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 March 31, 2018

OR

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

Commission file number: 001-37980

COLONY NORTHSTAR, 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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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," and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒		Accelerated Filer	☐
Non-Accelerated Filer	☐	(Do not check if a smaller reporting company)	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 May 7, 2018, 496,116,196 shares of the Registrant's class A common stock and 708,168 shares of class B common stock were outstanding.

EXPLANATORY NOTE

Colony NorthStar, Inc. ("Colony NorthStar" or the “Company”) was formed through a tri-party merger (the "Merger") which closed on January 10, 2017 (the "Closing Date"), among:

- NorthStar Asset Management Group Inc. ("NSAM"), a real estate focused asset management firm which commenced operations in July 2014 upon the spin-off by NorthStar Realty Finance Corp. ("NorthStar Realty" or "NRF") of its asset management business;
- Colony Capital, Inc. ("Colony"), an internally managed real estate investment trust ("REIT") with investment management capabilities, established in June 2009; and
- NRF, a diversified REIT with investments in multiple classes of commercial real estate, established in October 2004, which was externally managed by NSAM subsequent to the spin-off.

The transaction was accounted for as a reverse acquisition, with NSAM as the legal acquirer for certain legal and regulatory matters, and Colony as the accounting acquirer for purposes of financial reporting. The financial information for Colony NorthStar as set forth in this Quarterly Report on Form 10-Q (this "Quarterly Report") represents a continuation of the financial information of Colony as the accounting acquirer. Consequently, the historical financial information included herein as of any date, or for any periods on or prior to January 10, 2017, represents the pre-merger financial information of Colony. The results of operations of NSAM and NRF were incorporated into Colony NorthStar effective January 11, 2017.

As used throughout this document, the terms "Colony NorthStar," the "Company," "we," "our" and "us" mean:

- Colony NorthStar, Inc. beginning January 11, 2017, following the closing of the Merger; and
- Colony for all periods on or prior to the closing of the Merger on January 10, 2017.

Accordingly, comparisons of the period to period financial information of Colony NorthStar may not be meaningful.

COLONY NORTHSTAR, INC.

FORM 10-Q

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PART I—FINANCIAL INFORMATION

ITEM 1. Financial Statements.

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

	March 31, 2018 (Unaudited)	December 31, 2017
Assets		
Cash and cash equivalents	$ 484,827	$ 921,822
Restricted cash	453,366	471,078
Real estate, net	14,100,874	14,464,258
Loans receivable, net ($44,330 and $45,423 at fair value, respectively)	1,972,179	3,223,762
Investments in unconsolidated ventures ($247,983 and $363,901 at fair value, respectively)	2,549,630	1,655,239
Securities, at fair value	288,900	383,942
Goodwill	1,534,561	1,534,561
Deferred leasing costs and intangible assets, net	691,896	852,872
Assets held for sale ($215,162 and $49,498 at fair value, respectively)	1,002,838	781,630
Other assets ($7,267 and $10,150 at fair value, respectively)	441,839	444,968
Due from affiliates	43,582	51,518
Total assets	$ 23,564,492	$ 24,785,650
Liabilities		
Debt, net ($44,103 and $44,542 at fair value, respectively)	$ 10,495,429	$ 10,827,810
Accrued and other liabilities ($158,558 and $212,267 at fair value, respectively)	791,439	898,161
Intangible liabilities, net	187,864	191,109
Liabilities related to assets held for sale	273,778	273,298
Due to affiliates ($10,170 and $20,650 at fair value, respectively)	13,105	23,534
Dividends and distributions payable	90,791	188,202
Total liabilities	11,852,406	12,402,114
Commitments and contingencies (Note 23)		
Redeemable noncontrolling interests	31,648	34,144
Equity		
Stockholders' equity:		
Preferred stock, $0.01 par value per share; $1,636,605 liquidation preference; 250,000 shares authorized; 65,464 shares issued and outstanding	1,606,966	1,606,966
Common stock, $0.01 par value per share		
Class A, 949,000 shares authorized; 500,643 and 542,599 shares issued and outstanding, respectively	5,007	5,426
Class B, 1,000 shares authorized; 736 shares issued and outstanding	7	7
Additional paid-in capital	7,634,952	7,913,622
Distributions in excess of earnings	(1,294,996)	(1,165,412)
Accumulated other comprehensive income	49,037	47,316
Total stockholders' equity	8,000,973	8,407,925
Noncontrolling interests in investment entities	3,267,834	3,539,072
Noncontrolling interests in Operating Company	411,631	402,395
Total equity	11,680,438	12,349,392
Total liabilities, redeemable noncontrolling interests and equity	$ 23,564,492	$ 24,785,650

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

COLONY NORTHSTAR, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

The following table presents the assets and liabilities of securitization vehicles and an investment fund consolidated as variable interest entities for which the Company is determined to be the primary beneficiary:

	March 31, 2018 (Unaudited)	December 31, 2017
Assets		
Cash	$ 7,988	$ 10,969
Restricted cash	55,058	40,084
Loans receivable, net	158,383	546,306
Securities	180,313	250,526
Real estate, net	—	8,073
Other assets	719	13,671
Total assets	$ 402,461	$ 869,629
Liabilities		
Debt, net	$ 212,928	$ 348,250
Other liabilities	3,223	31,299
Total liabilities	$ 216,151	$ 379,549

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

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

	Three Months Ended March 31,	
	2018	2017
Revenues		
Property operating income	$ 554,730	$ 426,854
Interest income	63,854	115,544
Fee income ($36,772 and $45,789 from affiliates, respectively)	36,842	53,250
Other income ($6,793 and $6,703 from affiliates, respectively)	11,238	11,517
Total revenues	666,664	607,165
Expenses		
Property operating expense	305,770	216,349
Interest expense	148,889	126,278
Investment, servicing and commission expense	18,653	11,807
Transaction costs	716	87,340
Depreciation and amortization	144,705	137,420
Provision for loan loss	5,375	6,724
Impairment loss	153,398	8,519
Compensation expense	49,484	91,818
Administrative expenses	24,863	25,914
Total expenses	851,853	712,169
Other income (loss)		
Gain on sale of real estate	18,444	8,970
Other gain, net	75,256	25,381
Earnings from investments in unconsolidated ventures	32,265	113,992
Income (loss) before income taxes	(59,224)	43,339
Income tax benefit (expense)	32,808	(3,709)
Income (loss) from continuing operations	(26,416)	39,630
Income from discontinued operations	117	12,560
Net income (loss)	(26,299)	52,190
Net income (loss) attributable to noncontrolling interests:		
Redeemable noncontrolling interests	(696)	617
Investment entities	20,102	27,059
Operating Company	(4,378)	(1,083)
Net income (loss) attributable to Colony NorthStar, Inc.	(41,327)	25,597
Preferred stock dividends	31,387	30,813
Net loss attributable to common stockholders	$ (72,714)	$ (5,216)
Basic loss per share		
Loss from continuing operations per basic common share	$ (0.14)	$ (0.03)
Net loss per basic common share	$ (0.14)	$ (0.01)
Diluted loss per share		
Loss from continuing operations per diluted common share	$ (0.14)	$ (0.03)
Net loss per diluted common share	$ (0.14)	$ (0.01)
Weighted average number of shares		
Basic	530,680	506,405
Diluted	530,680	506,405
Dividends declared per common share (Note 16)	$ 0.11	$ 0.27

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

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

	Three Months Ended March 31,	
	2018	2017
Net income (loss)	$ (26,299)	$ 52,190
Other comprehensive income (loss):		
Other comprehensive income from investments in unconsolidated ventures, net	1,099	94
Net change in fair value of available-for-sale debt securities	(20,718)	(4,994)
Foreign currency translation adjustments:		
Foreign currency translation gain	76,401	28,073
Change in fair value of net investment hedges	(24,378)	(7,189)
Net foreign currency translation adjustments	52,023	20,884
Other comprehensive income	32,404	15,984
Comprehensive income	6,105	68,174
Comprehensive income (loss) attributable to noncontrolling interests:		
Redeemable noncontrolling interests	(696)	617
Investment entities	50,209	38,989
Operating Company	(4,258)	(837)
Comprehensive income (loss) attributable to stockholders	$ (39,150)	$ 29,405

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

COLONY NORTHSTAR, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)
(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, 2016	607,200	1,672	2,443,100	(246,064)	(32,109)	2,773,799	2,453,938	389,190	5,616,927
Net income	—	—	—	25,597	—	25,597	27,059	(1,083)	51,573
Other comprehensive loss	—	—	—	—	3,808	3,808	11,930	246	15,984
Merger consideration (Note 3)	1,010,320	3,891	5,714,113	—	—	6,728,324	—	—	6,728,324
Payment of accrued dividends on preferred stock assumed in Merger	(12,869)	—	—	—	—	(12,869)	—	—	(12,869)
Fair value of noncontrolling interests assumed in Merger	—	—	—	—	—	—	515,009	8,162	523,171
Common stock repurchases	—	(49)	(66,137)	—	—	(66,186)	—	—	(66,186)
Equity-based compensation	—	71	21,418	—	—	21,489	—	11,172	32,661
Redemption of OP Units for cash and class A common stock	—	—	638	—	—	638	—	(5,723)	(5,085)
Shares canceled for tax withholdings on vested stock awards	—	(3)	(4,667)	—	—	(4,670)	—	—	(4,670)
Settlement of call spread option	—	—	6,900	—	—	6,900	—	—	6,900
Costs of noncontrolling equity	—	—	(9,209)	—	—	(9,209)	—	—	(9,209)
Contributions from noncontrolling interests	—	—	—	—	—	—	676,787	—	676,787
Distributions to noncontrolling interests	—	—	—	—	—	—	(269,009)	(9,153)	(278,162)
Preferred stock dividends	—	—	—	(41,342)	—	(41,342)	—	—	(41,342)
Common stock dividends declared ($0.27 per share; Note 16)	—	—	—	(139,260)	—	(139,260)	—	—	(139,260)
Reallocation of equity (Note 2 and 17)	—	—	(111,696)	—	4,551	(107,145)	34,671	72,474	—
Balance at March 31, 2017	$ 1,604,651	$ 5,582	$ 7,994,460	$ (401,069)	$ (23,750)	$ 9,179,874	$ 3,450,385	$ 465,285	$13,095,544

COLONY NORTHSTAR, INC.
CONSOLIDATED STATEMENTS OF EQUITY (Continued)
(In thousands)
(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 (Note 2)	—	—	—	(1,018)	(202)	(1,220)	—	—	(1,220)
Net income (loss)	—	—	—	(41,327)	—	(41,327)	20,102	(4,378)	(25,603)
Other comprehensive income	—	—	—	—	2,177	2,177	30,107	120	32,404
Common stock repurchases	—	(423)	(246,018)	—	—	(246,441)	—	—	(246,441)
Redemption of OP Units for cash and class A common stock	—	—	24	—	—	24	—	(2,120)	(2,096)
Equity-based compensation	—	33	10,722	—	—	10,755	—	1,414	12,169
Shares canceled for tax withholdings on vested stock awards	—	(29)	(31,723)	—	—	(31,752)	—	—	(31,752)
Deconsolidation of investment entities (Note 4)	—	—	—	—	—	—	(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 (Notes 2 and 17)	—	—	(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	$ 3,267,834	$ 411,631	$11,680,438

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

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

	Three Months Ended March 31,	
	2018	2017
Cash Flows from Operating Activities		
Net income (loss)	$ (26,299)	$ 52,190
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of discount and net origination fees on loans receivable and debt securities	(7,995)	(18,182)
Paid-in-kind interest added to loan principal, net of interest received	(6,486)	(7,572)
Straight-line rents	(7,753)	(7,906)
Amortization of above- and below-market lease values, net	(1,925)	(1,978)
Amortization of deferred financing costs and debt discount and premium	22,802	20,736
Earnings from investments in unconsolidated ventures	(32,265)	(113,992)
Distributions of income from equity method investments	23,307	19,633
Provision for loan losses	5,375	6,724
Impairment of real estate and management contract intangibles	153,398	8,519
Depreciation and amortization	144,705	137,420
Equity-based compensation	12,169	32,184
Change in fair value of contingent consideration—Internalization	(10,480)	(3,400)
Gain on sales of real estate, net	(18,444)	(6,862)
Deferred income tax benefit	(41,465)	(3,571)
Other gain, net	(63,976)	(22,446)
(Increase) decrease in other assets and due from affiliates	(18,742)	(60,719)
Increase (decrease) in accrued and other liabilities and due to affiliates	(30,056)	(6,580)
Other adjustments, net	4,082	(78)
Net cash provided by operating activities	99,952	24,120
Cash Flows from Investing Activities		
Contributions to investments in unconsolidated ventures	(90,680)	(15,541)
Return of capital from investments in unconsolidated ventures	159,929	26,664
Acquisition of loans receivable and securities	(73,733)	(538,136)
Cash and restricted cash assumed in Merger, net of payments for merger-related liabilities (Note 3)	—	132,377
Net disbursements on originated loans	(11,573)	(109,579)
Repayments of loans receivable	40,085	90,577
Proceeds from sales of loans receivable and securities	95,217	58,788
Cash receipts in excess of accretion on purchased credit-impaired loans	21,463	75,156
Acquisition of and additions to real estate, related intangibles and leasing commissions	(236,392)	(175,197)
Proceeds from sales of real estate, net of debt assumed by buyers	112,562	903,841
Proceeds from paydown and maturity of securities	16,709	31,321
Cash and restricted cash contributed to Colony NorthStar Credit (Note 4)	(141,153)	—
Payment of cash collateral on derivatives	(10,900)	—
Proceeds from sale of investments in unconsolidated venture	—	239,081
Acquisition of CPI, net of cash and restricted cash acquired (Note 3)	—	(23,111)
Investment deposits	(2,383)	(9,143)
Increase in escrow deposits	—	8,374
Net (payments) receipts on settlement of derivative instruments	(18,811)	1,311
Other investing activities, net	(582)	(2,997)
Net cash provided by (used in) investing activities	(140,242)	693,786

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

	Three Months Ended March 31,	
	2018	2017
Cash Flows from Financing Activities		
Dividends paid to preferred stockholders	(32,821)	(33,151)
Dividends paid to common stockholders	(146,700)	(50,724)
Repurchase of common stock	(210,274)	(56,009)
Borrowings from corporate credit facility	233,000	458,000
Repayment of borrowings from corporate credit facility	(183,000)	(880,600)
Borrowings from secured debt	90,550	501,890
Repayments of secured debt	(139,471)	(577,568)
Payment of deferred financing costs	(5,112)	(9,439)
Contributions from noncontrolling interests	108,270	676,787
Distributions to and redemptions of noncontrolling interests	(101,426)	(278,162)
Shares canceled for tax withholdings on vested stock awards	(31,752)	(4,670)
Other financing activities, net	—	135
Net cash used in financing activities	(418,736)	(253,511)
Effect of exchange rates on cash, cash equivalents and restricted cash	4,832	1,027
Net increase (decrease) in cash, cash equivalents and restricted cash	(454,194)	465,422
Cash, cash equivalents and restricted cash, beginning of period	1,393,920	497,886
Cash, cash equivalents and restricted cash, end of period	$ 939,726	$ 963,308
Reconciliation of cash, cash equivalents, and restricted cash to consolidated balance sheets		
Beginning of the period		
Cash and cash equivalents	$ 921,822	$ 376,005
Restricted cash	471,078	121,881
Restricted cash included in assets held for sale	1,020	—
Total cash, cash equivalents and restricted cash, beginning of period	$ 1,393,920	$ 497,886
End of the period		
Cash and cash equivalents	$ 484,827	$ 633,210
Restricted cash	453,366	316,288
Restricted cash included in assets held for sale	1,533	13,810
Total cash, cash equivalents and restricted cash, end of period	$ 939,726	$ 963,308

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

COLONY NORTHSTAR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018
(Unaudited)

1. Business and Organization

Colony NorthStar, Inc. (the "Company") is a leading global real estate and investment management firm. The Company has significant property holdings in the healthcare, industrial and hospitality sectors, other equity and debt investments, as well as an embedded institutional and retail investment management business. The Company manages capital on behalf of its stockholders, as well as institutional and retail investors in private funds, traded and non-traded real estate investment trusts ("REITs") and registered investment companies.

The Company was organized in May 2016 as a Maryland corporation, and intends to elect 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 March 31, 2018, the Company owned approximately 94.0% of the OP, as its sole managing member. The remaining 6.0% is owned primarily by certain employees of the Company as noncontrolling interests.

Merger

The Merger among Colony, NSAM and NRF was completed in an all-stock exchange on January 10, 2017.

The Merger was accounted for as a reverse acquisition, with NSAM as the legal acquirer for certain legal and regulatory matters, and Colony as the accounting acquirer for purposes of financial reporting. Consequently, the historical financial information included herein as of any date or for any periods on or prior to the Closing Date represents the pre-Merger financial information of Colony. Accordingly, comparisons of the period to period results of operations of Colony NorthStar as set forth herein may not be meaningful.

Details of the Merger are described more fully in Note 3 and the accounting treatment thereof in Note 2.

Colony NorthStar Credit

On August 25, 2017, as amended and restated on November 20, 2017, certain subsidiaries of the Company entered into a combination agreement with NorthStar Real Estate Income Trust, Inc. (“NorthStar Income I”) and NorthStar Real Estate Income II, Inc. (“NorthStar Income II”), both publicly registered non-traded REITs sponsored and managed by a subsidiary of the Company, and certain other subsidiaries of the foregoing. Pursuant to the combination agreement, certain subsidiaries of the Company agreed to contribute the CLNS Contributed Portfolio (as defined in Note 4), represented by the Company's ownership interests ranging from 38% to 100% in certain investment entities ("CLNS Investment Entities"), to Colony NorthStar Credit Real Estate, Inc. ("Colony NorthStar Credit") and its operating company, and NorthStar Income I and NorthStar Income II agreed to merge in all-stock mergers with and into Colony NorthStar Credit (collectively, the “Combination”).

On January 18, 2018, the Combination was approved by the stockholders of NorthStar Income I and NorthStar Income II. The Combination closed on January 31, 2018. See additional information in Note 4.

Retail Distribution Business

On February 16, 2018, the Company entered into a definitive agreement with S2K Financial Holdings, LLC ("S2K") to combine NorthStar Securities, LLC ("NorthStar Securities"), a captive broker-dealer platform acquired through the Merger that raises capital in the retail market, with S2K to create a leading retail distribution business, which will be renamed Colony S2K Holdings, LLC ("Colony S2K") (the "Proposed Transaction"). It is expected that Colony S2K will distribute both the current and future investment products sponsored by Colony NorthStar and S2K as well as third-party sponsored products. S2K is the holding company of S2K Financial, LLC, a registered broker-dealer wholesale distributor of investment vehicles, and S2K Servicing LLC, a provider of administrative services to institutional investment managers. The Proposed Transaction closed on April 30, 2018. See additional information in Note 26.

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, 2018, 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, 2017.

Merger

The Merger was accounted for under the acquisition method for a business combination as a reverse acquisition. NSAM was the legal acquirer in the Merger for certain legal and regulatory matters, however, Colony was determined to be the accounting acquirer in the Merger for financial reporting purposes. While NSAM was the legal entity which initiated the transaction and issued its shares to consummate the Merger, the fact that the senior management of Colony NorthStar primarily consists of Colony senior executives, along with other qualitative considerations, resulted in Colony being designated the accounting acquirer.

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 Colony NorthStar is adjusted to reflect the equity structure of the legal acquirer, including for comparative periods, by applying the Colony share exchange ratio of 1.4663. The historical financial information as of any date or for any periods on or prior to the Closing Date represents the pre-Merger financial information of Colony. The assets and liabilities of Colony are reflected by Colony NorthStar at their pre-Merger carrying values while the assets and liabilities of NSAM and NRF are accounted for at their acquisition date fair value. The results of operations of NSAM and NRF were incorporated into Colony NorthStar effective from January 11, 2017.

Principles of Consolidation

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 the equity, net income and other comprehensive income of consolidated subsidiaries that are not attributable to the parent are presented separately as amounts attributable to noncontrolling interests in the consolidated financial statements. 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.

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 lacks sufficient equity to finance its activities without additional subordinated financial support from other parties, or whose equity holders lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary, which is defined as the party who has a controlling financial interest in the VIE through (a) power to direct the activities of the VIE that most significantly affect the VIE's economic performance, and (b) obligation to absorb losses or right to receive benefits of the VIE that could be significant to the VIE. The 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 this 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 (i) a consolidated open-end fund sponsored by the Company beginning in August 2017, and (ii) an investment management subsidiary acquired through the Merger, Townsend Holdings, LLC ("Townsend"), beginning January 11, 2017 through December 29, 2017, the date the Company sold its interest in Townsend.

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, but no less than its initial carrying value, with such adjustments recognized in additional paid-in capital.

Noncontrolling Interests in Investment Entities—This represents 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.

