company’s behalf and other out-of-pocket expenses incurred by managers, officers, personnel and agents of the Manager in connection with the purchase, financing, refinancing, sale or other disposition of an Investment or the establishment and maintenance of any of the Company’s or any Subsidiary’s securitizations or any of their securities offerings;

(ix) costs and expenses incurred with respect to market information systems and publications, research publications and materials, and settlement, clearing and custodial fees and expenses applicable solely to the Company or any Subsidiary;

(x) the Company’s and the Subsidiaries’ allocable share of the compensation, including annual base salary, bonus, any related withholding taxes and employee benefits, paid to (1) the Manager’s personnel serving as the Company’s chief financial officer, based on the percentage of his or her time spent managing the Company’s and the Subsidiaries’ affairs, and (2) other corporate finance, tax, accounting, internal audit, legal risk management, operations, compliance and other non-investment personnel of the Manager or its Affiliates who spend all or a portion of their time managing the Company’s and the Subsidiaries’ affairs (and the Company’s and the Subsidiaries’ share of such costs shall be based upon the percentage of time devoted by such personnel of the Manager or its Affiliates to the Company’s and the Subsidiaries’ affairs);

(xi) compensation and expenses of the Company’s custodian, transfer agent and trustee, if any;

(xii) the cost of maintaining compliance with all U.S. federal, state and local rules and regulations or with any other regulatory agency;

(xiii) the costs and expenses relating to ongoing regulatory compliance matters and regulatory reporting obligations relating to the Company’s and the Subsidiaries’ activities;

(xiv) all taxes and license fees;

(xv) all insurance costs incurred in connection with the operation of the Company’s and the Subsidiaries’ business, except for the costs attributable to the insurance that the Manager elects to carry for itself and its personnel;

(xvi) costs and expenses incurred in contracting with third parties for the servicing of the assets of the Company and the Subsidiaries;

(xvii) all other costs and expenses relating to the Company's and the Subsidiaries' business and investment operations, including the costs and expenses of acquiring, owning, protecting, maintaining, developing and disposing of Investments, including appraisal, reporting, audit and legal fees;

(xviii) expenses relating to any office(s) or office facilities, including disaster backup recovery sites and facilities, maintained for the Company and the Subsidiaries or Investments separate from the office or offices of the Manager;

(xix) expenses connected with the payments of interest, dividends or distributions in cash or any other form authorized or caused to be made by the Board of Directors to or on account of holders of the Company's or any Subsidiary's securities, including in connection with any dividend reinvestment plan;

(xx) the costs of any litigation or other pending or threatened proceedings (whether civil, criminal or otherwise) involving the Company or any Subsidiary or their respective assets and the amount of any judgment or settlement against the Company or any Subsidiary, or against any trustee, director, partner, member or officer of the Company or of any Subsidiary in his, her or its capacity as such for which the Company or any Subsidiary is required to indemnify such Person by any court or governmental agency; and

(xxi) all other expenses actually incurred by the Manager (except as described below) that are reasonably necessary for the performance by the Manager of its duties and functions under this Agreement;

provided, however, that with respect to expenses incurred by the Manager in connection with assets acquired by or services rendered to the Company together with any Other Constellation Funds, Operating Company or its designee(s) shall only be responsible for the Company Parties' pro rata share of such expenses, based on the ratio of the amount of capital contributed by the Company Parties for any investment in such assets compared to the total capital invested in such assets.

(b) Operating Company or its designee(s) will be required to pay the Company's and the Subsidiaries' pro rata portion of rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of the Manager and its Affiliates required for the operations of the Company and the Subsidiaries. These expenses will be allocated between the Manager, on the one hand, and the Company and the Subsidiaries, on the other hand, based on the ratio of the Company's and the Subsidiaries' proportion of gross assets compared to all remaining gross assets managed or held by Constellation and its Affiliates, including the Manager, as calculated at each quarter end. The Manager and the Company will modify this allocation methodology, subject to the Independent Directors' approval, if the allocation becomes inequitable (*i.e.*, if the Company and the Subsidiaries become highly leveraged compared to Constellation or the Other Constellation Funds). Operating Company or its designee(s) will also be required to pay the rent for office space and other office, internal and overhead expenses incurred by persons who are employed directly by the Company or the Subsidiaries and who are not simultaneously employed by the Manager or any of its Affiliates.