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.

Investments in Unconsolidated Ventures

A noncontrolling, unconsolidated ownership interest in an entity may be accounted for using the equity method, fair value option or net asset value ("NAV") practical expedient, if elected, or for equity investments without readily determinable fair values, the measurement alternative to measure at cost adjusted for any impairment and observable price changes, as applicable.

The Company accounts for investments under the equity method of accounting if it has the ability to exercise significant influence over the operating and financial policies of an entity, but does not have a controlling financial interest. The equity method investment is initially recorded at cost and adjusted each period for capital contributions, distributions and the Company's share of the entity's net income or loss as well as other comprehensive income or loss. The Company's share of net income or loss may differ from the stated ownership percentage interest in an entity if the governing documents prescribe a substantive non-pro rata earnings allocation formula or a preferred return to certain investors. This includes carried interests earned by the Company, which are incentive fees that take the form of a disproportionate allocation of returns to the Company's capital account within the equity structure of investment vehicles sponsored by the Company as general partner and investment manager; and of which a portion of the carried interest, generally at 40% consistent with market terms, is allocated to senior management, investment professionals and certain other employees through their participation in the Company-sponsored investment vehicles. The Company's share of both proportionate and disproportionate allocation of returns from its interests in investment vehicles, which are accounted for under the equity method, may reflect fair value changes in the underlying investments if the investment vehicles qualify for investment company accounting. For certain equity method investments, the Company records its proportionate share of income on a one to three month lag. Distributions of operating profits from equity method investments are reported as operating activities, while distributions in excess of operating profits or those related to capital transactions, such as a financing transactions or sales, are reported as investing activities in the statement of cash flows.

Fair value changes for equity method investments under the fair value option are recorded in earnings from investments in unconsolidated ventures. Fair value changes on other investments under the fair value option or NAV practical expedient, as well as adjustments for observable price changes under the measurement alternative, are recorded in other gain (loss).

Impairment—Evaluation of impairment applies to equity method investments and equity investments under the measurement alternative. If indicators of impairment exist, the Company will estimate the fair value of its investment. For investments under the measurement alternative, if carrying value of the investment exceeds its fair value, an impairment is determined to have occurred. For equity method investments, impairment is assessed in a two-step process in which further consideration is made if a decrease in value of the investment is other-than-temporary to determine if impairment has occurred. Investments that are impaired are written down to their estimated fair value, recorded in earnings from investments in unconsolidated ventures for equity method investments and in impairment loss for investments under the measurement alternative.

Property Operating Income

Property operating income includes the following.

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

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

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

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

Resident Fee Income—The Company earns resident fee income from senior housing operating facilities that operate through management agreements with independent third-party operators. Resident fee income related to independent living and assisted living facilities are recorded when services are rendered based on the terms of their respective lease agreements.

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

Fee Income

Fee income consists of the following:

Base Management Fees—The Company earns base management fees for the administration of its managed private funds, and for the management of its traded and non-traded REITs and investment companies, including management of their investments, which constitute a series of distinct services satisfied over time. Base management fees are recognized over the life of the investment vehicle as services are provided.

Asset Management Fees—The Company receives a one-time asset management fee upon closing of each investment made by certain managed private funds. The underlying service of managing the investments of the private funds consist of a series of distinct services satisfied over time, in which asset management fees are recognized ratably over the life of each investment as the service is provided.

Acquisition and Disposition Fees—The Company earns fees related to acquisition and disposition of investments by certain managed non-traded REITs, which are recognized upon closing of the respective acquisition or disposition of underlying investments.

Incentive Fees—The Company may earn incentive fees from its managed private funds, traded and non-traded REITs and investment companies. Incentive fees are 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 the respective governing agreements. Incentive fees that take the form of a contractual arrangement with the investment vehicle and does not represent an allocation of returns among equity holders of the investment vehicle (or “contractual incentive fees”) are recognized when fixed or determinable and related contingencies have been resolved, which is generally at the end of the incentive measurement period of the respective investment vehicles. Any contractual incentive fees received prior to that date are recorded as deferred income.

Incentive fees that take the form of a disproportionate allocation of returns to the Company’s capital account within the equity structure of the investment vehicle (or “carried interests”) are accounted for as earnings from the Company’s ownership interests in the investment vehicles under the equity method, and addressed in the Company's accounting policy for investments in unconsolidated ventures.

A portion of the incentive fees earned by the Company, generally at 40% consistent with market terms, is allocated to senior management, investment professionals and certain other employees of the Company through their participation in the Company-sponsored investment vehicles.

Selling Commission and Dealer Manager Fees—These fees are earned by the Company for selling equity in the non-traded REITs and investment companies, and are recognized on trade date.

Accounting Standards Adopted in 2018

Revenue Recognition—In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers,* which amends existing revenue recognition standards by establishing principles for a single comprehensive model for revenue measurement and recognition, along with enhanced disclosure requirements. Key provisions include, but are not limited to, determining which goods or services are capable of being distinct in a contract to be accounted for separately as a performance obligation and recognizing variable consideration only to the extent that it is probable a significant revenue reversal would not occur. The FASB has subsequently issued several amendments to the standard, including clarifying the guidance on assessing principal versus agent based on the notion of control, which affects recognition of revenue on a gross or net basis. The Company adopted the standard on January 1, 2018 using the modified retrospective approach, applied to contracts not yet completed as of January 1, 2018, with cumulative effect recognized in retained earnings.

The Company evaluated the principal versus agent considerations under the guidance and determined that certain cost reimbursement arrangements with investment vehicles managed by the Company that were previously reported net on the statement of operations would be reported on a gross basis as reimbursement income and expenses on the statement of operations. Such reimbursements include travel and entertainment costs, third party due diligence costs, asset management costs, and other shared costs for which the Company is deemed to the primary obligor, whether or not the payment is made directly by the investment vehicles or initially by the Company on behalf of the investment vehicles. The gross presentation has no impact on the Company's net income to the extent the expense incurred and corresponding cost reimbursement income are recognized in the same period (see Note 22).

The standard excludes from its scope accounting for financial instruments and leases, but is applicable to certain property operating income and fee income streams of the Company, as discussed below.

Resident Fee Income—The Company earns resident fee income from senior housing operating facilities and in 2017, from skilled nursing facilities that operate through management agreements with independent third-party operators. The Company has determined that independent living and assisted living agreements are leases subject to the leasing standard, while certain agreements within skilled nursing facilities, which entitle residents to reside in the community rather than an explicitly or implicitly identified unit, are not leases. Revenue for services provided within skilled nursing facilities, whether they are routine services such as room and bed maintenance, nursing, dietary services, and resident activities or programs, or separately covered services such as those ordered by physicians, are satisfied over the duration of care. These services are a series of distinct services satisfied over time, and revenue is recognized over time as services are provided. The Company determined that there is no change to revenue recognition for such services provided within the skilled nursing facilities in 2017. In 2018, all of the Company's skilled nursing facilities are structured under net leases to healthcare operators and the Company no longer earns resident fee income from skilled nursing facilities, only rental income.

Hotel Operating Income—Revenue is recognized upon occupancy of rooms, consummation of sales and provision of services. The Company determined that there is no change to revenue recognized under the new guidance as revenue is recognized over time based on the transaction price.

Base Management Fees—The Company earns base management fees for the day-to-day operations and administration of its managed private funds, traded and non-traded REITs and investment companies. The Company determined that there is no change to revenue recognition for base management fees as the underlying services consist of a series of distinct services satisfied over time, for which revenue is recognized over the life of the fund as services are provided.

Asset Management Fees—The Company receives a one-time asset management fee upon closing of each investment made by certain managed private funds. Prior to the adoption of the revenue standard, a portion of asset management fees was recognized upon closing of an investment, with remaining fees deferred and recognized over the estimated life of each investment. Under the new guidance, the Company determined that the underlying service of managing the investments of the funds consists of a series of distinct services satisfied over time, for which revenue should be recognized ratably over the estimated life of each investment. As a result of the change in revenue recognition under the new standard, the Company recorded a cumulative impact of approximately $1.6 million as a decrease to retained earnings and an increase to deferred income liability on January 1, 2018. The impact of the change in revenue recognition for the three months ended March 31, 2018 was an increase to asset management fees of $0.2 million.

Acquisition and Disposition Fees—The Company receives fees related to acquisition and disposition of investments by certain managed non-traded REITs. The Company determined that there is no change to revenue recognition as acquisition and disposition fees are earned at a point in time upon closing of the respective acquisition or disposition of underlying investments.

Incentive Fees—The Company may earn incentive fees from its managed private funds, traded and non-traded REITs. Incentive fees are determined based on the performance of the investment vehicles subject to the achievement of certain return hurdles.

Incentive fees that take the form of a contractual arrangement with the investment vehicle and do not represent an allocation of returns among equity holders of the investment vehicle (or “contractual incentive fees”) are within the scope of the new revenue standard. The Company currently recognizes contractual incentive fees when it is fixed or determinable and related contingencies have been resolved, which is generally at the end of the incentive measurement period of the respective investment vehicles. Under the new revenue guidance, contractual incentive fees are a form of variable consideration and will be recognized when it is probable that a significant reversal of the cumulative revenue recognized will not occur, which may result in earlier recognition of revenue relative to the Company’s existing policy. There was no cumulative impact as of January 1, 2018.

Incentive fees that take the form of a disproportionate allocation of returns to the Company’s capital account within the equity structure of the investment vehicle (or “carried interests”) are outside the scope of the new revenue standard.

Carried interests are financial instruments and accounted for as earnings from the Company’s ownership interests in the investment vehicles under the equity method. As carried interest represents income from equity method investments, it is presented, along with other proportionate allocation of returns based on the Company’s ownership interests in the investment vehicles, in earnings from unconsolidated investment ventures on the statement of operations. Adoption of the new standard did not have an impact to the Company's recognition of carried interests.

Derecognition and Partial Sales of Nonfinancial Assets—In February 2017, the FASB issued ASU No. 2017-05, *Clarifying the Scope of Asset Derecognition and Accounting for Partial Sales of Nonfinancial Assets*, which clarifies the scope and application of Accounting Standards Codification ("ASC") 610-20, *Other Income—Gains and Losses from Derecognition of Nonfinancial Assets*, and defines in substance nonfinancial assets. ASC 610-20 applies to derecognition of all nonfinancial assets which are not contracts with customers or revenue transactions under ASC 606, *Revenue from Contracts with Customers*. Derecognition of a business is governed by ASC 810, *Consolidation*, while derecognition of financial assets, including equity method investments, even if the investee holds predominantly nonfinancial assets, is governed by ASC 860, *Transfers and Servicing*. The ASU also aligns the accounting for partial sales of nonfinancial assets to be more consistent with accounting for sale of a business. Specifically, in a partial sale to a noncustomer, when a noncontrolling interest is received or retained, the latter is considered a noncash consideration and measured at fair value in accordance with ASC 606, which would result in full gain or loss recognized upon sale. This ASU removes guidance on partial exchanges of nonfinancial assets in ASC 845, *Nonmonetary Transactions*, and eliminates the real estate sales guidance in ASC 360-20, *Property, Plant and Equipment—Real Estate Sales*.

The Company adopted this standard on January 1, 2018, concurrent with the adoption of the new revenue standard, using the modified retrospective approach. Under the new standard, if the Company sells a partial interest in its real estate assets to noncustomers or contributes real estate assets to unconsolidated ventures, and the Company retains a noncontrolling interest in the asset, such transactions could result in a larger gain on sale. The adoption of this standard did not have an impact on the Company's financial statements. There were no sales of partial interests in real estate assets in the three months ended March 31, 2018 or for the year ended December 31, 2017.

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

The Company adopted ASU No. 2016-01 and ASU No. 2018-03 on January 1, 2018, and recorded a cumulative adjustment to increase retained earnings by approximately $0.6 million. This includes $0.2 million of unrealized gains on available for sale equity securities held by an equity method investee that was reclassified from accumulated other comprehensive income. In connection with the adoption, the Company elected the NAV practical expedient to measure its previous cost method investments in non-traded REITs and limited partnership interest in a third party private fund based on their respective NAV per share. The new standard does not affect equity securities held by the Company's consolidated fund for which the Company has retained investment company accounting applied by the fund, and limited partnership interests in third party private funds for which the Company has elected the fair value option, as in both instances, unrealized fair value gains and losses are currently recorded in earnings. The Company's remaining cost method investments do not have readily determinable fair values. To the extent the Company becomes aware of observable price changes in the future, the Company will adjust the carrying value of these investments through earnings.

Cash Flow Classifications—In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, which is intended to reduce diversity in practice in certain classifications on the statement of cash flows. This guidance addresses eight types of cash flows, which includes clarifying how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows, as well as requiring an accounting policy election for classification of distributions received from equity method investees using either the cumulative earnings or nature of distributions approach, among others. The Company adopted this guidance on January 1, 2018 on a retrospective basis and made an accounting policy election for classification of distributions from its equity method investees using the cumulative earnings approach, which is largely consistent with its previous accounting policy. The adoption of this standard did not have a material effect on the presentation of the Company's statement of cash flows.

Restricted Cash—In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash*, which requires that cash and cash equivalent balances in the statement of cash flows include restricted cash and restricted cash equivalent amounts, and therefore, changes in restricted cash and restricted cash equivalents be presented in the statement of cash flows. This will eliminate the presentation of transfers between cash and cash equivalents with restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, the ASU requires a reconciliation between the totals in the statement of cash flows and the related captions on the balance sheet. The new guidance also requires disclosure of the nature of restricted cash and restricted cash equivalents, similar to existing requirements under Regulation S-X; however, it does not define restricted cash and restricted cash equivalents. The Company adopted ASU 2016-18 on January 1, 2018. The required retrospective application of this new standard resulted in changes to the previously reported statement of cash flows as follows:

	Three Months Ended March 31, 2017	
(In thousands)	**As Previously Reported**	**After Adoption of ASU 2016-18**
Net cash provided by operating activities	22,920	24,120
Net cash provided by investing activities	493,865	693,786
Net cash used in financing activities	(246,683)	(253,511)

The increase in net cash provided by investing activities is primarily due to restricted cash assumed in the Merger and the CPI restructuring which was previously reported as noncash investing activities.

Future Application of Accounting Standards

Leases—In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which amends existing lease accounting standards, primarily requiring lessees to recognize most leases on balance sheet, as well as making targeted changes to lessor accounting. ASU No. 2016-02 is effective for fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted. The new leases standard requires adoption using a modified retrospective approach for all leases existing at, or entered into after, the date of initial application. Full retrospective application is prohibited. In March 2018, the FASB approved an amendment to the standard, providing (i) optional transitional relief to apply the effective date of the new lease standard as the date of initial application in transition instead of the earliest comparative period presented; as well as (ii) certain practical expedients which include not segregating non-lease components from the related lease components but to account for those components as a single lease component by class of underlying assets.

The Company will adopt the new lease standard on its effective date of January 1, 2019 and will adopt the package of practical expedients under the guidance, 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.

When the amendment approved by the FASB in March 2018 is issued, the Company expects to adopt the transition option, in which case, the cumulative effect adjustment to the opening balance of retained earnings will be recognized as of the effective date (i.e., on January 1, 2019) rather than as of the earliest period presented, and similarly, new disclosures under the standard will be made for periods beginning January 1, 2019, and not required for prior comparative periods. In addition, the Company expects to make an accounting policy election to treat lease and related non-lease components in a contract as a single performance obligation to the extent that the timing and pattern of transfer are the same for the lease and non-lease components and the combined single lease component is classified as an operating lease.

As the new lease standard requires congruous accounting treatment between lessor and lessee in a sale leaseback transaction, if the seller/lessee does not achieve sale accounting, it would be considered a financing transaction to the Company, as the buyer/lessor. As lessee, the Company will recognize a right of use asset and corresponding liability for future obligations under its leasing arrangements, such as ground leases and office leases. As of December 31, 2017, the Company had future contractual lease payment obligations of $74.2 million on office leases and $172.2 million on ground leases, excluding leases related to net lease properties contributed to Colony NorthStar Credit on January 31, 2018. Additionally, under the new lease standard, only incremental initial direct costs incurred in the execution of a lease can be capitalized by the lessor and lessee. The Company continues to evaluate the impact of this guidance on its financial statements.

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

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. ASU 2017-12 is effective for fiscal years and interim periods beginning after December 15, 2019. Early adoption is permitted, with adjustments to be reflected as of the beginning of the fiscal year of adoption if early adopted in an interim period.

The Company plans to adopt the standard on its effective date. Upon adoption, as it relates to the Company's cash flow and net investment hedges, the Company will record 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 there will be no hedge ineffectiveness recorded in earnings. Additionally, subsequent to initial quantitative hedge assessment, the Company may elect 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. The Company continues to evaluate the impact of this new guidance but at this time, does not expect the adoption of this standard to have a material effect on its financial condition or results of operations.

3. Business Combinations

Merger with NSAM and NRF

On the Closing Date, the Merger of NSAM, Colony and NRF was completed in an all-stock exchange to create Colony NorthStar.

The Merger was accomplished through a series of transactions. On the Closing Date, NSAM merged with and into Colony NorthStar in order to redomesticate NSAM as a Maryland corporation, followed by a series of internal reorganization transactions with subsidiaries of NRF resulting in NRF becoming a subsidiary of Colony NorthStar, and the merger of Colony into Colony NorthStar, with Colony NorthStar surviving as the combined company.

Upon the closing of the Merger, NSAM outstanding common stock was converted into Colony NorthStar common stock, and the outstanding common stock and preferred stock of NRF and Colony were converted into the right to receive shares of common stock and preferred stock of Colony NorthStar at pre-determined exchange ratios.

The specific exchanges of common stock and preferred stock as a result of the Merger were as follows:

- Each share of NSAM common stock and performance common stock issued and outstanding immediately prior to the effective time of the Merger was canceled and converted into one share of Colony NorthStar class A common stock and performance common stock, respectively;
- Each share of class A and class B common stock of Colony issued and outstanding immediately prior to the effective time of the Merger was canceled and converted into the right to receive 1.4663 shares of Colony NorthStar class A and class B common stock for each share of Colony's class A and class B common stock;
- Each share of common stock of NRF issued and outstanding prior to the effective time of the Merger was canceled and converted into the right to receive 1.0996 shares of Colony NorthStar class A common stock for each share of NRF common stock;
- Each share of each series of the preferred stock of Colony and of NRF issued and outstanding immediately prior to the effective time of the Merger was canceled and converted into the right to receive one share of a corresponding series of Colony NorthStar preferred stock with substantially identical preferences, conversion and other rights, voting powers, restrictions, limitations as to dividend, qualification and terms and conditions of redemption; and
- Concurrently, the OP issued OP Units to equal the number of OP membership units outstanding on the day prior to the closing of the Merger multiplied by the exchange ratio of 1.4663.

Upon consummation of the Merger, the former stockholders of Colony, NSAM and NRF owned, or had the right to own, approximately 33.25%, 32.85% and 33.90%, respectively, of Colony NorthStar, on a fully diluted basis, excluding the effect of certain equity-based awards issued in 2017 in connection with the Merger.

The Merger was accounted for as a reverse acquisition, with NSAM as the legal acquirer for certain legal and regulatory matters and Colony as the accounting acquirer for purposes of the financial information set forth herein. See Note 2 for further discussion on the accounting treatment of the Merger.

Merger Consideration

As the Merger was accounted for as a reverse acquisition, the fair value of the consideration transferred in common stock was measured based upon the number of shares of common stock that Colony, as the accounting acquirer, would theoretically have issued to the shareholders of NSAM and NRF to achieve the same ratio of ownership in Colony NorthStar upon completion of the Merger, multiplied by the closing price of Colony class A common stock of $21.52 on the Closing Date. As a result, the implied shares of Colony common stock issued in consideration was computed as the number of outstanding shares of NSAM and NRF common stock prior to the Closing Date divided by the exchange ratios of 1.4663 and 1.3335, respectively.

Substantially all NSAM and NRF equity awards outstanding on the Closing Date vested upon consummation of the Merger. As Colony NorthStar issued its common stock upon consummation of the Merger and settlement of these equity awards relate to pre-Merger services, these equity awards were included in the outstanding shares of NSAM and NRF common stock used to determine the merger consideration.

NSAM and NRF equity awards outstanding on the Closing Date that did not vest upon consummation of the Merger were assumed by Colony NorthStar through the conversion of such equity awards into comparable Colony NorthStar equity awards with substantially the same vesting terms pre-Merger. The portion of the replacement awards attributable to pre-Merger services was deemed part of the merger consideration, while the portion attributable to post-Merger services is recognized prospectively as compensation expense of Colony NorthStar in the post-Merger period.

The Colony NorthStar preferred stock issued as merger consideration upon the closing of the Merger to the holders of NRF preferred stock was on a one-for-one basis.