(c) The Manager may, at its option, elect not to seek reimbursement for certain expenses during a given quarterly period, which determination shall not be deemed to constitute a waiver of reimbursement for similar expenses in future periods.

(d) The provisions of this Section 11 shall survive the expiration or earlier termination of this Agreement to the extent such expenses have previously been incurred or are incurred in connection with such expiration or termination.

Section 12. Calculations of Expenses. The Manager shall prepare a written statement documenting in reasonable detail the Expenses during each calendar quarter, and shall use commercially reasonable efforts to deliver such statement to the Company within thirty (30) days after the end of each calendar quarter (subject to reasonable delays resulting from delays in the receipt of information). Expenses shall be reimbursed by Operating Company or its designee(s) to the Manager no later than the fifteenth (15th) Business Day immediately following the date of delivery of such statement; provided, however, that such reimbursements may be offset by the Manager against amounts due to the Company and the Subsidiaries from the Manager. The provisions of this Section 12 shall survive the expiration or earlier termination of this Agreement.

Section 13. Limits of the Manager's Responsibility; Indemnification.

(a) The Manager assumes no responsibility under this Agreement other than to render the services called for under this Agreement in good faith and shall not be responsible for any action of the Board of Directors in following or declining to follow any advice or recommendations of the Manager, including as set forth in Section 7(b) of this Agreement. To the fullest extent permitted by law, the Manager and its Affiliates, including their respective directors, members, officers, managers, employees, trustees, control persons, partners, stockholders and equityholders, will not be liable to the Company, any Subsidiary, the Board of Directors, the Company's stockholders or any Subsidiary's stockholders, members or partners for any acts or omissions by any such Person (including trade errors that may result from ordinary negligence, including errors in the investment decision making process or in the trade process), performed in accordance with and pursuant to this Agreement, whether by or through attempted piercing of the corporate veil, principles of fiduciary duty and agency, by or through a claim, by the enforcement of any judgment or assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable law, or otherwise, except by reason of acts or omission constituting gross negligence, fraud, willful misconduct, bad faith or reckless disregard of the Manager's duties under this Agreement.

(b) The Company, to the fullest extent permitted by law, shall indemnify and hold harmless the Manager, its Affiliates and the Manager's and its Affiliates' respective officers, directors, members, managers, employees, stockholders, partners, trustees, control persons and equityholders (each a "Manager Covered Person") from and against any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever, including reasonable legal fees and other expenses reasonably incurred (collectively, "Losses"), in respect of, arising out of or in connection with the business and operations of the Company or any Subsidiary or any action taken or omitted by any such Manager Covered Person in good faith by or on behalf of the Company or any Subsidiary pursuant to authority granted by this Agreement, except where found by a court

of competent jurisdiction to be attributable to the gross negligence, fraud, willful misconduct or bad faith of any such Manager Covered Person or the reckless disregard by such Manager Covered Person of their duties under this Agreement. In the event that any Manager Covered Person becomes involved in any capacity in any suit, action, proceeding or investigation in connection with any matter arising out of or in connection with the Manager's duties hereunder, the Company will periodically reimburse such Manager Covered Person for its reasonable legal and other expenses (including the cost of any investigation and preparation) incurred in connection therewith; provided, however, that prior to any such advancement of expenses (i) such Manager Covered Person shall provide the Company with an undertaking to promptly repay to the Company the amount of any such expenses paid to it if it shall ultimately be determined that such Manager Covered Person is not entitled to be indemnified by the Company as herein provided in connection with such suit, action, proceeding or investigation, and (ii) such Manager Covered Person shall provide the Company with a written affirmation that such Manager Covered Person in good faith believes that it has met the standard of conduct necessary for indemnification hereunder; provided, further, however, that the failure for any reason of the Company to advance funds to any Manager Covered Person shall in no way affect such Manager Covered Person's right to reimbursement of such costs if it is ultimately determined that such Manager Covered Person was entitled to indemnification pursuant to the terms hereof.