The Company assumed certain liabilities of NSAM and NRF which arose as a result of the Merger and were settled shortly after the Closing Date. These amounts included approximately $226.1 million which was paid to former NSAM stockholders, representing a one-time special dividend, and approximately $78.9 million in payroll taxes representing shares that were canceled and remitted to taxing authorities on behalf of employees whose equity-based compensation was accelerated and fully vested on the Closing Date. Cash and restricted cash assumed of $437.4 million is presented net of these payments as an investing cash inflow in the consolidated statement of cash flows.

Fair value of the merger consideration was determined as follows:

(In thousands, except price per share)	NSAM	NRF	Total
Outstanding shares of common stock prior to closing of the Merger	190,202	183,147	
Replacement equity-based awards attributable to pre-combination services(i)	300	150	
	190,502	183,297	
Exchange ratio(ii)	1.4663	1.3335	
Implied shares of Colony common stock issued in consideration	129,920	137,456	267,376
Price per share of Colony class A common stock	$ 21.52	$ 21.52	$ 21.52
Fair value of implied shares of Colony common stock issued in consideration	$ 2,795,890	$ 2,958,039	$ 5,753,929
Fair value of Colony NorthStar preferred stock issued(iii)	—	1,010,320	1,010,320
Fair value of NRF stock owned by NSAM (iv)	(43,795)	—	(43,795)
Total merger consideration	$ 2,752,095	$ 3,968,359	$ 6,720,454

(i) Represents the portion of non-employee restricted stock unit awards that did not vest upon consummation of the Merger and pertains to services rendered prior to the Merger.

(ii) Represents (a) the pre-determined exchange ratio of one share of Colony common stock for 1.4663 shares of Colony NorthStar common stock; and (b) the derived exchange ratio of one share of Colony common stock for 1.3335 shares of NRF common stock based on the pre-determined exchange ratio of one NRF share of common stock for 1.0996 shares of Colony NorthStar common stock.

(iii) Fair value of Colony NorthStar preferred stock issued was measured based on the shares of NRF preferred stock outstanding at the Closing Date and the closing traded price of the respective series of NRF preferred stock on the Closing Date, including accrued dividends, as follows:

(In thousands, except price per share)	Number of Shares Outstanding	Price Per Share	Fair Value
NRF preferred stock			
Series A 8.75%	2,467	$ 25.61	$ 63,182
Series B 8.25%	13,999	25.15	352,004
Series C 8.875%	5,000	25.80	128,995
Series D 8.50%	8,000	25.82	206,597
Series E 8.75%	10,000	25.95	259,542
Fair value of Colony NorthStar preferred stock issued	39,466		$ 1,010,320

(iv) Represents 2.7 million shares of NRF common stock owned by NSAM prior to the Merger and canceled upon consummation of the Merger, valued at the closing price of NRF common stock of $16.13 on the Closing Date.

The following table presents the final allocation of the merger consideration to assets acquired, liabilities assumed and noncontrolling interests of NSAM and NRF based on their respective fair values as of the Closing Date. The resulting goodwill represents the value expected from the economies of scale and synergies created through combining the operations of the merged entities, and is assigned to the investment management segment.

(In thousands)	Final Amounts at December 31, 2017 NSAM	NRF	Total
Assets			
Cash and cash equivalents	$ 152,858	$ 107,751	$ 260,609
Restricted cash	18,052	158,762	176,814
Real estate	—	9,874,406	9,874,406
Loans receivable	28,485	331,056	359,541
Investments in unconsolidated ventures	76,671	544,111	620,782
Securities	3,065	427,560	430,625
Identifiable intangible assets	661,556	352,551	1,014,107
Management agreement between NSAM and NRF	1,514,085	—	1,514,085
Assets held for sale	—	2,096,671	2,096,671
Other assets	93,455	681,003	774,458
Total assets	2,548,227	14,573,871	17,122,098
Liabilities			
Debt	—	6,723,222	6,723,222
Intangible liabilities	—	213,218	213,218
Management agreement between NSAM and NRF	—	1,514,085	1,514,085
Liabilities related to assets held for sale	—	1,281,406	1,281,406
Tax liabilities	169,387	60,446	229,833
Accrued and other liabilities	979,969	307,450	1,287,419
Total liabilities	1,149,356	10,099,827	11,249,183
Redeemable noncontrolling interests	78,843	—	78,843
Noncontrolling interests—investment entities	—	505,685	505,685
Noncontrolling interests—Operating Company	8,162	—	8,162
Fair value of net assets acquired	$ 1,311,866	$ 3,968,359	$ 5,280,225
Merger consideration	2,752,095	3,968,359	6,720,454
Goodwill	$ 1,440,229	$ —	$ 1,440,229

The Merger effectively resulted in the settlement of the pre-merger management agreement between NSAM and NRF. The terms of the management agreement were determined to be off-market when compared to the terms of similar management agreements of other externally managed mortgage and equity REITs. The off-market component was valued at $1.5 billion based on a discounted cash flow analysis using a discount rate of 10%, and recorded as an intangible asset attributed to NSAM and a corresponding intangible liability attributed to NRF, in each case as of the Closing Date. Upon settlement of the management agreement, the intangible asset and the corresponding intangible liability were eliminated. No net gain or loss was recognized by Colony NorthStar from the settlement.

Certain deferred tax liabilities were recognized in connection with the Merger, related primarily to NSAM's investment management contract intangible assets and basis differences in NRF's real estate assets in the United Kingdom arising from recording those assets at fair value on the Closing Date.

Fair value of other assets acquired, liabilities assumed and noncontrolling interests were measured as follows:

Real Estate and Related Intangibles—Fair value is based on the income approach which includes a direct capitalization method, applying overall capitalization rates ranging between 4.4% and 12.5%. For real estate held for sale, fair value was determined based on contracted sale price or a sales comparison approach, adjusted for estimated selling costs. Real estate fair value was allocated to tangible assets such as land, building and leaseholds, tenant and land improvements as well as identified intangible assets and liabilities such as above- and below-market leases, below-market ground lease obligations and in-place lease value. Useful lives of the intangibles acquired range from 6 to 90 years for ground lease obligations and 1 to 17 years for all other real estate related intangibles.

Loans Receivable—Fair value is determined by comparing the current yield to the estimated yield for newly originated loans with similar credit risk or the market yield at which a third party might expect to purchase such investment; or based on discounted cash flow projections of principal and interest expected to be collected, which include consideration of borrower or sponsor credit, as well as operating results of the underlying collateral. For certain loans receivable considered to be impaired, their carrying value approximated fair value.

Investments in Unconsolidated Ventures—Fair value is based on timing and amount of expected future cash flows for income as well as realization events of the underlying assets of the investees, and for certain investments in funds, a proportionate share of its most recent net asset value.

Securities—Fair value is based on quotations from brokers or financial institutions that act as underwriters of the debt securities, third-party pricing service or discounted cash flows depending on the type of debt securities. Fair value of NorthStar Realty Europe Corp ("NRE") common stock is based on the closing stock price on the Closing Date.

Investment Management Related Intangible Assets—These consist primarily of management contracts, customer relationships, trade names and the broker-dealer license, including those related to an 84% interest acquired by NSAM in January 2016 in Townsend, which provides real estate investment management and advisory services. The fair value of management contracts represents the discounted excess earnings attributable to the future management fee income from in-place management contracts, with discount rates ranging between 8% and 10%. The management contracts have useful lives ranging from 2 years to 18 years. The fair value of customer relationships represents the potential fee income from repeat customers through future sponsored investment vehicles, with the useful lives of such vehicles ranging from 20 to 30 years. The trade names of NSAM and Townsend were valued as the discounted savings of royalty fees by applying a royalty rate of 1.5% and 2%, respectively, against expected fee income, and have useful lives of 20 years and 30 years, respectively. The fair value of NSAM's broker-dealer license represents the estimated cost of obtaining a license. On December 29, 2017, the Company sold its 84% interest in Townsend.

Debt—Fair value of exchangeable notes was determined based on unadjusted quoted prices in a non-active market. Fair value of mortgage and other notes payable was estimated by reviewing rates currently available with similar terms and remaining maturities. Fair value of securitization bonds payable was based on quotations from brokers or financial institutions that act as underwriters of the securitized bonds. 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.

Noncontrolling Interests—Fair value of noncontrolling interests in investment entities was estimated as their share of fair values of the net assets of the underlying investment entities, including any incentive distributions. The fair value of noncontrolling interests in Operating Company was determined based upon the closing price of Colony class A common stock multiplied by the number of OP Units assumed in the Merger, after applying the exchange ratio.

Merger-Related Costs

Merger-related costs include transactions costs consisting primarily of professional fees for legal, financial advisory, accounting and consulting services, and fees incurred on a bridge facility commitment that was terminated on the Closing Date. Merger-related costs also include costs incurred to transition and integrate the operations of the combined entity, including compensation costs and various administrative costs, such as system integration, lease termination and professional fees paid to third party advisors and consultants. Merger-related costs are expensed as incurred. Costs expensed by NSAM and NRF prior to the Closing Date are excluded from the Company's results of operations.

	Three Months Ended March 31,	
(In thousands)	2018	2017
Transaction costs		
Fees to investment bankers contingent upon consummation of the Merger	$ —	$ 66,800
Other fees	716	16,828
	716	83,628
Compensation expense		
Equity-based compensation for replacement awards to NSAM executives	3,297	26,049
Severance and other employee transition	2,685	15,498
	5,982	41,547
Administrative expense	2,138	3,968
Total Merger-related costs	$ 8,836	$ 129,143

Restructuring of Real Estate Loans into Equity Ownership

In the normal course of business, the Company may foreclose on the underlying asset in settlement of its loan receivable or otherwise undertake various restructuring measures in connection with its investments.

CPI Group

On January 25, 2017, the Company and its joint venture partners, through a consolidated investment venture of the Company, acquired a controlling equity interest in a defaulted borrower, a real estate investment group in Europe ("CPI") in connection with a restructuring of the CPI group. Certain entities within the CPI group were in receivership proceedings at the time of the restructuring. The Company acquired CPI's real estate portfolio, consisting of hotels, offices and mixed-use properties, and assumed the underlying mortgage debt, some of which were in payment default, including maturity default. Certain CPI employees responsible for asset and property management became employees of the Company. As a result of the acquisition, the Company's outstanding loans receivable to CPI were deemed to be effectively settled at their carrying value and formed part of the consideration transferred.

The following table summarizes the consideration and allocation to assets acquired and liabilities assumed.

(In thousands)	Final Amounts at December 31, 2017
Consideration	
Carrying value of loans receivable outstanding at the time of restructuring	$ 182,644
Cash	49,537
Total consideration	$ 232,181
Identifiable assets acquired and liabilities assumed	
Cash	$ 303
Real estate	543,649
Real estate held for sale	21,605
Lease intangibles and other assets	40,285
Debt	(277,590)
Tax liabilities	(32,078)
Lease intangibles and other liabilities	(61,205)
Liabilities related to assets held for sale	(2,788)
Fair value of net assets acquired	$ 232,181

Fair value of assets acquired and liabilities assumed were measured as follows:

Real Estate and Related Intangibles—Fair value of real estate is based upon a discounted cash flow analysis with a weighted average discount rate of 6.6% or direct capitalization analysis with weighted average capitalization rate of 13.5%. For real estate held for sale, fair value was determined based upon a sales comparison approach, adjusted for estimated selling costs. Real estate fair value was allocated to tangible assets of land, building and tenant and site improvements and identified intangibles, such as above- and below-market leases and in-place lease values.

Debt—Fair value of debt is estimated by discounting expected future cash outlays at interest rates currently available for instruments with similar terms and remaining maturities, applying discount rates ranging between 1.25% and 3.6%, with such debt fair values not exceeding the fair value of their underlying collateral, or estimated based upon expected payoff amounts.

THL Hotel Portfolio

In May 2013, the Company and certain investment vehicles managed by the Company participated in the refinancing of a limited service hospitality portfolio, primarily located across the Southwest and Midwest U.S. (the "THL Hotel Portfolio"), through the origination of a junior and senior mezzanine loan. On July 1, 2017, the Company and certain investment vehicles managed by the Company took control of the THL Hotel Portfolio of 148 limited service hotels through a consensual foreclosure following a maturity default by the borrower on the Company's outstanding junior mezzanine loan. Through the consensual foreclosure, the Company assumed the borrower's in-place hotel management contracts with third party operators, which were determined to be at market, the borrower's in-place franchise obligations, primarily with Marriott, as well as the borrower's outstanding senior mortgage debt and senior mezzanine debt.

The consideration for the consensual foreclosure consisted of the following:

- Carrying value of the Company's junior mezzanine loan to the borrower which is considered to be effectively settled upon the consensual foreclosure;
- Cash to pay down principal and accrued interest on the borrower's senior mortgage and senior mezzanine debt to achieve a compliant debt yield, and payment of an extension fee to exercise an extension option on the senior mortgage debt; and

- In consideration of the former preferred equity holder of the borrower providing certain releases, waivers and covenants to and in favor of the Company and certain investment vehicles managed by the Company in executing the consensual foreclosure, the former preferred equity holder is entitled to an amount up to $13.0 million based on the performance of the THL Hotel Portfolio, subject to meeting certain repayment and return thresholds to the Company (and certain investment vehicles managed by the Company).

The following table summarizes the consideration and preliminary allocation to assets acquired and liabilities assumed. The estimated fair values and preliminary purchase price allocation were based on information available at the time of acquisition and the Company continues to evaluate the underlying inputs and assumptions. Accordingly, these preliminary estimates are subject to retrospective adjustments during the measurement period, not to exceed one year, based upon new information obtained about facts and circumstances that existed as of the date of acquisition. During the first quarter of 2018, adjustments were made to the allocation of values between lease intangible assets, lease intangible liabilities and land.

(In thousands)	As Reported At December 31, 2017	Measurement Period Adjustments	As Reported At March 31, 2018
Consideration			
Carrying value of the Company's junior mezzanine loan receivable at the time of foreclosure	$ 310,932	$ —	$ 310,932
Cash	43,643	—	43,643
Contingent consideration (Note 14)	6,771	—	6,771
Total consideration	$ 361,346	$ —	$ 361,346
Identifiable assets acquired and liabilities assumed			
Cash	$ 16,188	$ —	$ 16,188
Real estate	1,193,205	(130)	1,193,075
Real estate held for sale	68,625	—	68,625
Intangible and other assets	34,913	3,062	37,975
Debt	(907,867)	—	(907,867)
Intangible and other liabilities	(43,718)	(2,932)	(46,650)
Fair value of net assets acquired	$ 361,346	$ —	$ 361,346

Fair value of assets acquired and liabilities assumed were estimated as follows:

Real Estate and Related Intangibles—Fair value of real estate was based on a combination of the cost, income and market approaches which applies capitalization rates between 7.0% and 11.5% (weighted average rate of 11.1%) as well as discount rates between 8.3% and 13.0% (weighted average rate of 9.5%), and also considers future capital expenditure needs of the hotels. For real estate held for sale, fair value was determined based on a sales comparison approach, adjusted for estimated selling costs. Real estate fair value was allocated to tangible assets of land, building, site improvements and furniture, fixtures and equipment as well as identified intangibles for below-market ground lease obligations.

Debt—The assumed senior mortgage and senior mezzanine debt had carrying values that approximated fair values based on current market rates and recent rates on the Company's refinancing of its other hotel portfolios.

4. Colony NorthStar Credit

The contribution of the CLNS Contributed Portfolio (as described in Note 1) to Colony NorthStar Credit and the concurrent all-stock merger of Colony NorthStar Credit with NorthStar Income I and NorthStar Income II closed on January 31, 2018. Colony NorthStar Credit's class A common stock began trading on the New York Stock Exchange ("NYSE") on February 1, 2018 under the symbol "CLNC."

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

The Company, through certain of its subsidiaries, received 44,399,444 shares of Colony NorthStar Credit's class B-3 common stock and 3,075,623 common membership units in Colony NorthStar Credit's operating company (the “CLNC OP Units”) in exchange for its contribution of the CLNS Contributed Portfolio to Colony NorthStar Credit.

The CLNS 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 NorthStar Credit's strategy.

Each share of Colony NorthStar Credit's class B-3 common stock will automatically convert into Colony NorthStar Credit's class A common stock on a one for one basis upon close of trading on February 1, 2019. The CLNC OP Units are redeemable for cash or Colony NorthStar Credit’s Class A common stock on a one-for-one basis, in the sole discretion of Colony NorthStar Credit. Subject to certain limited exceptions, the Company has agreed not to make any transfers of the CLNC OP Units to non-affiliates until the one-year anniversary of the closing of the Combination, unless such transfer is approved by a majority of Colony NorthStar Credit’s board of directors, including a majority of its independent directors.

In connection with the merger of NorthStar Income I and NorthStar Income II with and into Colony NorthStar Credit, their respective stockholders received shares of Colony NorthStar Credit's class A common stock based on pre-determined exchange ratios.

As contemplated in the combination agreement, a certain loan receivable previously held by NorthStar Income I in the original principal amount of $150.2 million was not transferred to Colony NorthStar Credit (the “NorthStar I Excluded Asset”). Upon closing of the Combination, the Company acquired a $65 million senior participation interest in the NorthStar I Excluded Asset at par, and the remaining junior participation interest in the NorthStar I Excluded Asset (the "NorthStar I Retained Asset") was transferred to a liquidating trust in exchange for beneficial interests in the liquidating trust, which was subsequently distributed pro rata to NorthStar Income I stockholders.

As a result of the Combination, the Company's management contracts with NorthStar Income I and NorthStar Income II ceased to exist and the related management contract intangible assets totaling $139.0 million were written off (Note 14). Concurrent with the closing of the Combination, a wholly-owned subsidiary of the Company entered into a management agreement with Colony NorthStar Credit.

Upon closing of the Combination, the Company's contribution of the CLNS Contributed Portfolio to Colony NorthStar Credit, and the merger of Colony NorthStar Credit with Northstar Income I and NorthStar Income II, resulted in a deconsolidation of the CLNS Investment Entities. The following table presents the assets, liabilities and noncontrolling interests of the CLNS Investment Entities that were deconsolidated on January 31, 2018:

(In thousands)	January 31, 2018
Assets	
Cash and cash equivalents	$ 99,883
Restricted cash	41,270
Real estate	219,748
Loans receivable	1,287,994
Investments in unconsolidated ventures	208,738
Deferred leasing costs and intangible assets	10,831
Other assets	25,755
	1,894,219
Liabilities	
Debt	$ 379,927
Accrued and other liabilities	41,318
	421,245
Noncontrolling interests	
Noncontrolling interests—investment entities	330,980
Noncontrolling interests—Operating Company	64,294
	395,274
Equity attributable to Colony NorthStar, Inc.	$ 1,077,700

The Company does not control Colony NorthStar Credit as the Company's role as the external manager of Colony NorthStar Credit is under the supervision and direction of the Board of Directors of Colony NorthStar Credit, the majority of whom are independent directors. However, the Company has significant influence over Colony NorthStar Credit through its representation on the Board of Directors and through its role as the external manager. Accordingly, the Company accounts for its approximately 37% ownership interest in Colony NorthStar Credit under the equity method.

The Company measured its interest in Colony NorthStar Credit based upon its proportionate share of Colony NorthStar Credit's fair value at the closing date of the Combination. The excess of fair value over carrying value of the Company's equity interest in the CLNS Investment Entities of $9.9 million was recognized in other gain on the consolidated statement of operations.

5. Real Estate

As discussed in Note 4, upon closing of the Combination on January 31, 2018, the Company contributed its interests in the CLNS Investment Entities to Colony NorthStar Credit and deconsolidated these entities, including $219.7 million of primarily net lease properties.

The Company's real estate, including foreclosed properties, was as follows:

(In thousands)	March 31, 2018	December 31, 2017
Land	$ 2,307,415	$ 2,011,794
Buildings and improvements	11,848,970	12,403,794
Tenant improvements	148,629	134,709
Furniture, fixtures and equipment	371,059	383,855
Construction in progress	106,001	108,403
	14,782,074	15,042,555
Less: Accumulated depreciation	(681,200)	(578,297)
Real estate assets, net	$ 14,100,874	$ 14,464,258

Real Estate Sales

Results from sales of real estate were as follows:

	Three Months Ended March 31,	
(In thousands)	2018	2017
Proceeds from sales of real estate	$ 112,562	$ 903,841
Gain on sale of real estate	18,444	8,970

Real estate sold or classified as held for sale during the three months ended March 31, 2018 and 2017 did not constitute discontinued operations, other than the sale of a manufactured housing portfolio in 2017 that was acquired through the Merger and certain properties in the THL Hotel Portfolio which qualified as held for sale upon acquisition in July 2017, as discussed in Note 18.

Real estate held for sale at March 31, 2018 and December 31, 2017 is presented in Note 10.

Real Estate Acquisitions

The following table summarizes the Company's real estate acquisitions, excluding real estate acquired as part of business combinations discussed in Note 3.