(c) The Manager, to the fullest extent permitted by law, shall indemnify and hold harmless the Company, Operating Company and any other Subsidiary, including their respective officers, directors, members, managers, employees, stockholders, partners, trustees, control persons and equityholders (each, a "Company Covered Person"; a Manager Covered Person and a Company Covered Person are each sometimes hereinafter referred to as an "Indemnified Party") of and from any and all Losses in respect of, arising out of or in connection with (i) any action taken or omitted by the Manager that is found by a court of competent jurisdiction to constitute gross negligence, fraud, willful misconduct, bad faith or reckless disregard of the Manager's duties under this Agreement or (ii) any claims by the Manager's employees relating to the terms and conditions of their employment by the Manager.

(d) An Indemnified Party will promptly notify the party from whom indemnification is sought pursuant to Section 13(b) or 13(c), as applicable (the "Indemnifying Party"), of the occurrence of any action, claim, suit, proceeding or investigation (a "Claim") likely to result in an indemnification request pursuant hereto and shall describe the nature of the Claim; provided, however, that any failure by such Indemnified Party to notify the Indemnifying Party will not relieve the Indemnifying Party from its obligations hereunder, except to the extent that such failure shall have actually prejudiced the Indemnifying Party's ability to eliminate or reduce any liability or the defense of such action. Each Indemnified Party hereby undertakes, and the Indemnifying Party hereby accepts each Indemnified Party's undertaking, to repay any and all such amounts so advanced if it shall ultimately be determined that such Indemnified Party is not entitled to be indemnified therefor. The Indemnifying Party will be entitled to take control, at its own cost, in the defense of said Claim, including the selection of counsel, in the Indemnifying Party's sole discretion. In such a case, the Indemnified Party shall provide the Indemnifying Party with all necessary information and shall consult with the Indemnified Party on the conduct of its defense. Such cooperation shall include the retention and (upon the Indemnifying Party's request) the

provision to the Indemnifying Party of records and information that are reasonably relevant to such third-party claim, and the use of reasonable efforts to make employees available to provide additional information and explanation of any material provided hereunder. Should the Indemnifying Party so elect to assume the defense of a third-party claim, the Indemnifying Party will not be liable to any Indemnified Party for legal expenses subsequently incurred by such Indemnified Party in connection with the defense thereof, unless the third-party claim involves potential conflicts of interest between the Indemnified Party and the Indemnifying Party. If the Indemnifying Party assumes such defense, the Indemnified Party shall have the right to participate in the defense thereof and to employ counsel, at its own expense (except as provided in the immediately preceding sentence), separate from the counsel employed by the Indemnifying Party, it being understood that the Indemnifying Party shall control such defense. No Indemnified Party shall settle, compromise or consent to the entry of a judgment with respect to any pending or threatened Claim in respect of which indemnification can be sought under this Agreement without the Indemnifying Party's prior written consent, in its sole discretion. The Indemnifying Party shall accept no liability or settlement in the context of Claims the consequences of which would be likely to give rise to indemnification pursuant hereto, without the prior written consent of the applicable Indemnified Party, unless such settlement agreement includes a full and unreserved clause of exclusion of liability of any Indemnified Party in the context of such dispute.

(e) Notwithstanding any provision of this Section 13 to the contrary, to the fullest extent permitted by law, (i) each Indemnified Party must use commercially reasonable efforts to pursue all other sources of indemnification, advancement, insurance and contribution it has against third parties, including portfolio companies (or any legal entity in which the Indemnifying Party holds an investment), with respect to the amounts to which it is entitled under this Section 13, (ii) any such third party, including any portfolio company (or any other legal entity in which the Indemnifying Party holds an investment), shall be the indemnitor of first resort and any obligation of the Indemnifying Party to provide payments under this Section 13 for amounts to which an Indemnified Party is entitled are secondary, (iii) if the Indemnifying Party pays or causes to be paid any amounts under this Section 13 that should have been paid by a third party, including any portfolio company (or any legal entity in which the Indemnifying Party holds an investment), then (A) the Indemnifying Party shall be fully subrogated to the rights of such Indemnified Party with respect to such payment, (B) such Indemnified Party shall assign to the Indemnifying Party all of such Indemnified Party's rights to advancement, indemnification and contribution from or with respect to such third party, including any portfolio company (or any legal entity in which the Indemnifying Party holds an investment), and (C) such Indemnified Party shall cooperate with the Indemnifying Party (at the expense of the Indemnifying Party) in its efforts to recover such payments through indemnification or otherwise, including filing a claim against such third party in the name of the Indemnified Party, (iv) the Indemnified Party will not agree to subordinate or otherwise compromise or release indemnity from a third party, including any portfolio company (or any legal entity in which the Indemnifying Party holds an investment) and (v) in the event the Indemnifying Party has previously provided separate indemnification or advancement in connection therewith, the Indemnified Party shall reimburse the Indemnifying Party with any subsequent proceeds it receives from such third parties, including portfolio companies (or other legal entities in which the Indemnifying Party holds an investment). The intent of this Section 13(e) is to set forth the relative responsibilities of the Indemnifying Party and other third parties, including portfolio companies (or