($ in thousands)				Purchase Price Allocation			
Acquisition Date	Property Type and Location	Number of Buildings	Purchase Price (1)	Land and Improvements	Building and Improvements	Lease Intangible Assets	Lease Intangible Liabilities
Three Months Ended March 31, 2018							
Asset Acquisitions(2)							
Various	Industrial—Various in U.S.(3)	10	$ 179,203	$ 39,476	$ 129,264	$ 10,903	$ (440)
Year Ended Ended December 31, 2017							
Asset Acquisitions							
January	Industrial—Spain	2	$ 10,374	$ 3,855	$ 5,564	$ 955	$ —
June	Office—Los Angeles, CA (4)	1	455,699	93,577	314,590	50,518	(2,986)
Various	Industrial—Various in U.S.	55	636,690	137,005	472,747	31,512	(4,574)
			$ 1,102,763	$ 234,437	$ 792,901	$ 82,985	$ (7,560)

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(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 2018 is 30 years for buildings, 8 to 14 years for site improvements, 4 to 10 years for tenant improvements and 4 to 10 years for lease intangibles.

(3) Includes acquisition of $11.0 million of land for co-development with operating partners.

(4) In September 2017, 90% of equity in the property holding entity was syndicated to third party investors. The new equity partners were granted certain participation rights in the business, resulting in a deconsolidation of the investment. The interest retained by the Company is reflected as an equity method investment.

Depreciation and Impairment

Depreciation expense on real estate was $118.4 million and $104.3 million for the three months ended March 31, 2018 and 2017, respectively.

Refer to Note 14 for discussion of impairment on real estate.

Property Operating Income

The components of property operating income were as follows:

	Three Months Ended March 31,	
(In thousands)	2018	2017
Rental income	$ 162,614	$ 151,243
Tenant reimbursements	38,922	31,525
Resident fee income [1]	69,217	65,694
Hotel operating income	283,977	178,392
	$ 554,730	$ 426,854

(1) Healthcare properties that operate through management agreements with independent third-party operators through structures permitted by the REIT Investment Diversification and Empowerment Act of 2007 ("RIDEA") allows us, through a TRS, to have direct exposure to resident fee income and incur customary related operating expenses.

Commitments and Contractual Obligations

Guarantee Agreements—In connection with the THL Hotel Portfolio, 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 2018 and 2037. In the event of default or termination of the franchise agreements, the Company is liable for liquidated damages not to exceed $100 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.

Ground Lease Obligation—In connection with real estate acquisitions, the Company assumed certain noncancelable operating ground leases as lessee or sublessee. Rents on certain ground leases are paid directly by the tenants or operators. Ground rent expense, including contingent rent, was $2.0 million and $0.9 million for the three months ended March 31, 2018 and 2017, respectively.

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6. Loans Receivable

As discussed in Note 4, upon closing of the Combination on January 31, 2018, the Company contributed its interests in the CLNS Investment Entities to Colony NorthStar Credit and deconsolidated these entities, including $1.29 billion of loans receivable.

The following table provides a summary of the Company's loans held for investment, including purchased credit-impaired ("PCI") loans:

	March 31, 2018				December 31, 2017			
($ 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	$ 626,159	$ 635,516	9.7%	3.3	$ 1,081,030	$ 1,082,513	9.1%	2.8
Securitized loans [1]	32,219	33,083	5.8%	17.0	35,566	36,603	5.9%	16.8
Mezzanine loans	337,543	334,861	11.8%	1.7	459,433	456,463	12.2%	2.3
Corporate loans	46,837	46,539	9.9%	9.8	46,840	46,592	9.9%	10.0
	1,042,758	1,049,999			1,622,869	1,622,171		
Variable rate								
Mortgage loans	212,809	222,920	3.5%	0.8	414,428	423,199	6.0%	1.7
Securitized loans [1]	79,612	78,625	5.2%	17.8	461,489	462,203	6.4%	3.5
Mezzanine loans	—	—	—%	0.0	34,391	34,279	9.8%	1.3
	292,421	301,545			910,308	919,681		
	1,335,179	1,351,544			2,533,177	2,541,852		
PCI Loans								
Mortgage loans	1,817,498	623,434			1,865,423	682,125		
Securitized loans	22,986	3,180			23,298	3,400		
Mezzanine loans	7,425	3,671			7,425	3,671		
	1,847,909	630,285			1,896,146	689,196		
Allowance for loan losses		(53,980)				(52,709)		
	3,183,088	1,927,849			4,429,323	3,178,339		
Loans at fair value								
Securitized loans [2]	72,122	44,330			72,511	45,423		
Total loans receivable	$ 3,255,210	$ 1,972,179			$ 4,501,834	$ 3,223,762		

[1] Represents loans held in securitization trusts that are consolidated by the Company (Note 15).

[2] Represents loans held by a securitization trust that is consolidated by a NorthStar CDO. The NorthStar CDO is in turn consolidated by the Company. The Company elected the fair value option and adopted the measurement alternative to value the loans receivable at the same fair value as the bonds payable issued by the consolidated securitization trust. (Note 14)

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, excluding loans carried at fair value.

(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
March 31, 2018	$ 1,126,605	$ 4,251	$ 89,315	$ 131,373	$ 1,351,544
December 31, 2017	2,268,599	145,986	9,410	117,857	2,541,852

Troubled Debt Restructuring

During the three months ended March 31, 2018 and 2017, there were no loans modified as TDRs, in which the Company provided borrowers, who are experiencing financial difficulties, with various concessions in interest rates, payment terms or default waivers. At March 31, 2018 and December 31, 2017, carrying value of existing TDR loans before allowance for loan losses was $37.8 million and $66.4 million, respectively. These TDR loans were not in default post-modification. As of March 31, 2018, the Company has no additional commitments to lend to borrowers with TDR loans.

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
March 31, 2018	$ 160,684	$ 84,858	$ 75,069	$ 159,927	$ 6,308
December 31, 2017	383,594	138,136	248,759	386,895	7,424

The average carrying value and interest income recognized on non-PCI impaired loans were as follows. There was no cash basis interest income recognized on non-PCI impaired loans in all periods presented.

	Three Months Ended March 31,	
(In thousands)	2018	2017
Average carrying value before allowance for loan losses	$ 273,410	$ 103,795
Total interest income recognized during the period impaired	29	756

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 three months ended March 31, 2018.

In January 2017, the Company acquired additional PCI loans through the Merger as well as part of a loan portfolio secured by commercial properties in Ireland. Information about these PCI loans at the time of their acquisition is presented below:

(In thousands)	January 2017
Contractually required payments including interest	$ 1,154,596
Less: Nonaccretable difference	(878,257)
Cash flows expected to be collected	276,339
Less: Accretable yield	(23,594)
Fair value of loans acquired	$ 252,745

Changes in accretable yield of PCI loans were as follows:

	Three Months Ended March 31,	
(In thousands)	2018	2017
Beginning accretable yield	$ 42,435	$ 52,572
Additions	—	23,594
Dispositions	(2,565)	—
Changes in accretable yield	1,989	5,187
Accretion recognized in earnings	(12,579)	(15,809)
Effect of changes in foreign exchange rates	354	81
Ending accretable yield	$ 29,634	$ 65,625

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 $195.8 million at March 31, 2018 and $196.5 million at December 31, 2017, 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 held for investment 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 assessed 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, excluding loans carried at fair value, were as follows:

	March 31, 2018		December 31, 2017	
(In thousands)	Allowance for Loan Losses	Carrying Value	Allowance for Loan Losses	Carrying Value
Non-PCI loans	$ 6,308	$ 84,858	$ 7,424	$ 138,136
PCI loans	47,672	161,098	45,285	169,789
	$ 53,980	$ 245,956	$ 52,709	$ 307,925

Changes in allowance for loan losses is presented below:

	Three Months Ended March 31,	
(In thousands)	2018	2017
Allowance for loan losses at January 1	$ 52,709	$ 67,980
Contribution to Colony NorthStar Credit (Note 4)	(518)	—
Provision for loan losses, net	5,375	6,724
Charge-off	(3,586)	(5,234)
Allowance for loan losses at March 31	$ 53,980	$ 69,470

Included in the $2.7 million and $4.2 million of provision for loan losses on PCI loans for the three months ended March 31, 2018 and 2017, respectively, were recoveries of $0.1 million and $1.0 million, respectively, of provision previously recorded. Additionally, there was $0.8 million of recoveries in provision for loan losses on non-PCI loans of $2.7 million for the three months ended March 31, 2018, while there were no recoveries on the $2.5 million of provision for loan losses on non-PCI loans for the three months ended March 31, 2017.

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 March 31, 2018, assuming the terms to qualify for future fundings, if any, have been met, total unfunded lending commitments was $88.8 million, of which the Company's share was $81.8 million, net of amounts attributable to noncontrolling interests.

7. Investments in Unconsolidated Ventures

As discussed in Note 4, upon closing of the Combination on January 31, 2018, the Company contributed its interests in the CLNS Investment Entities to Colony NorthStar Credit and deconsolidated these entities, which included interests in third party private funds and acquisition, development and construction ("ADC") loans with a combined carrying value of approximately $208.7 million. In consideration for its contribution, the Company received interests in Colony NorthStar Credit, accounted for under the equity method.

The Company's investments in unconsolidated ventures represent noncontrolling equity interests in various entities, including investments for which fair value option was elected, as follows:

(In thousands)	March 31, 2018	December 31, 2017
Equity method investments		
Investment ventures	$ 2,240,057	$ 1,297,180
Private funds	199,661	229,874
	2,439,718	1,527,054
Other equity investments		
Investment ventures	89,129	89,261
Private funds and retail companies	20,783	38,924
	109,912	128,185
	$ 2,549,630	$ 1,655,239

Equity Method Investments

The Company owns significant interests in Colony NorthStar Credit and NRE, both publicly-traded REITs that it manages. 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 fair value option to account for its interests in certain investment ventures as well as limited partnership interests in third party private funds acquired through the Merger (see Note 14).

The assets of the equity method investment entities may only be used to settle the liabilities of these entities and there is no recourse to the general credit of the Company nor 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) Investments	Description		Ownership Interest at March 31, 2018 (1)	Carrying Value at March 31, 2018	Carrying Value at December 31, 2017
Colony NorthStar 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)	36.6%	$ 1,161,930	$ —
NorthStar Realty Europe Corp	Common equity in publicly traded equity REIT managed by the Company	(2)	10.3%	73,978	73,578
RXR Realty	Common equity in investment venture with a real estate investor, developer and investment manager		27.2%	107,468	105,082
Preferred equity	Preferred equity investments with underlying real estate	(3)	NA	465,527	440,704
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	166,464	331,268
Private funds	General partner and/or limited partner interests in private funds		Various	27,716	25,101
Other investment ventures	Interests in 16 investments, each with no more than $61 million carrying value at March 31, 2018		Various	188,652	187,420
Fair value option	Interests in initial stage or real estate development ventures and limited partnership interests in private funds		Various	247,983	363,901
				$ 2,439,718	$ 1,527,054

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(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) The Company's role as manager is under the supervision and direction of the respective board of directors, which includes representatives from the Company but the majority of whom are independent directors. In connection with the Company's investment in NRE, the Company has an ownership waiver under NRE’s charter which allows the Company to own up to 45% of NRE’s common stock, and to the extent the Company owns more than 25% of NRE’s common stock, the Company will vote the excess shares in the same proportion that the remaining NRE shares not owned by the Company are voted.

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

(4) The Company owns varying levels of stated equity interests in certain ADC investments as well as profit participation interests in real estate ventures without a stated ownership interest in other ADC investments.

In March 2017 and June 2017, the Company sold all of its shares in an equity method investment in Starwood Waypoint Homes (formerly known as Colony Starwood Homes) for total net proceeds of $500.5 million and recognized a gain of $191.2 million in aggregate, included in earnings from investments in unconsolidated ventures.

As of March 31, 2018, the Company has assessed that there are no equity method investments that are other-than-temporarily impaired.

Other Equity Investments

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

Investment Ventures—This represents common equity in the Albertsons/Safeway supermarket chain (with 50% ownership by a co-investment partner) which is carried at cost, adjusted for any impairment and observable price changes, where applicable.

Retail Companies—The Company has immaterial interests in its sponsored non-traded REITs, NorthStar Healthcare Income, Inc. ("NorthStar Healthcare") and NorthStar/RXR New York Metro Real Estate, Inc. ("NorthStar/RXR NY Metro") for which the Company applies the NAV practical expedient (see Note 14).

Private Funds—This represents a 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 14).

Investment and Other 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 March 31, 2018, the Company's share of these commitments was $46.6 million.

Private Funds—At March 31, 2018, the Company had unfunded commitments of $274.9 million to funds sponsored or co-sponsored by the Company that are accounted for as equity method investments.

8. Securities

The following table summarizes the Company's investment in debt securities classified as available-for-sale ("AFS") and equity securities held by a consolidated fund that are accounted for at fair value through earnings.

(in thousands)	Amortized Cost	Gross Cumulative Unrealized Gains	Gross Cumulative Unrealized Losses	Fair Value
March 31, 2018				
Available-for-sale debt securities:				
CRE securities of consolidated N-Star CDOs [1]:				
CMBS	$ 136,192	$ 2,687	$ (7,361)	$ 131,518
Other securities [2]	11,549	2,093	(190)	13,452
N-Star CDO bonds [3]	83,411	2,498	(5,744)	80,165
CMBS and other securities [4]	27,861	568	(6)	28,423
	259,013	7,846	(13,301)	253,558
Equity securities of consolidated fund				35,342
				$ 288,900
December 31, 2017				
Available-for-sale debt securities:				
CRE securities of consolidated N-Star CDOs [1]:				
CMBS	$ 144,476	$ 3,999	$ (530)	$ 147,945
Other securities [2]	61,302	5,994	(313)	66,983
N-Star CDO bonds [3]	88,374	2,778	(219)	90,933
CMBS and other securities [4]	38,928	3,739	(186)	42,481
	333,080	16,510	(1,248)	348,342
Equity securities of consolidated fund				35,600
				$ 383,942

(1) Carrying value of CDO bonds payable in consolidated N-Star CDOs was $196.4 million at March 31, 2018 and $215.5 million at December 31, 2017.

(2) Represents primarily agency debentures, and to a lesser extent, unsecured REIT debt and trust preferred securities.

(3) Excludes principal amount of N-Star CDO bonds held by the Company in its consolidated CDOs that are eliminated upon consolidation of $136.9 million at March 31, 2018 and $140.1 million at December 31, 2017.

(4) Includes CMBS of $27.6 million at March 31, 2018 and $25.1 million at December 31, 2017 held by a sponsored investment company, which is consolidated by the Company through its seed capital. Other securities include a trust preferred security and certain investments in other third party CDO bonds.

N-Star CDOs—The Company acquired, upon the Merger, NRF's legacy CDOs. NRF had sponsored collateralized debt obligations ("CDOs"), collateralized primarily by commercial real estate ("CRE") debt and CRE securities, of which two of the sponsored CRE securities CDOs are consolidated. Additionally, NRF had acquired the equity interests of CRE debt focused CDOs sponsored by third parties. These CDOs are collectively referred to as the N-Star CDOs.

At the time of issuance of the sponsored CDOs, NRF retained investment-grade subordinate bonds. NRF also retained equity interests in the form of preferred shares in all of its sponsored CDOs. Additionally, NRF repurchased CDO bonds originally issued to third parties at discounts to par. These repurchased CDO bonds and retained investment-grade subordinate bonds are collectively referred to as N-Star CDO bonds. All N-Star CDOs are past their reinvestment period and are amortizing over time as the underlying assets pay down or are sold.

CMBS and Other Securities—These securities are predominantly commercial mortgage-backed securities ("CMBS"), including investments in mezzanine positions.

At March 31, 2018, contractual maturities of CRE securities ranged from four months to 43 years, with a weighted average expected maturity of 5.9 years.

Equity Securities of Consolidated Fund—These are publicly traded equity securities held by a consolidated open-end fund. These equity securities comprise listed stock predominantly in the U.S. and to a lesser extent, in the United Kingdom, and primarily in the financial, real estate and consumer sectors.

Disposition of Securities

Realized gains (losses) from sale of securities are recorded in other gain (loss), as follows.

	Three Months Ended March 31,	
(In thousands)	2018	2017
Available-for-sale debt securities:		
Proceeds from sale	$ 63,185	$ 24,788
Gross realized gain	8,384	567
Equity securities of consolidated fund:		
Realized gain, net	499	—

Impairment of AFS Debt Securities

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

	March 31, 2018				December 31, 2017	
	Less Than 12 Months		More Than 12 Months		Less Than 12 Months	
(In thousands)	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
CRE securities of consolidated N-Star CDOs:						
CMBS	$ 83,214	$ (6,930)	$ 1,966	$ (431)	$ 2,229	$ (530)
Other securities	4,603	(190)	—	—	8,218	(313)
N-Star CDO bonds	43,125	(5,744)	—	—	13,392	(219)
CMBS and other securities	—	—	1	(6)	12,956	(186)
	$ 130,942	$ (12,864)	$ 1,967	$ (437)	$ 36,795	$ (1,248)

At December 31, 2017, there were no AFS debt securities in a gross unrealized loss position for more than 12 months. Any unrealized loss on securities acquired through the Merger were reset on the Closing Date.

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.

For the three months ended March 31, 2018, the Company recorded $4.4 million of OTTI loss in other gain (loss) in the consolidated statements of operations due to an adverse change in expected cash flows on N-Star CDOs, some of which are PCI debt securities, and CMBS held by consolidated N-Star CDOs. The Company believed that it was not likely that it would recover the amortized cost on these securities prior to selling them. There was no OTTI loss recognized in the three months ended March 31, 2017.

At March 31, 2018, the Company believes that the remaining AFS securities with unrealized loss in accumulated other comprehensive income were not other than temporarily impaired. At December 31, 2017, there were no AFS securities with unrealized loss in accumulated other comprehensive income that have not been other than temporarily impaired.

Purchased Credit-Impaired Debt Securities

Certain debt securities acquired by the Company through the Merger, consisting of certain N-Star CDOs, other CDOs and CMBS securities, were considered to be credit-impaired at acquisition, with the following outstanding balance:

(In thousands)	March 31, 2018	December 31, 2017
Outstanding principal	$ 377,993	$ 411,174
Amortized cost	14,196	26,761
Carrying value	21,599	31,789

PCI debt securities are recorded at their initial investment 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 at acquisition date, over the estimated fair value represents the accretable yield and is recognized in interest income over the remaining life of the security. The difference between contractually required payments at the acquisition date and the cash flows expected to be collected, which represents the nonaccretable difference, reflects the estimated future credit losses expected to be incurred over the life of the security and is not accreted to interest income nor recorded on the balance sheet. Subsequent decreases in undiscounted expected cash flows attributable to further credit deterioration as well as changes in expected timing of future cash flows can result in recognition of OTTI.

Information about these PCI debt securities upon acquisition, including the effect of measurement period adjustments recorded during the year ended December 31, 2017, is presented below:

(In thousands)	January 2017
Contractually required payments including interest	$ 574,088
Less: Nonaccretable difference	(449,261)
Cash flows expected to be collected	124,827
Less: Accretable yield	(70,283)
Fair value of PCI debt securities acquired	$ 54,544

The table below presents changes in accretable yield related to these PCI debt securities. The three months ended March 31, 2017 reflects the effect of measurement period adjustments subsequently recorded during the year ended December 31, 2017.

	Three Months Ended March 31,	
(In thousands)	2018	2017
Beginning accretable yield	$ 44,610	$ —
Assumed through the Merger	—	70,283
Accretion recognized in earnings	(2,143)	(4,146)
Reduction due to payoffs or disposals	(9,335)	—
Net reclassifications to nonaccretable difference	819	(5,437)
Ending accretable yield	$ 33,951	$ 60,700

9. Goodwill, Deferred Leasing Costs and Other Intangibles

Goodwill

The following tables present changes in the carrying value of goodwill and the goodwill balance by reporting segment.

	Three Months Ended March 31,	
(In thousands)	2018	2017
Beginning balance	$ 1,534,561	$ 680,127
Business combinations [(1)]	—	1,285,502
Transfer to held for sale [(2)]	—	(248,264)
Ending balance [(3)]	$ 1,534,561	$ 1,717,365

(1) Amount does not reflect the effects of subsequent measurement period adjustments that were made within a one year period following consummation of the Merger.

(2) Represents goodwill assigned to the Townsend investment management reporting unit that was acquired as part of the Merger, transferred to held for sale as of March 31, 2017 and subsequently sold on December 29, 2017.

(3) Total goodwill amount is not deductible for income tax purposes.

(In thousands)	March 31, 2018	December 31, 2017
Balance by reporting segment:		
Industrial	$ 20,000	$ 20,000
Investment management	1,514,561	1,514,561
	$ 1,534,561	$ 1,534,561

Impairment

Goodwill is assessed for impairment at the Company's operating segments or one level below. The Company performs its annual impairment test in the fourth quarter of each year. As a result of the Company's annual impairment test in 2017, the Company recognized an impairment to the investment management goodwill of $316.0 million.