other legal entities in which the Indemnifying Party holds an investment), who have overlapping indemnity, advancement or contribution obligations to an Indemnified Party. Nothing in this Section 13(e) is intended to diminish the indemnification and advancement rights given by the Indemnifying Party to an Indemnified Party, including the right to receive prompt payment of valid indemnification and advancement claims if any third party is unwilling or unable to do so promptly.

(f) The provisions of this Section 13 shall survive the expiration or earlier termination of this Agreement.

Section 14. Term; Termination.

(a) Until this Agreement is terminated in accordance with its terms, this Agreement shall continue in operation until the third (3rd) anniversary of the Effective Date (the "Initial Term") and shall be automatically renewed for a one (1)-year term on each anniversary date thereafter (a "Renewal Term") unless the Company or the Manager elects not to renew this Agreement in accordance with this Section 14(a) or Section 14(c), respectively. The Company may elect not to renew this Agreement upon the expiration of the Initial Term or any Renewal Term by providing at least one hundred eighty (180) days' prior written notice to the Manager (the "Termination Notice") only if there has been an affirmative vote of at least two-thirds of the Independent Directors that (i) there has been unsatisfactory performance by the Manager that is materially detrimental to the Company and the Subsidiaries or (ii) the compensation payable to the Manager, in the form of Base Management Fees and Incentive Fees, or the amount thereof, is unfair to any of the Company Parties. If the Company issues the Termination Notice, the Company shall be obligated to (x) specify the reason for nonrenewal in the Termination Notice (pursuant to either clause (i) or (ii) of the immediately preceding sentence of this paragraph) and (y) pay the Manager the Termination Fee on or before the last day of the Initial Term or Renewal Term (the "Effective Termination Date"). Notwithstanding the foregoing provisions of this Section 14(a), in the event that such Termination Notice is given in connection with a determination that the compensation payable to the Manager is unfair, the Manager shall have the right to renegotiate such compensation by delivering to the Company, no fewer than one hundred and twenty (120) days prior to the prospective Effective Termination Date, written notice (any such notice, a "Notice of Proposal to Negotiate") of its intention to renegotiate its compensation under this Agreement. Upon receipt by the Company of a Notice of Proposal to Negotiate, the Company (represented by the Independent Directors) and the Manager shall endeavor to negotiate in good faith the revised compensation payable to the Manager under this Agreement. If the Manager and at least two-thirds of the Independent Directors agree to the terms of the revised compensation to be payable to the Manager within one hundred and twenty (120) days following the Company's receipt of the Notice of Proposal to Negotiate, the Termination Notice from the Company shall be deemed of no force and effect, and this Agreement shall continue in full force and effect on the terms stated in this Agreement, except that the compensation payable to the Manager shall be the revised compensation then agreed upon by the Company and the Manager. The Company, Operating Company and the Manager agree to execute and deliver an amendment to this Agreement setting forth such revised compensation promptly upon reaching an agreement regarding the same. In the event that the Company and the Manager are unable to agree to the terms of the revised compensation to be

payable to the Manager during such one hundred and twenty (120)-day period, this Agreement shall terminate, such termination to be effective on the date that is the later of (A) ten (10) days following the end of such one hundred and twenty (120)-day period and (B) the Effective Termination Date originally set forth in the Termination Notice, and Operating Company shall be obligated to pay the Manager the Termination Fee upon the effective date of termination as provided in Section 14(b) below. Nothing in this Section 14(a) shall prohibit the Company from discussing or negotiating with any Person the terms of a replacement manager and management agreement during such one hundred and twenty (120)-day period.