No goodwill impairment was recognized during the three months ended March 31, 2018 and 2017.

Deferred Leasing Costs, Other Intangible Assets and Intangible Liabilities

The Company's deferred leasing costs, other intangible assets and intangible liabilities are as follows.

	March 31, 2018			December 31, 2017		
(In thousands)	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	$ 245,989	$ (111,770)	$ 134,219	$ 243,037	$ (98,021)	$ 145,016
Above-market lease values	163,270	(39,521)	123,749	166,571	(34,968)	131,603
Below-market ground lease obligations	36,100	(524)	35,576	29,625	(316)	29,309
Deferred leasing costs	125,581	(41,809)	83,772	121,765	(38,389)	83,376
Lease incentives	14,578	(560)	14,018	14,565	(298)	14,267
Trade name (2)	79,700	(3,932)	75,768	79,700	(3,131)	76,569
Investment management contracts	201,698	(75,925)	125,773	342,127	(70,394)	271,733
Customer relationships	59,400	(11,572)	47,828	59,400	(10,421)	48,979
Other (3)	53,741	(2,548)	51,193	54,061	(2,041)	52,020
Total deferred leasing costs and intangible assets	$ 980,057	$ (288,161)	$ 691,896	$ 1,110,851	$ (257,979)	$ 852,872
Intangible Liabilities						
Below-market lease values	$ 215,866	$ (43,057)	$ 172,809	$ 214,833	$ (36,426)	$ 178,407
Above-market ground lease obligations	16,019	(964)	15,055	13,417	(715)	12,702
Total intangible liabilities	$ 231,885	$ (44,021)	$ 187,864	$ 228,250	$ (37,141)	$ 191,109

(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 one year 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, including contracts written off in connection with the Combination (Notes 4 and 14).

(2) The NSAM trade name is amortized over its useful life of 20 years, while Colony trade name is determined to have an indefinite useful life and not currently subject to amortization.

(3) 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 amortized over 10 to 15 years.

Impairment of investment management contracts is discussed in Note 14.

The following table summarizes the amortization of deferred leasing costs and finite-lived intangible assets and intangible liabilities:

	Three Months Ended March 31,	
(In thousands)	2018	2017
Above-market lease values	$ (5,183)	$ (5,514)
Below-market lease values	7,108	7,440
Lease incentives	(262)	—
Net increase (decrease) to rental income	$ 1,663	$ 1,926
Above-market ground lease obligations	$ (286)	$ (171)
Below-market ground lease obligations	463	119
Net increase (decrease) to ground rent expense	$ 177	$ (52)
In-place lease values	$ 12,405	$ 19,935
Deferred leasing costs	4,171	4,246
Trade name	804	856
Investment management contracts	5,686	8,218
Customer relationships	1,152	2,940
Other	515	2,275
Amortization expense	$ 24,733	$ 38,470

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

	Year Ending December 31,						
(In thousands)	Remaining 2018	2019	2020	2021	2022	2023 and Thereafter	Total
Above-market lease values	$ (13,186)	$ (16,696)	$ (15,823)	$ (14,962)	$ (13,649)	$ (49,433)	$ (123,749)
Below-market lease values	19,187	23,962	21,714	19,941	18,510	69,495	172,809
Lease incentives	796	1,061	1,066	1,128	1,127	8,840	14,018
Increase to rental income	$ 6,797	$ 8,327	$ 6,957	$ 6,107	$ 5,988	$ 28,902	$ 63,078
Above-market ground lease obligations	$ (664)	$ (867)	$ (867)	$ (867)	$ (867)	$ (10,923)	$ (15,055)
Below-market ground lease obligations	752	796	796	796	796	31,640	35,576
Increase to rent expense	$ 88	$ (71)	$ (71)	$ (71)	$ (71)	$ 20,717	$ 20,521
In-place lease values	$ 21,224	$ 21,050	$ 16,209	$ 11,112	$ 8,954	$ 55,670	$ 134,219
Deferred leasing costs	12,936	14,730	12,090	9,314	7,327	27,375	83,772
Trade name	2,412	3,214	3,214	3,214	3,214	45,000	60,268
Investment management contracts	12,211	14,586	13,746	13,137	12,719	59,374	125,773
Customer relationships	3,455	4,607	4,607	4,607	4,607	25,945	47,828
Other	1,506	2,013	2,013	2,013	2,014	14,040	23,599
Amortization expense	$ 53,744	$ 60,200	$ 51,879	$ 43,397	$ 38,835	$ 227,404	$ 475,459

10. Assets and Related Liabilities Held For Sale

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

(In thousands)	March 31, 2018	December 31, 2017
Assets		
Restricted cash	$ 1,533	$ 1,020
Real estate, net	935,096	720,686
Goodwill [1]	20,000	20,000
Intangible assets, net	34,935	37,337
Other assets	11,274	2,587
Total assets held for sale	$ 1,002,838	$ 781,630
Liabilities		
Secured debt, net [2]	$ 215,366	$ 196,905
Lease intangibles and other liabilities, net	58,412	76,393
Total liabilities related to assets held for sale	$ 273,778	$ 273,298

[1] Associated with the broker-dealer business that is held for sale.

[2] Represents only debt that is expected to be assumed by the buyer upon sale of the related asset.

Assets held for sale at March 31, 2018 did not constitute discontinued operations, other than those acquired through business combinations that qualified as held for sale upon acquisition, as discussed in Note 18.

11. Restricted Cash, Other Assets and Other Liabilities

Restricted Cash

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

(In thousands)	March 31, 2018	December 31, 2017
Capital expenditures reserves [1]	$ 238,368	$ 249,612
Real estate escrow reserves [2]	36,441	42,420
Borrower escrow deposits	11,419	41,545
Working capital and other reserves [3]	22,518	23,043
Tenant lock boxes [4]	18,422	16,486
Restricted cash of consolidated N-Star CDOs [5]	55,058	13,656
Other	71,140	84,316
Total restricted cash	$ 453,366	$ 471,078

[1] Represents primarily 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 joint venture arrangements with the Federal Deposit Insurance Corporation.

[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.

[5] Represents proceeds from repayments and/or sales of debt securities which are pending distribution in consolidated N-Star CDOs.

Other Assets

The following table summarizes the Company's other assets:

(In thousands)	March 31, 2018	December 31, 2017
Interest receivable	$ 15,211	$ 21,529
Straight-line rents	52,522	45,598
Hotel-related reserves [(1)]	31,603	29,208
Investment deposits and pending deal costs	3,231	1,706
Deferred financing costs, net [(2)]	9,044	10,068
Contingent consideration escrow account [(3)]	17,302	15,730
Derivative assets (Note 13)	7,267	10,152
Prepaid taxes and deferred tax assets, net	53,445	79,063
Receivables from resolution of investments [(4)]	5,539	15,215
Contributions receivable [(5)]	12,000	25,501
Accounts receivable [(6)]	95,446	87,744
Prepaid expenses	37,291	29,526
Other assets	49,693	20,296
Fixed assets, net	52,245	53,632
Total other assets	$ 441,839	$ 444,968

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

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

(3) Contingent consideration escrow account holds certificates of deposit and cash for dividends paid on OP units held in escrow for the contingent consideration that may be earned by certain executives in connection with the acquisition of the investment management business of Colony's former manager (Note 14). Upon settlement of the contingent consideration in connection with the Internalization at the end of the earnout period on June 30, 2018, dividends that were paid on OP units earned will be paid to the executives.

(4) Represents primarily proceeds from loan payoffs held in escrow at March 31, 2018.

(5) Represents contributions receivable from noncontrolling interests in investment entities as a result of capital calls made at quarter end.

(6) Includes receivables for hotel operating income and resident fees as well as rent and other tenant receivables. Presented net of total allowance for bad debt of approximately $7.0 million and $5.6 million at March 31, 2018 and December 31, 2017, respectively.

Accrued and Other Liabilities

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

(In thousands)	March 31, 2018	December 31, 2017
Tenant security deposits	$ 28,107	$ 27,560
Borrower escrow deposits	16,925	46,231
Deferred income [(1)]	47,639	42,457
Interest payable	40,523	42,462
Derivative liabilities (Note 13)	150,798	204,848
Contingent consideration—THL Hotel Portfolio (Note 3)	7,760	7,419
Share repurchase payable [(2)]	36,166	—
Current and deferred income tax liability	130,444	166,276
Accrued compensation	33,877	77,483
Accrued real estate and other taxes	77,155	77,060
Other accrued expenses	88,394	107,508
Accounts payable and other liabilities	133,651	98,857
Total accrued and other liabilities	$ 791,439	$ 898,161

(1) Represents primarily prepaid rental income and interest income held in reserve accounts. Includes deferred asset management fee income of $3.7 million and $2.7 million at March 31, 2018 and December 31, 2017, respectively, which will be recognized as fee income on a straightline basis through 2025. Adoption of the new revenue recognition standard had resulted in approximately $1.6 million increase to deferred management fee income on January 1, 2018. For the three months ended March 31, 2018, approximately $0.6 million relating to the deferred asset management fee balance at January 1, 2018 was recognized as fee income.

(2) Represents the Company's common stock repurchases with trade date in March 2018 and settlement date in April 2018.

12. Debt

As discussed in Note 4, upon closing of the Combination on January 31, 2018, the Company contributed its interests in the CLNS Investment Entities to Colony NorthStar Credit and deconsolidated these entities, which included $379.9 million of debt.

The Company's debt consists of the following components:

(In thousands)	Corporate Credit Facility[(1)]	Convertible and Exchangeable Senior Notes	Secured and Unsecured Debt [(2)]	Securitization Bonds Payable	Junior Subordinated Notes	Total Debt
March 31, 2018						
Debt at amortized cost						
Principal	$ 100,000	$ 616,105	$ 9,531,911	$ 253,829	$ 280,117	$ 10,781,962
Premium (discount), net	NA	3,024	(70,648)	(84,971)	(82,552)	(235,147)
Deferred financing costs	NA	(8,351)	(87,104)	(34)	—	(95,489)
	100,000	610,778	9,374,159	168,824	197,565	10,451,326
Debt at fair value [(3)]	—	—	—	44,103	—	44,103
	$ 100,000	$ 610,778	$ 9,374,159	$ 212,927	$ 197,565	$ 10,495,429
December 31, 2017						
Debt at amortized cost						
Principal	$ 50,000	$ 616,105	$ 9,792,169	$ 391,231	$ 280,117	$ 11,129,622
Premium (discount), net	NA	3,131	(78,634)	(87,319)	(83,064)	(245,886)
Deferred financing costs	NA	(8,905)	(91,360)	(203)	—	(100,468)
	50,000	610,331	9,622,175	303,709	197,053	10,783,268
Debt at fair value [(3)]	—	—	—	44,542	—	44,542
	$ 50,000	$ 610,331	$ 9,622,175	$ 348,251	$ 197,053	$ 10,827,810

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

(2) Debt with carrying value of $168.5 million at March 31, 2018 and $202.8 million at December 31, 2017 were related 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 10).

(3) Represents a securitization trust that is consolidated by a NorthStar CDO. The NorthStar CDO is in turn consolidated by the Company. The Company elected the fair value option to value the bonds payable issued by the consolidated securitization trust (Note 14).

The following table summarizes certain information about the different components of debt carried at amortized cost:

	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
March 31, 2018									
Recourse									
Corporate credit facility	$ —	—%	0.0	$ 100,000	4.13%	2.8	$ 100,000	4.13%	2.8
Convertible and exchangeable senior notes	616,105	4.27%	3.8	—	—%	0.0	616,105	4.27%	3.8
Junior subordinated debt	—	—%	0.0	280,117	5.18%	18.2	280,117	5.18%	18.2
Secured debt [(1)]	38,714	5.02%	7.7	—	—%	0.0	38,714	5.02%	7.7
	654,819			380,117			1,034,936		

($ in thousands)	Fixed Rate: Outstanding Principal	Fixed Rate: Weighted Average Interest Rate (Per Annum)	Fixed Rate: Weighted Average Years Remaining to Maturity	Variable Rate: Outstanding Principal	Variable Rate: Weighted Average Interest Rate (Per Annum)	Variable Rate: Weighted Average Years Remaining to Maturity	Total: Outstanding Principal	Total: Weighted Average Interest Rate (Per Annum)	Total: Weighted Average Years Remaining to Maturity
Non-recourse									
Securitization bonds payable	17,279	2.73%	31.5	236,550	2.38%	34.4	253,829	2.41%	34.2
Secured debt [(2)]									
Healthcare	2,168,925	4.65%	2.7	1,109,495	6.30%	1.7	3,278,420	5.21%	2.4
Industrial	1,014,030	3.81%	11.1	—	—%	0.0	1,014,030	3.81%	11.1
Hospitality	9,918	12.78%	0.4	2,599,681	4.99%	0.9	2,609,599	5.02%	0.9
Other Real Estate Equity	272,909	3.96%	4.4	1,809,348	4.25%	2.1	2,082,257	4.21%	2.4
Real Estate Debt	—	—%	0.0	508,891	4.33%	2.6	508,891	4.33%	2.6
	3,483,061			6,263,965			9,747,026		
Total debt	$ 4,137,880			$ 6,644,082			$ 10,781,962		
December 31, 2017									
Recourse									
Corporate credit facility	$ —	—%	—	$ 50,000	3.51%	3.0	$ 50,000	3.51%	3.0
Convertible and exchangeable senior notes	616,105	4.27%	4.0	—	—%	—	616,105	4.27%	4.0
Junior subordinated debt	—	—%	—	280,117	4.56%	18.4	280,117	4.56%	18.4
Secured debt [(1)]	39,219	5.02%	7.9	—	—%	—	39,219	5.02%	7.9
	655,324			330,117			985,441		
Non-recourse									
Securitization bonds payable	30,132	3.45%	29.9	361,099	3.02%	28.4	391,231	3.05%	28.5
Secured debt [(2)]									
Healthcare	2,168,936	4.65%	2.9	1,119,320	5.75%	2.0	3,288,256	5.03%	2.6
Industrial	1,014,229	3.50%	11.4	—	—%	0.0	1,014,229	3.50%	11.4
Hospitality	9,038	11.00%	0.6	2,599,681	4.67%	1.1	2,608,719	4.69%	1.1
Other Real Estate Equity	374,789	4.07%	5.5	1,841,209	4.02%	2.3	2,215,998	4.03%	2.8
Real Estate Debt	—	—%	—	625,748	4.05%	2.6	625,748	4.05%	2.6
	3,597,124			6,547,057			10,144,181		
Total debt	$ 4,252,448			$ 6,877,174			$ 11,129,622		

(1) The fixed rate recourse debt represents two promissory notes secured by the Company's aircraft.

(2) Mortgage debt in the healthcare and other real estate equity segments with aggregate outstanding principal of $447.2 million at March 31, 2018 and $384.5 million at December 31, 2017 were either in payment default or were not in compliance with certain debt and/or lease covenants. The Company is negotiating with the lenders to restructure or otherwise refinance the debt.

Corporate Credit Facility

On January 10, 2017, the OP entered into an amended and restated credit agreement (the “JPM Credit Agreement”) with several lenders and JPMorgan Chase Bank, N.A. as administrative agent, and Bank of America, N.A. as syndication agent. The JPM Credit Agreement provides 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.

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 JPM Credit Agreement). At March 31, 2018, the borrowing base was sufficient to permit borrowings up to the full $1.0 billion commitment.

Advances under the JPM 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 March 31, 2018), depending upon the amount of facility utilization.

Some of the Company's subsidiaries guarantee the obligations of the Company under the JPM Credit Agreement. As security for the advances under the JPM 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 JPM 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 JPM Credit Agreement. At March 31, 2018, the Company was in compliance with all of the financial covenants.

The JPM 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 (assumed from NRF at fair value in the Merger) 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:

								Outstanding Principal	
Description	**Issuance Date**	**Due Date**	**Interest Rate**	**Conversion or Exchange Price (per share of common stock)**	**Conversion or Exchange Ratio [2] (In Shares)**	**Conversion or Exchange Shares (in thousands)**	**Earliest Redemption Date**	**March 31, 2018**	**December 31, 2017**
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 [1]	June 15, 2033	5.375	12.04	83.0837	1,155	June 15, 2023	13,605	13,605
								$ 616,105	$ 616,105

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(1) Represents initial date of issuance of exchangeable senior notes by NRF prior to the Merger.

(2) 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.

In June 2017 and July 2017, the Company repurchased all $13.0 million of the outstanding principal of the 7.25% exchangeable notes for $13.4 million in aggregate, equal to the sum of outstanding principal and accrued interest, upon exercise of the repurchase option by note holders.

In August 2017 and November 2017, the Company exchanged a combined $2.8 million of the outstanding principal of the 5.375% exchangeable notes into 232,669 shares of the Company's class A common stock. The excess of fair value of the class A common stock issued over carrying value of the corresponding notes on the exchange date resulted in an immaterial charge to earnings.

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.

Securitization Bonds Payable

Securitization bonds payable represent debt issued by securitization vehicles consolidated by the Company (Note 15). This includes CMBS debt as well as collateralized loan obligation debt, which were bonds issued by the consolidated N-Star CDO I and CDO IX that were assumed by the Company at fair value upon the Merger.

Senior notes issued by these securitization trusts were generally sold to third parties and subordinated notes retained by the Company. Payments from underlying collateral loans or securities must be applied to repay the notes until fully paid off, irrespective of the contractual maturities of the notes.

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, NRF Realty Trust Financial LLC 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 Trust 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.

Interest Incurred

Total interest incurred on the Company's debt, including interest capitalized on real estate under development or construction, was as follows:

	Three Months Ended March 31,	
(In thousands)	2018	2017
Interest expensed	$ 148,889	$ 126,278
Interest capitalized	429	—
Total interest incurred	$ 149,318	$ 126,278

13. 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:

(In thousands)	March 31, 2018 Designated Hedges	March 31, 2018 Non-Designated Hedges	March 31, 2018 Total	December 31, 2017 Designated Hedges	December 31, 2017 Non-Designated Hedges	December 31, 2017 Total
Derivative Assets						
Foreign exchange contracts	$ 4,594	$ 1,373	$ 5,967	$ 8,009	$ 975	$ 8,984
Interest rate contracts	—	1,300	1,300	—	1,168	1,168
Included in other assets	$ 4,594	$ 2,673	$ 7,267	$ 8,009	$ 2,143	$ 10,152
Derivative Liabilities						
Foreign exchange contracts	$ (39,404)	$ (7,854)	$ (47,258)	$ (39,101)	$ (5,307)	$ (44,408)
Interest rate contracts	—	(103,540)	(103,540)	—	(160,440)	(160,440)
Included in accrued and other liabilities	$ (39,404)	$ (111,394)	$ (150,798)	$ (39,101)	$ (165,747)	$ (204,848)

Certain counterparties to the derivative instruments require the Company to deposit cash or other eligible collateral. The Company had $10.9 million and $1.9 million of cash collateral on deposit at March 31, 2018 and December 31, 2017, respectively, 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 March 31, 2018, 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	€ 117,938	€ 25	Min $1.06 / Max $1.53	December 2018 to January 2021
GBP	FX Collar	£ 42,948	£ 3,802	Min $1.45 / Max $1.82	June 2019 to December 2019
EUR	FX Forward	€ 271,616	€ 9,853	Min $1.10 / Max $1.38	April 2018 to January 2022
GBP	FX Forward	£ 95,729	£ 47,421	Min $1.23 / Max $1.27	December 2018 to December 2020
NOK	FX Forward	NOK 771,211	NOK 151,789	0.13	August 2018

Designated Net Investment Hedges

The Company's foreign denominated net investments in subsidiaries or joint ventures were €452.5 million, £243.4 million and NOK785.7 million, or a total of $998.9 million at March 31, 2018, and €499.2 million, £250.6 million and NOK771.2 million, or a total of $1,139.0 million at December 31, 2017.

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.

These foreign exchange contracts are used to protect certain of the Company's foreign denominated investments and receivables 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 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 accumulated other comprehensive income to earnings.

Following the liquidation of underlying investments of foreign subsidiaries, net realized gain of $2.6 million and $1.3 million on net investment hedges were transferred out of accumulated other comprehensive income into earnings, recorded in other gain (loss) for the years ended March 31, 2018 and 2017, respectively.

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 that is in excess of the beginning balance of its net investments as non-designated hedges. Any unrealized gain or loss on the dedesignated portion of net investment hedges is transferred into earnings, recorded in other gain (loss). For the years ended March 31, 2018 and 2017, dedesignated net investment hedges yielded unrealized losses of $2.9 million and $0.5 million, respectively.

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.

At March 31, 2018, the Company held the following interest rate contracts:

Instrument Type	Notional Amount (in thousands) Non-Designated		Index	Strike Rate / Forward Rate	Expiration
Interest rate swaps	$	2,000,000	3-Month LIBOR	3.39%	December 2029
Interest rate swaps	$	229	1-Month LIBOR	5.12%	July 2018
Interest rate caps	$	6,427,513	1-Month LIBOR	2.46% - 5.70%	June 2018 to November 2019
Interest rate caps	$	221,270	3-Month LIBOR	3.50%	August 2018 to March 2019
Interest rate caps	€	555,589	3-Month EURIBOR	0.75% - 1.50%	October 2018 to September 2022
Interest rate caps	£	429,904	3-Month GBP LIBOR	2.0% - 2.5%	November 2018 to February 2020
Basis swap	$	10,000	(1)	(1)	January 2019
Deliverable swap futures	$	16,134	(2)	(2)	June 2018

(1) Basis swap is held by a consolidated N-Star CDO, paying 3-month LIBOR plus 1.95% and receiving 1-month LIBOR plus 1.88%, used to economically hedge the timing of payments between certain underlying securities and corresponding bonds issued by the consolidated N-Star CDO.

(2) A consolidated sponsored investment company sold a 10-year USD deliverable swap futures contract to economically hedge the interest rate exposure on its long dated fixed rate securities.

Amounts recorded in other gain (loss) were as follows:

(In thousands)	Three Months Ended March 31, 2018		2017	
Unrealized gain (loss):				
Non-designated interest rate contracts	$	56,657	$	22,592

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. The Company 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 Amounts of Assets (Liabilities) Included on Consolidated Balance Sheets	Gross Amounts Not Offset on Consolidated Balance Sheets		Net Amounts of Assets (Liabilities)
		(Assets) Liabilities	Cash Collateral Received (Pledged)	
March 31, 2018				
Derivative Assets				
Foreign exchange contracts	$ 5,967	$ (5,920)	$ —	$ 47
Interest rate contracts	1,300	(1)	—	1,299
	$ 7,267	$ (5,921)	$ —	$ 1,346
Derivative Liabilities				
Foreign exchange contracts	$ (47,258)	$ 5,920	$ 6,403	$ (34,935)
Interest rate contracts	(103,540)	1	4,500	(99,039)
	$ (150,798)	$ 5,921	$ 10,903	$ (133,974)
December 31, 2017				
Derivative Assets				
Foreign exchange contracts	$ 8,984	$ (8,944)	$ —	$ 40
Interest rate contracts	1,168	(4)	—	1,164
	$ 10,152	$ (8,948)	$ —	$ 1,204
Derivative Liabilities				
Foreign exchange contracts	$ (44,408)	$ 8,944	$ —	$ (35,464)
Interest rate contracts	(160,440)	4	1,900	(158,536)
	$ (204,848)	$ 8,948	$ 1,900	$ (194,000)

14. 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
March 31, 2018				
Assets				
Loans receivable—securitized loans	$ —	$ —	$ 44,330	$ 44,330
Investments in unconsolidated ventures	—	—	247,983	247,983
Debt securities available for sale				
CRE securities of consolidated N-Star CDOs:				
CMBS	—	—	131,518	131,518
Other securities	—	—	13,452	13,452
N-Star CDO bonds	—	—	80,165	80,165
CMBS and other securities	—	27,619	804	28,423
Equity securities of consolidated fund	35,342	—	—	35,342
Other assets—derivative assets	—	7,267	—	7,267
Liabilities				
Debt—securitization bonds payable	—	—	44,103	44,103
Other liabilities—derivative liabilities	—	150,798	—	150,798
Other liabilities—contingent consideration for THL Hotel Portfolio	—	—	7,760	7,760
Due to affiliates—contingent consideration for Internalization	—	—	10,170	10,170
December 31, 2017				
Assets				
Loans receivable—securitized loans	$ —	$ —	$ 45,423	$ 45,423
Investments in unconsolidated ventures	—	—	363,901	363,901
Debt securities available for sale				
CRE securities of consolidated N-Star CDOs:				
CMBS	—	—	147,945	147,945
Other securities	—	—	66,983	66,983
N-Star CDO bonds	—	—	90,933	90,933
CMBS and other securities	—	25,099	17,382	42,481
Equity securities of consolidated fund	35,600	—	—	35,600
Other assets—derivative assets	—	10,152	—	10,152
Liabilities				
Debt—securitization bonds payable	—	—	44,542	44,542
Other liabilities—derivative liabilities	—	204,848	—	204,848
Other liabilities—contingent consideration for THL Hotel Portfolio	—	—	7,419	7,419
Due to affiliates—contingent consideration for Internalization	—	—	20,650	20,650

Loans Receivable and Debt

The Company elected the fair value option for loans receivable and bonds payable issued by a securitization trust consolidated by a NorthStar CDO. The NorthStar CDO is in turn consolidated by the Company. The financial assets of the securitization trust can be used only to settle its financial liabilities, and the financial liabilities of the securitization trust can be settled only with its financial assets. As such, the Company has 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 represents the more observable fair value. Accordingly, the net gain or loss reflected in earnings is limited to changes in fair value of the beneficial interest held by the Company in the consolidated securitization trust, and not as a result of a remeasurement of the loans receivable and bonds payable held by third parties in the consolidated securitization trust.

Fair value of the bonds payable issued by the securitization trust is determined based on broker quotes, which are 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 is also classified as Level 3. Management determines the quotes are representative of fair value through a review of available data, including recent transactions as well as its knowledge of and experience in the market.

Investments in Unconsolidated Ventures

Equity investments carried at fair value on a recurring basis consist of investments in certain unconsolidated ventures, including investments in private funds acquired in connection with the Merger, for which fair value option was elected. Fair values are determined using discounted cash flow models based on expected future cash flows for income and realization events of the underlying assets, transaction price for recently acquired investments, or pending sales price on an investment, as applicable. The Company considers cash flow provided by general partners of private funds and the implied yields of those funds in valuing its investments in private funds. However, the Company has not elected the practical expedient to measure the fair value of its investments in these private funds using the NAV of the underlying funds. Fair value of investments in unconsolidated ventures is classified as Level 3 of the fair value hierarchy, with changes in fair value recorded in earnings from investments in unconsolidated ventures.

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 and other securities—Fair value is determined based on broker quotes, third party pricing services or an internal price, all of which are generally derived from unobservable inputs, and therefore classified as Level 3 of the fair value hierarchy. Management determines the prices are representative of fair value through a review of available data, including recent transactions as well as its knowledge of and experience in the market.

Equity securities of consolidated fund—Fair value of equity securities held by a consolidated open-end fund is based on listed prices in active markets and classified as Level 1 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.

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 executives of the Company. Contingent consideration is to be paid in a combination of up to approximately 1.29 million shares of class A common stock, 115,226 shares of class B common stock and approximately 4.40 million OP Units. The contingent consideration is subject to multi-year performance targets for achievement of a contractually-defined funds from operations ("Benchmark FFO") per share target and capital-raising thresholds from the funds management business, adjusted for certain targets that have not been met and that have expired. 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. The contingent consideration is remeasured at fair value each reporting period using a third party valuation service provider and classified as Level 3 of the fair value hierarchy, with changes in fair value recorded in other gain (loss) in the consolidated statement of operations. Fair value of the contingent consideration is 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. The Company's class A common stock price and related equity volatilities are applied to convert the contingent consideration payout into shares.

Other Liabilities—Contingent Consideration for THL Hotel Portfolio

In connection with a consensual foreclosure of the THL Hotel Portfolio, contingent consideration is payable to the former preferred equity holder of the borrower in an amount up to $13.0 million (Note 3). 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

The Company relies on the third party pricing exception with respect to the requirement to provide quantitative disclosures about significant Level 3 inputs being used to determine fair value measurements for CRE debt securities, except for N-Star CDO bonds, loans receivable and bonds payable issued by a consolidated securitization trust held by a consolidated N-Star CDO. The Company believes that the pricing service or broker quotations for these instruments may be based on market transactions of comparable securities, inputs including forecasted market rates, contractual terms, observable discount rates for similar securities and credit, such as credit support and delinquency rates.

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)]
March 31, 2018					
Investments in unconsolidated ventures—private funds	$ 171,945	Discounted cash flows	Discount rate	14.6% (12.0% - 20.0%)	Decrease
Investments in unconsolidated ventures—others	26,712	Discounted cash flows	Discount rate	14.3% (8.8% - 15.5%)	Decrease
Investments in unconsolidated ventures—others	49,326	Recent transaction price[(2)]	Not applicable	Not applicable	Not applicable
N-Star CDO bonds	80,165	Discounted cash flows	Discount rate	19.5% (10.6% - 68.3%)	Decrease
Due to affiliates—contingent consideration for Internalization	10,170	Monte Carlo simulation	Benchmark FFO volatility	11.8%	Increase
			Equity volatility	18.7%	Increase
			Correlation [(3)]	80.0%	Increase
Other liabilities—contingent consideration for THL Hotel Portfolio	7,760	Discounted cash flows	Discount rate	20.0%	Decrease
December 31, 2017					
Investments in unconsolidated ventures—private funds	$ 204,774	Discounted cash flows	Discount rate	14.6% (11.0% - 20.0%)	Decrease
Investments in unconsolidated ventures—others	26,408	Discounted cash flows	Discount rate	14.2% (8.8% - 14.8%)	Decrease
Investments in unconsolidated ventures—others	132,719	Recent transaction price[(2)]	Not applicable	Not applicable	Not applicable
N-Star CDO bonds	90,933	Discounted cash flows	Discount rate	24.0% (10.8% - 87.4%)	Decrease
Due to affiliates—contingent consideration for Internalization	20,650	Monte Carlo simulation	Benchmark FFO volatility	11.8%	Increase
			Equity volatility	18.7%	Increase
			Correlation (3)	80.0%	Increase
Other liabilities—contingent consideration for THL Hotel Portfolio	7,419	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) Represents transacted price for investments acquired in the fourth quarter of 2017 and first quarter of 2018.

(3) Represents assumed correlation between Benchmark FFO and the Company's class A common stock price.

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. Any transfers in or out of Level 3 are assumed to occur at the beginning of the year.

	Level 3 Assets			Level 3 Liabilities		
(In thousands)	Loans Receivable	Investments in Unconsolidated Ventures	Securities	Debt	Due To Affiliates—Contingent Consideration for Internalization	Other Liabilities—Contingent Consideration for THL Hotel Portfolio
Fair value at December 31, 2016	$ —	$ —	$ —	$ —	$ (41,250)	$ —
Acquired through the Merger	—	416,696	427,560	—	—	—
Purchases or contributions	—	73	21,321	—	—	—
Paydowns or distributions	—	(26,746)	(31,321)	—	—	—
Realized gains (losses) in earnings	—	—	(1,193)	—	—	—
Unrealized gains (losses):						
In earnings	—	10,961	—	—	3,400	—
In other comprehensive income (loss)	—	—	(5,652)	—	—	—
Fair value at March 31, 2017	$ —	$ 400,984	$ 410,715	$ —	$ (37,850)	$ —
Unrealized gains (losses) on ending balance:						
In earnings	$ —	$ 10,961	$ —	$ —	$ 3,400	$ —
In other comprehensive income (loss)	$ —	$ —	$ (5,652)	$ —	$ —	$ —
Fair value at December 31, 2017	$ 45,423	$ 363,901	$ 323,243	$ (44,542)	$ (20,650)	$ (7,419)
Purchases or contributions	—	60,044	2,969	389	—	—
Paydowns, distributions or sales	(389)	(158,943)	(83,588)	—	—	—
Contribution to Colony NorthStar Credit (Note 4)	—	(26,134)	—	—	—	—
Realized gains (losses) in earnings	—	2,842	4,030	—	—	—
Unrealized gains (losses):						
In earnings	(704)	6,273	—	50	10,480	(341)
In other comprehensive income (loss)	—	—	(20,715)	—	—	—
Fair value at March 31, 2018	$ 44,330	$ 247,983	$ 225,939	$ (44,103)	$ (10,170)	$ (7,760)
Unrealized gains (losses) on ending balance:						
In earnings	$ (704)	$ 6,021	$ —	$ 50	$ 10,480	$ (341)
In other comprehensive income (loss)	$ —	$ —	$ (5,457)	$ —	$ —	$ —

Investments Carried at Fair Value Using Net Asset Value

Investments in non-traded REITs and limited partnership interest in a third party private fund are valued using NAV of the respective vehicles effective January 1, 2018.

	March 31, 2018	
(In thousands)	Fair Value	Unfunded Commitments
Private fund—real estate	$ 11,630	$ 14,493
Non-traded REITs—real estate	9,153	—

The Company's limited partnership interest in a third party sponsored closed-end private fund is not subject to redemption, with distributions to be received through liquidation of underlying investments of the fund. The fund has an expected life of eight years at its inception in 2017, which may be extended in one year increments up to two years at the discretion of its general partner, an equity method investee of the Company.

No secondary market currently exists for shares of the non-traded REITs. The Company-sponsored non-traded REITs have each adopted share repurchase programs, which provide for limited share repurchases and such programs may be amended, suspended or terminated at any time at the discretion of their respective Board of Directors. Subject to then-existing market conditions, 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, but with no definitive date by which it must do so. In addition, the Company has agreed that its right to have its shares redeemed is subordinated to third party stockholders for so long as its advisory agreements are 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 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.

	March 31, 2018			December 31, 2017		
(In thousands)	Level 2	Level 3	Total	Level 2	Level 3	Total
Real estate held for sale	$ 32,842	$ 157,217	$ 190,059	$ 13,252	$ 36,246	$ 49,498
Real estate held for investment	—	51,747	51,747	—	224,935	224,935
Intangible assets—investment management contracts	—	—	—	—	51,100	51,100
Investments in unconsolidated ventures	—	—	—	—	11,871	11,871

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

	Three Months Ended March 31,	
(In thousands)	2018	2017
Impairment loss		
Real estate held for sale	$ 8,763	$ 3,351
Real estate held for investment	4,206	5,168
Intangible assets—investment management contracts	140,429	—
Earnings from investments in unconsolidated ventures	—	2,144

Real Estate Held For Sale—The write down to fair value less cost to sell was estimated based on contracted sales prices, classified as Level 2 of the fair value hierarchy, or based on broker price opinions, discounted cash flows or income capitalization approach, classified as Level 3 of the fair value hierarchy, with discount rates between 8% and 10% or capitalization rate of 7%, and net of selling costs between 2% to 8% of the respective fair values.

Real Estate Held For Investment—Impaired real estate held for investment consisted primarily of properties in the Company's European portfolio, resulting from a combination of a reduction in the estimated holding period of these properties, tenant vacancy as well as exposure to the retail and leisure markets in the United Kingdom. Fair value of the impaired properties were determined using a future cash flow analysis that included an eventual sale of the properties, with expected sale price based on broker price opinions, and applying terminal capitalization rates ranging from 5.5% to 13.3%, with longer term cash flow projections discounted at 10%. Additionally, as of December 31, 2017, impaired real estate included certain RIDEA properties that were converted into net lease properties in the healthcare segment, as well as certain properties in our healthcare segment and THL portfolio that experienced some damage from hurricanes.

Investment Management Contract Intangibles—Upon closing of the Combination on January 31, 2018, the Company's management contracts with NorthStar Income I and NorthStar Income II ceased to exist. Consequently, the carrying value of management contract intangible assets that were recognized for NorthStar Income I and NorthStar Income II at the time of the Merger, which aggregated to approximately $139.0 million, were written off.

Additionally, in the first quarter of 2018, the remaining balance of the NorthStar/RXR NY Metro management contract intangible of $1.4 million was impaired in consideration of the termination of its offering period effective March 31, 2018.

In 2017, the investment management contracts of non-traded REITs acquired through the Merger were impaired in the fourth quarter, with $55.3 million related to NorthStar Healthcare following an amendment to its advisory agreement and $3.7 million related to NorthStar/RXR NY Metro based on revised capital raising projections. Fair value of management contract intangibles were estimated based on an analysis of discounted excess earnings attributable to future fee income from each management contract, utilizing a discount rate of 9%.

Investment In Unconsolidated Ventures—In 2017, impairment loss was recorded in earnings from investment in unconsolidated ventures on an ADC loan accounted for as an equity method investment. The residential land development project was impaired based on a projection of future cash flows that include the incurrence of additional engineering costs and an estimated residual land value in an as-is sale to a developer.

Refer to Notes 6 and 9 for impairment on loans receivable and goodwill, respectively.

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.

	Fair Value Measurements				
(In thousands)	Level 1	Level 2	Level 3	Total	Carrying Value
March 31, 2018					
Assets					
Loans at amortized cost	$ —	$ —	$ 1,978,977	$ 1,978,977	$ 1,927,849
Liabilities					
Debt at amortized cost					
Corporate credit facility	—	100,000	—	100,000	100,000
Convertible and exchangeable senior notes	565,350	13,979	—	579,329	610,778
Secured and unsecured debt	—	—	9,454,051	9,454,051	9,374,159
Securitization bonds payable	—	16,546	149,254	165,800	168,824
Junior subordinated debt	—	—	199,411	199,411	197,565
December 31, 2017					
Assets					
Loans at amortized cost	$ —	$ —	$ 3,232,301	$ 3,232,301	$ 3,178,339
Liabilities					
Debt at amortized cost					
Corporate credit facility	—	50,000	—	50,000	9,622,175
Convertible senior notes	608,491	13,979	—	622,470	610,331
Secured and unsecured debt	—	—	9,703,680	9,703,680	9,622,175
Securitization bonds payable	—	132,815	169,908	302,723	303,709
Junior subordinated debt	—	—	216,316	216,316	197,053

Loans Receivable—Loans receivable carried at amortized cost consist of first mortgages, subordinated mortgages and corporate loans, including such loans held by securitization trusts consolidated by the Company. 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 the credit facility approximated carrying value as its prevailing interest rate and applicable terms were renegotiated within the last 12 months. 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 value of 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 securitization bonds payable was based on quotations from brokers or financial institutions that act as underwriters of the securitized bonds. 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, 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.

15. Variable Interest Entities

Consolidated 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, or 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.

Securitizations

The Company securitizes loans receivable and CRE debt securities using VIEs. The Company may also acquire securities issued by securitization trusts that are VIEs. The securitization vehicles are 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 are 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 do not have any recourse to the general credit of any other consolidated entities, nor to the Company.

The Company retains beneficial interests in the securitization vehicles, usually in the form of equity tranches or subordinate securities. Affiliates of the Company or appointed third parties act as special servicer of the underlying collateral mortgage loans and the Company acts as collateral manager of two N-Star CDOs. Additionally, the Company's acquired investment in securitization trusts, in certain cases, may become the controlling class, which would then give the Company the right to appoint or remove the special servicer. The special servicer has the power to direct activities during the loan workout process on defaulted and delinquent loans as permitted by the underlying contractual agreements, which is subject to the consent of the Company, as the controlling class representative or directing holder who, under certain circumstances, has the right to unilaterally remove the special servicer. The Company, as collateral manager of the two N-Star CDOs, has the power to invest in additional or replacement collateral during the investment period and subsequent to the investment period, has the power to identify an asset as distressed or credit risk and sell certain distressed collateral. As the Company’s rights as the directing holder and controlling class representative or as the collateral manager of the CDOs provide the Company the ability to direct activities that most significantly impact the economic performance of the securitization vehicles, the Company maintains effective control over the loans and debt securities transferred into the securitization vehicles. Considering the interests retained by the Company in the securitization vehicles together with its role as controlling class representative or directing holder or collateral manager of the two N-Star CDOs, the Company is deemed to be the primary beneficiary and consolidates these securitization vehicles. Accordingly, these securitizations did not qualify as sale transactions and are accounted for as secured financing with the underlying mortgage loans and debt securities pledged as collateral.

All of the underlying assets, liabilities, equity, revenues and expenses of these securitization vehicles are consolidated within the Company's consolidated financial statements. Consolidation of these securitization vehicles does not have an economic impact to the Company. The Company’s exposure to the obligations of these securitization vehicles is generally limited to its investment in these entities, which was $186.3 million and $490.1 million at March 31, 2018 and December 31, 2017, respectively. The Company is not obligated to provide any financial support to these securitization vehicles, although it may, in its sole discretion, provide support such as protective and other advances as it deems appropriate. For the three months ended March 31, 2018 and 2017, the Company did not provide any such financial support to these securitization vehicles.

Company-Sponsored Private Fund

The Company sponsors certain 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 funds are established as limited partnerships or equivalent structures. For certain sponsored private funds, limited partners of the 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 in certain sponsored private funds, which represent voting rights in a limited partnership, results in such 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.

The Company's equity interest in one of its sponsored open-end private funds is deemed to absorb more than insignificant variability during the early stages of the fund while additional third party capital is being raised. The Company is considered to be acting in the capacity of a principal of the fund, therefore the Company is the primary beneficiary and currently consolidates the fund. The Company’s exposure is limited to the value of its outstanding investment in the fund of $10.1 million at March 31, 2018 and $10.2 million at December 31, 2017. The Company, as general partner, is not obligated to provide any financial support to the consolidated fund.