(b) In recognition of the upfront effort required by the Manager to structure and acquire the assets of the Company and the Subsidiaries and the commitment of resources by the Manager, in the event that this Agreement is terminated in accordance with the provisions of Section 14(a) or Section 15(b) of this Agreement, the Company shall pay to the Manager, on the date on which such termination is effective, a termination fee (the "Termination Fee") equal to three (3) times the sum of (i) the average annual Base Management Fee and (ii) the average annual Incentive Fee, in each case earned by the Manager during the twenty-four (24)-month period immediately preceding the most recently completed calendar quarter prior to the date of termination. The obligation of the Company to pay the Termination Fee shall survive the termination of this Agreement.

(c) No later than one hundred eighty (180) days prior to the expiration of the Initial Term or Renewal Term, the Manager may deliver written notice to the Company informing it of the Manager's intention to decline to renew this Agreement, whereupon this Agreement shall not be renewed and extended and this Agreement shall terminate effective upon the expiration of the Initial Term or the applicable Renewal Term following the delivery of such notice. The Company shall not be required to pay the Termination Fee to the Manager if the Manager terminates this Agreement pursuant to this Section 14(c).

(d) In the event of a termination or non-renewal of this Agreement, the Manager shall reasonably cooperate, at the Company's expense, with the Company in executing an orderly transition of the management of the Company's consolidated assets to a new manager.

Section 15. Termination for Cause.

(a) The Company may terminate this Agreement at any time, including during the Initial Term, upon at least thirty (30) days' prior written notice of termination from the Board of Directors to the Manager, without payment of any Termination Fee, if:

(i) the Manager engages in any act or omission that constitutes gross negligence, bad faith, fraud or willful misconduct; provided, however, that if any of the actions or omissions described in this Section 15(a)(i) are caused by an employee and/or officer of the Manager or one of its Affiliates and the Manager takes all necessary action against such person and cures the damage caused by such actions or omissions within thirty (30) days after the Manager's receipt of written notice thereof from the Company, then the Company may not terminate this Agreement pursuant to this Section 15(a)(i);

(ii) the Manager, its agents or its assignees breaches any material provision of this Agreement and such breach shall continue for a period of thirty (30) days after written notice thereof specifying such breach and requesting that the same be remedied in such thirty (30) day period (or forty-five (45) days after written notice of such breach if the Manager takes steps to cure such breach within thirty (30) days of the written notice);

(iii) there is a commencement of any proceeding relating to the Bankruptcy or insolvency of the Manager or Constellation, including an order for relief in an involuntary Bankruptcy case or the authorization or filing by the Manager or Constellation of a voluntary Bankruptcy petition;

(iv) the Manager is convicted (including a plea of nolo contendere) of a felony that has a material adverse effect on the business of the Company or the ability of the Manager to perform its duties under the terms of this Agreement; or

(v) there is a dissolution of the Manager.

(b) The Manager may terminate this Agreement effective upon sixty (60) days' prior written notice of termination to the Company in the event that the Company shall breach this Agreement in any material respect or otherwise be unable to perform its obligations hereunder and such breach shall continue for a period of thirty (30) days after written notice thereof from the Manager to the Company specifying such breach and requesting that the same be remedied in such thirty (30)-day period. The Company shall be required to pay the Termination Fee to the Manager if this Agreement is terminated pursuant to this Section 15(b).

(c) The Manager may terminate this Agreement in the event the Company becomes regulated or required to register as an "investment company" under the Investment Company Act, with such termination deemed to have occurred immediately prior to such event. If the Manager terminates this Agreement pursuant to this Section 15(c), the Company shall not be required to pay the Termination Fee.

Section 16. Survival; Action Upon Termination. From and after the effective date of termination or non-renewal of this Agreement, pursuant to Sections 14, 15 or 17 of this Agreement, the Manager shall not be entitled to compensation for further services under this Agreement, but shall be paid all compensation accruing to the date of termination and, if terminated or not renewed pursuant to Section 14(a) or 15(b), the applicable Termination Fee. Upon such termination, the Manager shall forthwith:

(i) after deducting any accrued compensation and reimbursement for Expenses to which it is then entitled, pay over to the Company or a Subsidiary all money collected and held for the account of the Company or a Subsidiary pursuant to this Agreement;

(ii) deliver to the Board of Directors a full accounting, including a statement showing all payments collected by it and a statement of all money held

by it, covering the period following the date of the last accounting furnished to the Board of Directors with respect to the Company or a Subsidiary;

(iii) deliver to the Board of Directors all property and documents of the Company or any Subsidiary then in the custody of the Manager; provided that the Manager shall be permitted to retain copies of such documents for its records, and if so retained, the Manager shall continue to be bound by the confidentiality obligations and other obligations set forth in Section 6 of this Agreement with respect to the retained documents; and

(iv) Sections 3(i), 6, 11, 12, 13, 14, 15, 16 and 25 shall survive the termination or non-renewal of this Agreement.

Section 17. Assignment.

(a) This Agreement shall terminate automatically, without payment of the Termination Fee, in the event of its assignment, in whole or in part, by the Manager, unless such assignment is consented to in writing by the Company after the approval of a majority of the Independent Directors; provided, however, that the Manager may, at any time, (i) assign this Agreement without the consent of the Company or the approval of the Independent Directors to any Majority-Owned Affiliate of Constellation and/or (ii) delegate to one or more if its Affiliates, including sub-advisors where applicable, the performance of any of its responsibilities hereunder without the consent of the Company or the approval of the Independent Directors, so long as the Manager remains liable for any such Affiliate's performance, in each case so long as such assignment or delegation does not require the Company's consent under the Investment Advisers Act of 1940, as amended (but if any such consent is required, the Company shall not unreasonably withhold, condition or delay its consent). Any such permitted assignment shall bind the assignee under this Agreement in the same manner as the Manager is bound, and the Manager shall be liable to the Company for all errors or omissions of the assignee under any such assignment. In addition, the assignee shall execute and deliver to the Company a counterpart of this Agreement naming such assignee as Manager.

(b) This Agreement shall not be assigned by the Company without the prior written consent of the Manager, except in the case of assignment by the Company to another REIT or other organization that is a successor (by merger, consolidation, purchase of assets, or other transaction) to the Company, in which case such successor organization shall be bound under this Agreement and by the terms of such assignment in the same manner as the Company is bound under this Agreement.

Section 18. Release of Money or Other Property Upon Written Request. The Manager agrees that any money or other property of the Company or any Subsidiary held by the Manager under this Agreement shall be held by the Manager as custodian for the Company or Subsidiary, and the Manager's records shall be appropriately marked clearly to reflect the ownership of such money or other property by the Company or such Subsidiary. Upon the receipt by the Manager of a written request signed by a duly authorized officer of the Company requesting the Manager to release to the Company or any Subsidiary any money or other property then held by the Manager

for the account of the Company or any Subsidiary under this Agreement, the Manager shall release such money or other property to the Company or any Subsidiary within a reasonable period of time, but in no event later than thirty (30) days following such request. The Manager shall not be liable to the Company, any Subsidiary, the Board of Directors, or the Company's or a Subsidiary's stockholders, members or partners for any acts performed or omissions to act by the Company or any Subsidiary in connection with the money or other property released to the Company or any Subsidiary in accordance with the second sentence of this Section 18. The Company shall indemnify the Manager and its officers, directors, personnel, managers, employees, stockholders, partners and agents from and against any and all Losses that arise out of or in connection with the Manager's release of such money or other property to the Company or any Subsidiary in accordance with the terms of this Section 18. Indemnification pursuant to this provision shall be in addition to any right of the Manager to indemnification under Section 13 of this Agreement.

Section 19. Representations and Warranties.

(a) The Company and Operating Company hereby make the following representations and warranties to the Manager, all of which shall survive the execution and delivery of this Agreement:

(i) Each of the Company and Operating Company is a corporation or limited liability company duly organized, validly existing and in good standing under the laws of the State of Maryland or the State of Delaware, as applicable, and each is, or shall be prior to the commencement of services hereunder, qualified to do business and in good standing in Maryland or Delaware, as applicable. Each of the Company and Operating Company has all power and authority required to execute and deliver this Agreement and to perform all its duties and obligations hereunder.