Unconsolidated VIEs

Securitizations

Prior to the Merger, NRF delegated the collateral management rights for certain sponsored CDOs and two 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 represents 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 is no longer the primary beneficiary of such CDOs. As a result, the Company does not consolidate the assets and liabilities of the CDOs for which the Company does not retain the collateral management function. The Company’s exposure to loss is limited to its investment in these CDOs, comprising CDO equity and CDO bonds, which aggregate to $83.5 million at March 31, 2018 and $102.2 million at December 31, 2017.

Trusts

The Company, through the Merger, acquired the Trusts, which are 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 12). The Company owns all of the common stock of the Trusts, however, the Company's interests in the Trusts do not represent variable interests. The Company determined that the holders of the preferred securities issued by the Trusts are the primary beneficiaries of the Trusts, therefore, the Company does not consolidate 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 both March 31, 2018 and December 31, 2017, recorded in investments in unconsolidated ventures on the consolidated balance sheet (Note 7). The junior subordinated notes are recorded as debt on the Company's consolidated balance sheet.

Company-Sponsored Private Funds

As general partner, the Company has capital commitments directly to its sponsored funds. The Company may also invest alongside certain of its sponsored private funds through joint ventures between the Company and its sponsored funds, with the co-investment joint ventures consolidated by the Company, and the Company may have capital commitments satisfied directly through the co-investment joint ventures as an affiliate of the general partner. The Company's equity interests in these sponsored funds absorb insignificant variability. As the Company is considered to be acting in the capacity of an agent of these sponsored funds, the Company is not the primary beneficiary and does not consolidate these sponsored funds. The Company accounts for its equity interests in these sponsored funds under the equity method. The Company's maximum exposure to loss is limited to the carrying value of its investment in these sponsored funds, totaling $9.1 million at March 31, 2018 and $6.9 million at December 31, 2017, included within investments in unconsolidated ventures on the consolidated balance sheets.

16. Stockholders' Equity

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

As a result of the Merger, each outstanding share of Colony's class A and class B common stock was converted into the right to receive 1.4663 shares of Colony NorthStar's class A and class B common stock, respectively. Accordingly, the Company's common shares outstanding for all periods prior to January 10, 2017 have been adjusted to reflect the Colony exchange ratio of 1.4663.

	Number of Shares		
(In thousands)	Preferred Stock	Class A Common Stock	Class B Common Stock
Shares outstanding at December 31, 2016	25,030	166,440	770
Consideration for the Merger [1]	39,466	392,120	—
Shares canceled [2]	—	(2,984)	—
Shares issued upon redemption of OP units	—	45	—
Repurchase of common stock	—	(4,933)	—
Equity-based compensation, net of forfeitures	—	7,075	—
Shares canceled for tax withholding on vested stock awards	—	(359)	—
Shares outstanding at March 31, 2017	64,496	557,404	770
Shares outstanding at December 31, 2017	65,464	542,599	736
Shares issued upon redemption of OP Units	—	2	—
Repurchase of common stock	—	(42,306)	—
Equity-based compensation, net of forfeitures	—	3,257	—
Shares canceled for tax withholding on vested stock awards	—	(2,909)	—
Shares outstanding at March 31, 2018	65,464	500,643	736

(1) Shares were legally issued by Colony NorthStar, as the surviving combined company, as consideration for the Merger. However, as the Merger was accounted for as a reverse acquisition, the consideration transferred was measured based upon the number of shares of common stock and preferred stock that Colony, as the accounting acquirer, would theoretically have to issue to the shareholders of NSAM and NRF to achieve the same ratio of ownership in Colony NorthStar upon completion of the Merger (Note 3).

(2) Represents NRF shares held by NSAM that were canceled upon consummation of the Merger, after giving effect to the exchange ratio.

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 March 31, 2018:

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 [1]	6,114	$ 61	$ 152,855	Currently redeemable
Series D	8.5%	April 2013 [1]	8,000	80	200,000	April 10, 2018
Series E	8.75%	May 2014 [1]	10,000	100	250,000	May 15, 2019
Series G	7.5%	June 2014 [1]	3,450	35	86,250	June 19, 2019
Series H	7.125%	April 2015 [1]	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
			65,464	$ 655	$ 1,636,605	

(1) Represents initial issuance date pre-Merger by NRF or Colony, as applicable.

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 Colony NorthStar are payable quarterly in arrears, in the case of the Series B, D 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.

Issuance and Redemption of Preferred Stock

There were no issuances or redemptions of preferred stock in the three months ended March 31, 2018.

In 2017, the Company issued 13.8 million shares of Series I preferred stock in June 2017 and 12.6 million shares of Series J preferred stock in September 2017 with dividend rates of 7.15% and 7.125% per annum, respectively. Proceeds received for Series I and Series J preferred stock totaled $637.9 million, net of underwriting discounts and offering costs payable by the Company. The Company applied the proceeds from the offerings, combined with available cash, to redeem all of the outstanding shares of Series A, Series F and Series C preferred stock and a portion of the outstanding shares of Series B preferred stock for $644.9 million in aggregate, based on a redemption price of $25.00 per share liquidation preference plus accrued and unpaid dividends prorated to the respective redemption dates. The excess or deficit of the $25.00 per share liquidation preference over the carrying value of the preferred stock redeemed results in a decrease or increase to net income attributable to common stockholders, respectively.

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 Executive Chairman. Each share of class B common stock shall convert automatically into one share of class A common stock if the Executive Chairman 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.

In connection with the consummation of the Merger, on January 20, 2017, the Company paid a dividend of $0.04444 per share of each Colony and NRF common stock to stockholders of record on January 9, 2017, representing a pro rata dividend for the period from January 1, 2017 through January 10, 2017 on a pre-exchange basis (or $0.03 after giving effect to the Colony exchange ratio of 1.4663). Additionally, the Company declared a dividend of $0.24 per share for the period from January 11, 2017 through March 31, 2017. Accordingly, dividends declared for the first quarter of 2017 per common share is equivalent to $0.27 per share after giving effect to the exchange ratio. On January 27, 2017, the Company paid a one-time special dividend of $1.16 per share of common stock to former NSAM stockholders of record on January 3, 2017.

Common Stock Repurchases

On February 26, 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. During the three months ended March 31, 2018, the Company repurchased 42,306,294 shares of its class A common stock, at an aggregate cost of approximately $246.0 million (excluding commissions), or a weighted-average price of $5.82 per share.

In 2017, the Company had a similar stock repurchase program in which the Company repurchased the full authorized amount of $300.0 million (excluding commissions) of its outstanding class A common stock, equivalent to a total of 23,371,071 shares, at a weighted-average price of $12.84 per share. This included 2,150,120 shares of class A common stock repurchased for $29.8 million concurrent with the termination of the Call Spread, as discussed below.

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 three months ended March 31, 2018 or the year ended December 31, 2017 in the form of new issuances.

Call Spread

Subsequent to the Merger, the Company guaranteed NSAM's obligation to a third party counterparty under a call option previously sold by NSAM, specifically a call spread transaction (the “Call Spread”) in which NSAM had previously purchased and sold a call option on its common stock. In March 2017, the Company terminated the Call Spread and received $21.9 million in settlement, including the release of $15.0 million of cash pledged as collateral. The net settlement was accounted for as a capital transaction.

Accumulated Other Comprehensive Income (Loss) ("AOCI")

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.

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, 2016	$ 85	$ (112)	$ (41)	$ (76,426)	$ 44,385	$ (32,109)
Other comprehensive income (loss) before reclassifications	76	(5,107)	41	22,271	(8,813)	8,468
Amounts reclassified from AOCI	23	(106)	—	934	(960)	(109)
AOCI at March 31, 2017	$ 184	$ (5,325)	$ —	$ (53,221)	$ 34,612	$ (23,750)
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	1,009	(15,736)	—	35,759	(18,534)	2,498
Amounts reclassified from AOCI	—	(3,800)	—	4,163	(938)	(575)
AOCI at March 31, 2018	$ 6,423	$ (5,118)	$ —	$ 85,853	$ (38,121)	$ 49,037

Changes in Components of AOCI—Noncontrolling Interests in Investment Entities

(In thousands)	Unrealized Gain (Loss) on Securities	Foreign Currency Translation Gain (Loss)	Unrealized Gain (Loss) on Net Investment Hedges	Total
AOCI at December 31, 2016	$ (527)	$ (57,213)	$ 11,798	$ (45,942)
Other comprehensive income (loss) before reclassifications	981	12,106	(1,954)	11,133
Amounts reclassified from AOCI	(454)	994	257	797
AOCI at March 31, 2017	$ —	$ (44,113)	$ 10,101	$ (34,012)
AOCI at December 31, 2017	$ —	$ 38,948	$ 3,127	$ 42,075
Other comprehensive income (loss) before reclassifications	—	29,242	(4,817)	24,425
Amounts reclassified from AOCI	—	4,415	1,267	5,682
AOCI at March 31, 2018	$ —	$ 72,605	$ (423)	$ 72,182

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 March 31,		
Component of AOCI reclassified into earnings	2018	2017	Affected Line Item in the Consolidated Statements of Operations
Realized gain (loss) on marketable securities	$ 7,906	$ 106	Other gain (loss), net
Other-than-temporary impairment and write-offs of securities	(4,106)	—	Other gain (loss), net
Release of cumulative translation adjustments	(4,163)	(934)	Other gain (loss), net
Unrealized gain (loss) on dedesignated net investment hedges	(1,498)	—	Other gain (loss), net
Realized gain (loss) on net investment hedges	2,436	960	Other gain (loss), net
Release of equity in AOCI of unconsolidated ventures	—	(23)	Earnings from investments in unconsolidated ventures

17. Noncontrolling Interests

Redeemable Noncontrolling Interests

This represents noncontrolling interests in a consolidated open-end fund sponsored by the Company beginning in August 2017, and in Townsend for the period from January 10, 2017 through December 29, 2017, the date the Company sold its interest in Townsend. In connection with the Townsend sale, $20.0 million of the consideration received was allocated to certain members of Townsend management and the noncontrolling interests in Townsend was fully redeemed.

The following table presents a summary of changes in redeemable noncontrolling interests:

(In thousands)	Three Months Ended March 31, 2018	2017
Beginning balance	$ 34,144	$ —
Assumed through the Merger	—	78,843
Contributions	250	—
Distributions	(2,050)	—
Net income	(696)	617
Currency translation adjustment and other	—	12
Ending balance	$ 31,648	$ 79,472

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 parties.

In January 2017, the Company sold an 18.7% noncontrolling interest in its healthcare real estate portfolio through a newly formed joint venture pursuant to a purchase and sale agreement executed in November 2016 based upon terms negotiated prior to the Merger. The net excess of the carrying value of the noncontrolling interest sold over the consideration received resulted in a $41.2 million decrease to additional paid-in capital, including $9.2 million of cost of new capital. At March 31, 2018, noncontrolling interests own approximately 28.7% of the Company's healthcare portfolio.

For the three months ended March 31, 2018, contributions from new limited partners reduced the Company's ownership interest in its industrial joint venture. The new limited partners were admitted at net asset value of the joint venture, based upon valuations determined by independent third parties, at the time of contributions. The difference between contributions received and the noncontrolling interests' share of the joint venture resulted in an increase to additional paid-in capital of $5.8 million.

Noncontrolling Interests in Operating Company

Certain 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, as applicable.

For the three months ended March 31, 2018, the Company redeemed 1,940 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, 2017, the Company redeemed 2,076,214 OP Units through the issuance of 1,684,170 shares of class A common stock (adjusted for the Merger exchange ratio) on a one-for-one basis and cash settlement of approximately $5.1 million to satisfy tax obligations of the OP unitholders.

18. Discontinued Operations

Asset groups acquired in connection with purchase business combinations that meet the criteria to be accounted for as held for sale at the date of acquisition are reported as discontinued operations.

Discontinued operations consisted primarily of a manufactured housing portfolio acquired through the Merger in January 2017 and certain properties acquired through consensual foreclosure of the THL Hotel Portfolio in July 2017.

The manufactured housing portfolio was valued at its contracted sale price of $2.0 billion upon closing of the Merger, with $1.3 billion of related mortgage financing assumed by the buyer. The sale of the manufactured housing portfolio closed in March 2017, with the Company having received approximately $664.4 million in net proceeds, as adjusted for prorations and other reimbursements, for its interest in the portfolio.

Net income generated from operations of these held for sale asset groups is presented below.

	Three Months Ended March 31,	
(In thousands)	2018	2017
Revenues		
Property operating income	$ 716	$ 33,857
Other income	—	2,257
Expenses		
Property operating expenses	(589)	(12,395)
Interest expense	—	(9,028)
Loss on sale of real estate assets	—	(2,108)
Other expenses	(10)	(23)
Net income from discontinued operations	117	12,560
Net income from discontinued operations attributable to:		
Noncontrolling interests in investment entities	(53)	—
Noncontrolling interests in Operating Company	(3)	—
Net income from discontinued operations attributable to Colony NorthStar, Inc.	$ 61	$ 12,560

19. Earnings per Share

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

	Three Months Ended March 31,	
(In thousands, except per share data)	2018	2017
Net income (loss) allocated to common stockholders		
Income (loss) from continuing operations	$ (26,416)	$ 39,630
Income from discontinued operations	117	12,560
Net income (loss)	(26,299)	52,190
Net (income) loss attributable to noncontrolling interests:		
Redeemable noncontrolling interests	696	(617)
Investment entities	(20,102)	(27,059)
Operating Company	4,378	1,083
Net income (loss) attributable to Colony NorthStar, Inc.	(41,327)	25,597
Preferred dividends	(31,387)	(30,813)
Net loss attributable to common stockholders	(72,714)	(5,216)
Net income allocated to participating securities	(629)	(2,238)
Net loss allocated to common stockholders—basic	(73,343)	(7,454)
Interest expense attributable to convertible notes [(1)]	—	—
Net loss allocated to common stockholders—diluted	$ (73,343)	$ (7,454)
Weighted average common shares outstanding [(2)]		
Weighted average number of common shares outstanding—basic	530,680	506,405
Weighted average effect of dilutive shares [(1)(3)]	—	—
Weighted average number of common shares outstanding—diluted	530,680	506,405
Basic loss per share		
Loss from continuing operations	$ (0.14)	$ (0.03)
Income from discontinued operations	0.00	0.02
Net loss attributable to common stockholders per basic common share	$ (0.14)	$ (0.01)
Diluted loss per share		
Loss from continuing operations	$ (0.14)	$ (0.03)
Income from discontinued operations	0.00	0.02
Net loss attributable to common stockholders per diluted common share	$ (0.14)	$ (0.01)

(1) For the three months ended March 31, 2018 and 2017, excluded from the calculation of diluted earnings per share is the effect of adding back $7.1 million and $7.3 million of interest expense, respectively, and 38,112,100 and 38,717,000 weighted average dilutive common share equivalents, respectively, for the assumed conversion or exchange of the Company's outstanding convertible and exchangeable notes, as applicable, as their inclusion would be antidilutive.

(2) As a result of the Merger, each outstanding share of common stock of Colony was exchanged for 1.4663 of newly issued common shares of Colony NorthStar. Accordingly, the historical share counts used to calculate the weighted average number of shares for the three months ended March 31, 2017 reflect the exchange ratio of 1.4663 applied to shares outstanding prior to the Closing Date.

(3) For the three months ended March 31, 2018, 662,900 weighted average unvested non-participating restricted shares were not included in the calculation of diluted earnings per share as their inclusion would be antidilutive. 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 March 31, 2018 and 2017, there were 32,280,500 and 34,313,300 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. Also excluded from the computation of diluted earnings per share are shares of the Company's class A common stock that are contingently issuable pursuant to the contingent consideration arrangement (Note 14) and PSUs (Note 21) as the performance targets would not have been met had the contingency period ended on March 31, 2018.

20. Fee Income

The Company's real estate investment management platform manages capital on behalf of institutional and retail investors in private funds, traded and non-traded REITs and investment companies, 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.

On December 29, 2017, the Company sold its interest in Townsend, an investment management subsidiary acquired through the Merger. Upon closing of the Combination on January 31, 2018, the Company's management contracts with NorthStar Income I and NorthStar Income II ceased to exist; concurrently, the Company entered into a new management agreement with Colony NorthStar Credit.

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

	Three Months Ended March 31,	
(In thousands)	2018	2017
Institutional funds	$ 13,141	$ 14,827
Non-traded REITs	11,459	22,237
Public companies—NRE, Colony NorthStar Credit	12,172	3,170
Broker-dealer, Townsend and other clients	70	13,016
	$ 36,842	$ 53,250

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

	Three Months Ended March 31,	
(In thousands)	2018	2017
Base management fees ($34,176 and $38,984 from affiliates, respectively)	$ 34,176	$ 42,775
Asset management fees—from affiliates	674	606
Acquisition and disposition fees—from affiliates	1,922	5,929
Incentive fees—from affiliates	—	270
Other fee income	70	3,670
Total fee income	$ 36,842	$ 53,250

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

- Private Funds—generally 1% per annum of the limited partners' net funded capital;
- Non-Traded REITs—1% to 1.25% per annum of gross assets for NorthStar/RXR NY Metro and for NorthStar Income I and NorthStar Income II (through January 31, 2018 only), as well as 1.5% per annum of most recently published net asset value (as may be subsequently adjusted for any special distribution) for NorthStar Healthcare. Effective January 1, 2018, $2.5 million per quarter of base management fee for NorthStar Healthcare will be paid in shares of NorthStar Healthcare common stock at a price per share equal to its most recently published net asset value per share (as may be subsequently adjusted for any special distribution);
- Investment Companies—1.25% per annum of average net assets;
- NRE—a variable fee based on the European Public Real Estate Association Net Asset Value, as defined in the management agreement. Prior to 2018, it was a fixed fee of $14.2 million per annum, subject to increase by an amount equal to 1.5% per annum of certain provisions in accordance with terms set out in its governing agreement; and
- Colony NorthStar Credit—1.5% per annum of Colony NorthStar Credit's stockholders' equity (as defined in its management agreement).

In 2017, the Company also earned base management fees from Townsend private funds at a fixed percentage of either assets under management, net asset value, total assets, committed capital or invested capital.

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—The Company earns an acquisition fee of 1% of the amount funded or allocated to originate or acquire an investment by NorthStar Income I and NorthStar Income II (through January 31, 2018 only); and a disposition fee of 1% to 2% of the contractual sales price for disposition of an investment by NorthStar Income I and NorthStar Income II (through January 31, 2018 only) and by NorthStar Healthcare. The amended advisory agreement of NorthStar Healthcare no longer provides for an acquisition fee effective January 1, 2018.

Incentive Fees—The Company may earn contractual incentive fees from NRE and Colony NorthStar Credit (and in 2017, from Townsend segregated mandate accounts). Contractual incentive fees are determined based on the performance of the investment vehicles subject to the achievement of minimum return hurdles, with such thresholds varying across investment vehicles in accordance with the terms set out in their respective governing agreements. A portion of the incentive fees earned by the Company, generally at 40% consistent with market terms, is allocable to senior management, investment professionals and certain other employees of the Company through their participation in the Company-sponsored investment vehicles.

Other Fee Income—Other fees include advisory fees in connection with real estate acquisitions by a third party client, as well as selling commission and dealer manager fees. The Company, through NorthStar Securities, earns fees for selling equity in certain classes of shares in the retail companies, calculated as a percentage of the gross offering proceeds raised, up to 8% for selling commissions and dealer manager fees, depending on the share classes of the retail companies. All or a portion of selling commission and dealer manager fees may be reallowed to participating broker-dealers. In 2017, other income included advisory fees from Townsend clients at a fixed annual retainer.

21. Equity-Based Compensation

Upon consummation of the Merger, each outstanding Colony employee restricted stock award granted under the 2014 Equity Incentive Plan (the “Colony Equity Incentive Plan”) that did not vest and was not forfeited was assumed by the Company and was converted into an equivalent Colony NorthStar restricted stock award, after giving effect to the Colony exchange ratio. As of January 2, 2017, all shares reserved under the Colony Equity Incentive Plan had been issued. While the Colony Equity Incentive Plan continues to exist following the Merger, no new awards will be granted under this plan.

Outstanding equity awards granted under Colony's 2009 Non-Executive Director Stock Plan (the “Colony Director Stock Plan”) fully vested upon consummation of the Merger and was settled through the issuance of 44,464 shares of Colony NorthStar class A common stock. The Colony Director Stock Plan was assumed by Colony NorthStar upon closing of the Merger.

Substantially all of the outstanding NSAM and NRF equity awards prior to the Merger, except for certain awards as described below, vested upon consummation of the Merger. The vested equity awards were settled in NSAM and NRF shares respectively and converted into Colony NorthStar class A common stock based on their respective exchange ratios. All of the vested NSAM and NRF equity awards relate to pre-combination services and form part of the merger consideration.