(ii) The execution, delivery and performance of this Agreement by each of the Company and Operating Company has been duly authorized by all necessary action on the part of the Company and Operating Company, respectively.

(iii) This Agreement constitutes a legal, valid, and binding agreement of each of the Company and Operating Company, enforceable against each of the Company and Operating Company in accordance with its terms, except as limited by Bankruptcy, insolvency, receivership and similar laws from time to time in effect and general principles of equity, including those relating to the availability of specific performance.

(b) The Manager hereby makes the following representations and warranties to the Company, all of which shall survive the execution and delivery of this Agreement:

(i) The Manager is a limited liability company duly formed, validly existing, and in good standing under the laws of the State of Delaware and is, or shall be prior to the commencement of services hereunder, qualified to do business and in good standing in Delaware. The Manager has all power and authority required to execute and deliver this Agreement and to perform all its duties and obligations

hereunder, subject only to its qualifying to do business and obtaining all requisite permits and licenses required as a result of or relating to the nature or location of any of the assets or properties of the Company and the Subsidiaries (which it shall do promptly after being required to do so).

(ii) The execution, delivery and performance of this Agreement by the Manager has been duly authorized by all necessary action on the part of the Manager.

(iii) This Agreement constitutes a legal, valid, and binding agreement of the Manager, enforceable against the Manager in accordance with its terms, except as limited by Bankruptcy, insolvency, receivership and similar laws from time to time in effect and general principles of equity, including those relating to the availability of specific performance.

Section 20. Notice. All notices, requests and other communications given or made under this Agreement must be in writing and will be deemed given if personally delivered, electronic transmission or mailed by registered or certified mail (return receipt requested) to the persons and addresses set forth below or such other place as such party may specify by like notice (provided that notices of a change of address will be effective only upon receipt thereof).

The Company or Operating Company:	Colony Credit Real Estate, Inc. 515 South Flower Street 44th Floor Los Angeles, CA 90071 Attention: Director, Legal Department Email: clny-legal@clny.com
The Manager:	CLNC Manager, LLC 515 South Flower Street 44th Floor Los Angeles, CA 90071 Attention: Director, Legal Department Email: clny-legal@clny.com

Notices will be deemed to have been received (a) on the date of receipt if (i) personally delivered or (ii) upon receipt of an appropriate electronic answerback or confirmation when so delivered by electronic submission (to such email address specified above or another email address as such person may subsequently designate by notice given hereunder) only if followed by overnight or hand delivery or (b) on the date that is five (5) business days after dispatch by registered or certified mail.

Section 21. Binding Nature of Agreement; Successors and Assigns; No Third Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns as provided in this Agreement. Except for Section 3 and Section 13, none of the provisions of this Agreement are intended to be, nor shall they be construed to be, for the benefit of any third party.

Section 22. Entire Agreement. This Agreement contains the entire agreement and understanding among the parties hereto with respect to the subject matter of this Agreement, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter of this Agreement. The express terms of this Agreement control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms of this Agreement.

Section 23. Amendments. This Agreement may be amended or modified only by an agreement in writing signed by all parties hereto.

Section 24. No Implied Waivers; Remedies. No failure or delay on the part of any party in exercising any right, privilege, power or remedy under this Agreement, and no course of dealing, shall operate as a waiver of any such right, privilege, power or remedy; nor shall any single or partial exercise of any right, privilege, power or remedy under this Agreement preclude any other or further exercise of any such right, privilege, power or remedy or the exercise of any other right, privilege, power or remedy. No waiver shall be asserted against any party unless signed in writing by such party. The rights, privileges, powers and remedies available to the parties are cumulative and not exclusive of any other rights, privileges, powers or remedies provided by statute, at law, in equity or otherwise. Except as provided in this Agreement, no notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in any similar or other circumstances or constitute a waiver of the right of the party giving such notice or making such demand to take any other or further action in any circumstances without notice or demand.

Section 25. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF DELAWARE. EACH OF THE PARTIES HEREBY IRREVOCABLY AGREES THAT THE COURTS OF THE STATE OF DELAWARE SHALL HAVE EXCLUSIVE JURISDICTION IN CONNECTION WITH ANY ACTIONS OR PROCEEDINGS ARISING BETWEEN THE PARTIES UNDER THIS AGREEMENT. EACH OF THE PARTIES HEREBY IRREVOCABLY CONSENTS AND SUBMITS TO THE JURISDICTION OF SAID COURTS FOR ANY SUCH ACTION OR PROCEEDING. EACH OF THE PARTIES HEREBY WAIVES THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING IN SAID COURTS.

Section 26. Waiver of Jury Trial. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND, THEREFORE, EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY ACTION DIRECTLY OR

INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

Section 27. Headings. The headings contained in this Agreement are for convenience only and shall not affect the construction or interpretation of any provisions of this Agreement.

Section 28. Severability. If any provision of the Agreement shall be held to be invalid, the remainder of the Agreement shall not be affected thereby.

Section 29. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts of this Agreement, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their representatives on the date first written above.

Colony Credit Real Estate, Inc.

By: /s/ David A. Palamé
Name: David A. Palamé
Title: General Counsel

Credit RE Operating Company, LLC

By: /s/ David A. Palamé
Name: David A. Palamé
Title: Vice President

CLNC Manager, LLC

By: /s/ Mark M. Hedstrom
Name: Mark M. Hedstrom
Title: Vice President

[Signature Page to Amended and Restated Management Agreement]

Exhibit A

The Board of Directors has adopted the following investment guidelines:

a. No investment shall be made that would cause the Company to fail to qualify as a REIT for U.S. federal income tax purposes;

b. No investment shall be made that would cause the Company or any Subsidiary to be required to be registered as an investment company under the Investment Company Act;

c. Until appropriate investments can be identified, the Manager may invest the proceeds of the Company's Initial Public Offering, if any, and any future offerings in interest-bearing, short-term investments, including money market accounts and/or U.S. treasury securities, that are consistent with the Company's intention to qualify as a REIT and maintain its exemption from registration under the Investment Company Act;

d. No investment shall require prior approval of the Board of Directors or a majority of the Independent Directors solely because such investment constitutes (1) a co-investment made by and between the Company or any Subsidiary, on the one hand, and one or more investment vehicles formed, sponsored and managed by Constellation or any of its subsidiaries, on the other hand, regardless of when such co-investment is made, or (2) a transaction related to any such co-investment;

e. Any investment with a total net commitment by Operating Company of greater than 5% of Operating Company's net equity (computed using the most recently available publicly filed balance sheet) shall require the approval of the Board of Directors or a duly constituted committee of the Board of Directors (with total net commitment by Operating Company being the aggregate amount of funds directly or indirectly committed by Operating Company to such investment net of any upfront fees received by the Company or any Subsidiary in connection with such investment); and

f. Any investment with a total net commitment by Operating Company of between 3% and 5% of Operating Company's net equity (computed using the most recently available publicly filed balance sheet) shall require the approval of the Board of Directors or a duly constituted committee of the Board of Directors (with total net commitment by Operating Company being the aggregate amount of funds directly or indirectly committed by Operating Company to such investment net of any upfront fees received by the Company or any Subsidiary in connection with such investment), unless the investment falls within specific parameters approved by the Board of Directors and in effect at the time such commitment is made.

These Investment Guidelines may be amended, restated, modified, supplemented or waived pursuant to the approval of the Board (which must include a majority of the Independent Directors) and the Manager from time to time, but without the approval of the Company's stockholders.

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Thomas J. Barrack, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Colony Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2019

/s/ Thomas J. Barrack, Jr.

Thomas J. Barrack, Jr.
Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Mark M. Hedstrom, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Colony Capital, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2019

/s/ Mark M. Hedstrom

Mark M. Hedstrom
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Colony Capital, Inc. (the “Company”) on Form 10-Q for the three months ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas J. Barrack, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2019

/s/ Thomas J. Barrack, Jr.

Thomas J. Barrack, Jr.
Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C §1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the Quarterly Report of Colony Capital, Inc. (the “Company”) on Form 10-Q for the three months ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark M. Hedstrom, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2019

/s/ Mark M. Hedstrom

Mark M. Hedstrom
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C §1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.