NSAM 2014 Stock Plan

Upon consummation of the Merger, the Company assumed the following outstanding awards previously issued under NSAM's 2014 Omnibus Stock Incentive Plan ("NSAM 2014 Stock Plan"). Subsequent to the Merger, the Company adopted the NSAM 2014 Stock Plan, as further described below.

Townsend—Restricted stock awards granted to Townsend’s management team, who were previously employees of the Company, did not vest by their terms in connection with the Merger and were converted into Colony NorthStar restricted stock awards on a one-for-one basis. On December 29, 2017, the outstanding Townsend awards were fully vested upon the sale of the Company's interest in Townsend.

American Healthcare Investors Joint Venture—In December 2014, NSAM acquired a 43% interest in American Healthcare Investors, LLC (“AHI"), structured as a joint venture between NSAM and the principals of AHI, a healthcare-focused real estate investment management firm, and James F. Flaherty III, former Chief Executive Officer of HCP, Inc., that is accounted for as an equity method investment.

In connection with this arrangement, certain AHI employees were granted equity awards for a fixed dollar amount with a variable number of shares, classified as a liability award. The outstanding award to certain AHI employees did not accelerate in the Merger. In March 2017, $1.0 million or the equivalent of 70,261 shares of class A common stock were issued in settlement of the equity award to certain AHI employees, and the corresponding $1.0 million outstanding liability was relieved. This was a non-employee award, with equity-based compensation recorded in earnings from investments in unconsolidated ventures on the consolidated statement of operations

Pursuant to a separate contractual arrangement entered into in connection with the investment in AHI, the AHI principals, subject to certain annual performance targets being met, are also entitled to incremental grants of the

Company's common stock, which will vest immediately upon issuance. As of March 31, 2018, no incremental awards have been granted.

NRF Incentive Plan

Upon consummation of the Merger, the Company assumed the following outstanding non-employee stock awards that were previously issued under NRF’s Third Amended and Restated 2004 Omnibus Stock Incentive Plan (the "NRF Incentive Plan"), and which continue to be governed by the terms of the NRF Incentive Plan subsequent to the Merger.

*Healthcare Strategic Partnership—*In January 2014, NRF entered into a strategic partnership with James F. Flaherty, III, focused on expanding the Company’s healthcare business (“Healthcare Strategic Partnership”). In connection with this arrangement, Mr. Flaherty was granted NRF restricted stock units ("RSUs"), which upon the spin-off of NSAM from NRF in July 2014, were adjusted to also relate to an equal number of units of NSAM RSUs, and continue to be governed by the NRF Incentive Plan. This RSU award did not vest by its terms in connection with the consummation of the Merger and was converted into the right to receive an award in the same form for that number of units of Colony NorthStar RSU, after giving effect to the relevant Merger exchange ratios. As a non-employee award, the RSUs were remeasured each period end based on the closing price of the Company's class A common stock as of such period end, with related equity-based compensation cost recorded in investment, servicing and commission expense on the consolidated statement of operations and in equity on the consolidated balance sheet. In September 2017, the RSU award was fully vested upon the occurrence of a vesting event under the terms of the applicable governing agreement.

CLNS Equity Incentive Plan

Following the Merger, the Company adopted the NSAM 2014 Stock Plan as the Company's successor equity incentive plan and renamed such plan the Colony NorthStar 2014 Omnibus Stock Incentive Plan (the "CLNS Equity Incentive Plan"). The CLNS 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. Shares reserved for the issuance of awards under the CLNS 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 March 31, 2018, an aggregate of 44.7 million shares of the Company's class A common stock were reserved for the issuance of awards under the CLNS Equity Incentive Plan.

In 2017, the Company issued certain equity awards, which have a service condition only, in connection with the Merger. This included replacement equity awards issued in January 2017 to certain executives of NSAM, consisting of an aggregate of 4,669,518 shares of restricted common stock and 3,506,387 LTIP units. The number of shares and units issued for the replacement awards were determined based on the volume-weighted average price of the Company's class A common stock over the first five trading days following the Closing Date, subject to a floor of $15.00 per share. All of the replacement equity awards vested on January 10, 2018. Additionally, restricted stock awards were also granted to certain employees as retention awards, subject to graded vesting through January 2020.

*Restricted Stock—*Restricted stock awards relating to the Company's class A common stock are granted to senior executives and certain employees, with a service condition only and time-based vesting annually 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. PSUs vest annually in equal tranches over a three-year period. Upon vesting, the recipient of PSUs will be issued a number of shares of CLNS 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 relative to that of a specified peer group over a three-year measurement period (such measurement metric the "total shareholder return"). 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.

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

	2018 PSU Grant
Expected volatility of CLNS class A common stock [1]	38%
Expected CLNS annual dividend yield [2]	7.6%
Risk-free rate (per annum) [3]	2.44%

(1) Based on a combination of implied volatilities on actively traded stock options and historical volatilities, on the stock of the Company and the specified peer group.
(2) Based on an average of the Company's current and historical dividend yields.
(3) Based on the prevailing 3-year zero coupon US Treasury yield on grant date.

Fair value of the PSU award on grant date, excluding dividend equivalent rights, is recognized on a straight-line basis over the three-year 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 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, into one common OP unit and upon conversion, subject to the redemption terms of OP units (Note 17). LTIP units are valued based on the Company's class A common stock price on grant date, with equity-based compensation cost recognized on a straight-line basis over the service period and represent an allocation to noncontrolling interest in the Operating Company.

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 or cash, at the option of the Company. 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, otherwise, on a straight-line basis over the vesting period as equity based compensation expense and equity.

Equity-based compensation expense is included in the following line items in the consolidated statements of operations:

	Three Months Ended March 31,	
(In thousands)	2018	2017
Compensation expense (including $22 and $0 amortization of fair value of dividend equivalent right)	$ 12,191	$ 31,577
Earnings from investments in unconsolidated ventures	—	61
Investment, servicing and commission expense	—	546
	$ 12,191	$ 32,184

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

	Restricted Stock	LTIP Units	DSUs	PSUs [(1)]	Total	Weighted Average Grant Date Fair Value: PSUs	Weighted Average Grant Date Fair Value: All Other Awards
Unvested shares and units at December 31, 2017	9,149,516	3,506,387	78,267	—	12,734,170	$ —	$ 14.53
Granted	3,257,393		13,659	2,138,858	5,409,910	6.05	6.27
Vested	(6,160,624)	(3,506,387)	(11,615)	—	(9,678,626)	—	14.63
Forfeited	(674)			—	(674)	—	6.08
Unvested shares and units at March 31, 2018	6,245,611	—	80,311	2,138,858	8,464,780	$ 6.05	$ 10.11

(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 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 $105.0 million and $14.8 million for the three months ended March 31, 2018 and 2017, respectively. For awards granted during the three months ended March 31, 2018 and 2017, the weighted average grant-date fair value per share was $6.27 and $14.59, respectively.

At March 31, 2018, aggregate unrecognized compensation cost for all unvested equity awards was $65.9 million, which is expected to be recognized over a weighted-average period of 2.4 years.

Awards Granted by Managed Companies

In March 2018, NRE and Colony NorthStar Credit issued restricted stock and performance stock units to the Company or its employees (collectively, "managed company awards"). NRE awards generally have similar terms as the respective CLNS awards, except that the NRE performance stock units measure NRE's stock performance against either an absolute total shareholder return threshold or relative to the performance of a specified market index. Employees are entitled to receive shares of NRE common stock if service conditions and/or market condition are met. CLNC awards are primarily restricted stock grants and generally vest over a three-year period, subject to service conditions. The Company generally issues the managed company award it receives in its capacity as the manager to its employees with substantially the same terms and service requirements.

Managed company awards granted to the Company, pending grant to its employees, are recognized based on their fair value at grant date as an investment in unconsolidated ventures and deferred revenue on the consolidated balance sheet. The deferred revenue liability is amortized into other income as the awards vest to the Company. Awards that are subsequently issued by the Company to its employees are recognized on a straight-line basis as equity-based compensation expense over their vesting period upon grant by the Company. Both types of awards are subject to adjustment to fair value at each reporting period, with changes reflected as an adjustment to equity-based compensation.

Equity-based compensation expense recognized in relation to managed company awards was $0.8 million for the three months ended March 31, 2018. At March 31, 2018, aggregate unrecognized compensation cost for unvested managed company awards was $22.2 million, which is expected to be recognized over a weighted-average period of 2.9 years.

22. 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)	March 31, 2018		December 31, 2017	
Due from Affiliates				
Investment vehicles and unconsolidated ventures				
Fee income	$	25,338	$	19,366
Cost reimbursements and recoverable expenses		16,823		30,749
Employees and other affiliates		1,421		1,403
	$	43,582	$	51,518
Due to Affiliates				
Investment vehicles and unconsolidated ventures	$	2,935	$	2,884
Employees—contingent consideration for Internalization		10,170		20,650
	$	13,105	$	23,534

Transactions with affiliates include the following:

Fee Income—Fee income earned from investment vehicles in which the Company manages and/or sponsors, and has an equity interest in or co-invests with, are presented in Note 20.

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 the non-traded REITs, investment companies and Colony NorthStar 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 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;
- cost incurred in performing investment due diligence for retail companies and private funds managed by the Company (presented gross on the consolidated statement of operations effective January 1, 2018);
- equity awards granted by NRE and Colony NorthStar Credit to employees of the Company, which are recorded gross on the consolidated statement of operations as other income and compensation expense (see Note 21);
- certain expenses incurred on behalf of the clients of Townsend such as legal, due diligence and investment advisory team travel expenses (in 2017 only);
- services provided to the Company's unconsolidated investment ventures for servicing and managing their loan portfolios, including foreclosed properties;
- administrative services provided to an equity method investee (through July 2017 only); and
- administrative services provided to certain senior executives of the Company.

Cost reimbursements, included in other income, were as follows. This included $1.2 million of costs incurred by the Company which will be reimbursed by its managed private funds for the three months ended March 31, 2018 that were presented gross on the consolidated statement of operations beginning in 2018.

	Three Months Ended March 31,			
(In thousands)	2018		2017	
Retail companies	$	2,387	$	5,335
Public companies—NRE and Colony NorthStar Credit		1,750		—
Private funds and other		1,844		703
Equity awards of NRE and Colony NorthStar Credit (Note 21)		812		—
Townsend		—		665
	$	6,793	$	6,703

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).

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 on October 15, 2018, 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 March 31, 2018 and December 31, 2017, there were no outstanding advances under the revolving credit facility.

Liquidating Trust—In connection with the closing of the Combination, a wholly-owned subsidiary of the Company entered into a management services agreement with the liquidating trust that holds the NorthStar I Retained Asset (as discussed in Note 4). The Company was engaged as an advisor to service and assist in the potential sale of the NorthStar I Retained Asset, and to provide administrative services to the liquidating trust 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.

Healthcare Strategic Partnership—The Healthcare Strategic Partnership was formed to expand the Company's healthcare business (see Note 21). In connection with this arrangement, the Healthcare Strategic 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 Strategic Partnership.

American Healthcare Investors Joint Venture—The Company has an equity method investment in AHI, through a joint venture with the principals of AHI and Mr. Flaherty (see Note 21). AHI provides certain healthcare-focused real estate investment management and related services to the Company and NorthStar Healthcare in order to assist the Company in managing current and future healthcare assets (excluding certain joint venture assets) acquired by the Company and, subject to certain conditions, other managed companies. For the three months ended March 31, 2018 and 2017, the Company incurred property management fees and sub-advisory fees totaling $1.3 million and $1.1 million, respectively. In January 2018, the Company provided a notice of termination of its management agreement to AHI with such termination to be effective October 2018.

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 months ended March 31, 2018 and 2017 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.

Contingent Consideration for Internalization—Contingent consideration for Internalization is payable to certain senior executives of the Company in connection with Colony's acquisition of the real estate investment management business and operations of its former manager in April 2015, as discussed in Note 14.

Selling Commissions—Certain NorthStar Securities employees earn selling commissions related to the sale of equity in the retail companies. Commissions paid or payable to these employees are immaterial.

Equity Awards of NRE and Colony NorthStar Credit—As discussed in Note 21, NRE and Colony NorthStar Credit grant equity awards to employees of the Company, either directly or indirectly through the Company, which are recognized as 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 participate on a discretionary basis in investment vehicles managed by the Company, either directly or indirectly through co-investment vehicles. These investments are generally not subject to management fees and incentive fees, but otherwise bear their proportionate share of other operating expenses of the investment vehicles. At March 31, 2018 and December 31, 2017, there was $4.8 million of such investments in a consolidated private fund of the Company, reflected in redeemable noncontrolling interests on the consolidated balance sheet, and their share of net income, included in net income attributable to redeemable noncontrolling interests on the consolidated statement of operations, was immaterial for the three months ended March 31, 2018.

Advances to Employees—The Company grants loans to certain employees in the form of promissory notes bearing interest at the prime rate with varying terms and repayment conditions. Outstanding advances were immaterial at March 31, 2018 and December 31, 2017.

Corporate Aircraft—The Company's corporate aircraft may occasionally be used for business purposes by affiliated entities or for personal use by certain senior executives of the Company. Affiliated entities and senior executives reimburse the Company for their usage based on the incremental cost to the Company of making the aircraft available for such use, and includes direct and indirect variable costs of operating the flights. These reimbursements amounted to $0.1 million and $0.6 million for the three months ended March 31, 2018 and 2017, respectively.

23. Commitments and Contingencies

Lease Commitments

Office Leases—The Company leases office space under noncancelable operating leases. The lease agreements require minimum rent payments and reimbursement of operating expenses incurred by the landlord, subject to escalation clauses. Rent expense on office leases, included in administrative expenses, was $2.7 million for each of the three months ended March 31, 2018 and 2017.

Contingent Consideration

The consideration for the Company's acquisition of substantially all of the real estate investment management business and operations of its former manager in April 2015 included a contingent portion payable in shares of class A and class B common stock as well as OP Units, subject to multi-year performance targets, as discussed in Note 14.

In connection with a consensual foreclosure of the THL Hotel Portfolio, contingent consideration is payable to a preferred equity holder of the borrower in an amount up to $13.0 million, as discussed in Notes 3 and 14.

Litigation and Claims

The Company may be involved in litigation and claims in the ordinary course of business. As of March 31, 2018, 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.

24. 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 medical office buildings, senior housing, skilled nursing facilities and other healthcare properties, including hospitals. The Company earns rental income from medical office buildings as well as senior housing and skilled nursing facilities structured under net leases to healthcare operators, and resident fee income from senior housing operating facilities that operate through management agreements with independent third party operators.
- *Industrial*—The Company's industrial segment is composed primarily of light industrial assets in infill locations throughout the U.S. that are vital for e-commerce and other tenants that require increasingly quick delivery times.
- *Hospitality*—The Company's hotel portfolio is composed of primarily extended stay hotels and premium branded select service hotels primarily located in major metropolitan markets in the U.S. with the majority affiliated with top hotel brands.
- *CLNC*—This represents the Company's investment in Colony NorthStar Credit, a commercial real estate credit REIT with a diverse portfolio consisting of senior mortgage loans, mezzanine loans, preferred equity, debt securities and net lease properties predominantly in the U.S. Following the Combination, the Company presents Colony NorthStar Credit in a separate reportable segment.
- *Other Equity and Debt*—The Company's other equity and debt segment includes our portfolios of 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 real estate private equity funds and various other equity investments.
- *Investment Management*—The Company generates fee income through investment management services, sponsoring numerous investment products across a diverse set of institutional and retail investors.

In 2018, the Company determined that its equity interests in various investment vehicles as sponsor and general partner, which were previously included in the industrial and other equity and debt segments, would be part of its investment management segment. The reclassification of investments in unconsolidated ventures and corresponding earnings on investments in unconsolidated ventures was applied retrospectively to all prior periods presented. The reclassification was not material to segment results.

Amounts not allocated to specific segments include corporate level cash and corresponding interest income, fixed assets, 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 Merger-related 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:

(In thousands)	Healthcare	Industrial	Hospitality	CLNC	Other Equity and Debt	Investment Management	Amounts Not Allocated to Segments	Total
Three Months Ended March 31, 2018								
Total revenues	$ 152,595	$ 68,753	$ 195,782	$ —	$ 205,154	$ 42,521	$ 1,859	$ 666,664
Property operating expenses	66,966	20,811	136,095	—	81,898	—	—	305,770
Interest expense	50,941	10,190	34,361	—	40,280	—	13,117	148,889
Depreciation and amortization	41,127	29,945	35,457	—	28,969	7,676	1,531	144,705
Provision for loan loss	—	—	—	—	5,375	—	—	5,375
Impairment loss	3,780	—	—	—	9,189	140,429	—	153,398
Gain on sale of real estate	—	2,293	—	—	16,151	—	—	18,444
Earnings (losses) from investments in unconsolidated ventures	—	—	—	(3,654)	27,217	8,702	—	32,265
Income tax benefit (expense)	(998)	(3)	1,481	—	(4,539)	36,803	64	32,808
Income (loss) from continuing operations	(12,534)	6,321	(11,886)	(3,654)	68,431	(84,624)	11,530	(26,416)
Income from discontinued operations	—	—	—	—	117	—	—	117
Net income (loss)	(12,534)	6,321	(11,886)	(3,654)	68,548	(84,624)	11,530	(26,299)
Net income (loss) attributable to Colony NorthStar, Inc.	(10,360)	1,278	(10,050)	(3,446)	49,109	(80,520)	12,662	(41,327)
Three Months Ended March 31, 2017								
Total revenues	$ 138,813	$ 57,042	$ 175,713	$ —	$ 175,086	$ 59,640	$ 871	$ 607,165
Property operating expenses	60,686	16,497	118,491	—	20,675	—	—	216,349
Interest expense	41,092	12,426	27,249	—	30,819	—	14,692	126,278
Depreciation and amortization	40,881	24,639	30,041	—	28,218	12,483	1,158	137,420
Provision for loan loss	—	—	—	—	6,724	—	—	6,724
Impairment loss	—	—	—	—	8,519	—	—	8,519
Gain on sale of real estate	—	—	—	—	8,970	—	—	8,970
Earnings from investments in unconsolidated ventures	—	—	—	—	108,837	5,155	—	113,992
Income tax benefit (expense)	(2,242)	598	(38)	—	(1,333)	(2,069)	1,375	(3,709)
Income (loss) from continuing operations	(9,266)	519	(3,616)	—	179,908	19,989	(147,904)	39,630
Income from discontinued operations	—	—	—	—	—	—	12,560	12,560
Net income (loss)	(9,266)	519	(3,616)	—	179,908	19,989	(135,344)	52,190
Net income (loss) attributable to Colony NorthStar, Inc.	(8,438)	(62)	(2,993)	—	143,912	18,260	(125,082)	25,597

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
March 31, 2018								
Total assets	$ 5,792,926	$ 2,852,496	$ 4,084,845	$ 1,161,930	$ 7,395,831	$ 2,127,652	$ 148,812	$ 23,564,492
Equity method investments	—	—	—	1,161,930	1,058,206	215,840	3,742	2,439,718
December 31, 2017								
Total assets	$ 5,813,552	$ 2,810,135	$ 4,094,596	$ —	$ 9,251,829	$ 2,714,974	$ 100,564	$ 24,785,650
Equity method investments	—	—	—	—	1,315,629	207,683	3,742	1,527,054

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 March 31, 2018	Three Months Ended March 31, 2017
Total income by geography:		
United States	$ 613,661	$ 643,128
Europe	78,173	70,427
Other	302	899
Total [(1)]	$ 692,136	$ 714,454

(In thousands)	March 31, 2018	December 31, 2017
Long-lived assets by geography:		
United States	$ 12,804,315	$ 13,224,197
Europe	1,791,331	1,749,282
Total [(2)]	$ 14,595,646	$ 14,973,479

(1) Total income includes earnings from investments in unconsolidated ventures and excludes cost reimbursement income from affiliates.

(2) Long-lived assets comprise real estate, real estate related intangible assets and fixed assets, and exclude financial instruments and assets held for sale.

25. Supplemental Disclosure of Cash Flow Information

(In thousands)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest, net of capitalized interest of $429 and $0, respectively	$ 121,934	$ 88,029
Cash paid for income taxes (received for income tax refunds), net	(9,430)	1,249
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Dividends and distributions payable	$ 90,791	$ 175,498
Net assets of CLNS Investment Entities deconsolidated, net of cash and restricted cash contributed (Note 4)	936,547	—
Redemption of OP Units for common stock	24	638
Improvements in operating real estate in accrued and other liabilities	14,274	246
Change in contributions receivable from noncontrolling interests	13,501	—
Redemption of OP Units for cash in accrued and other liabilities	2,096	5,085
Share repurchase payable (Note 11)	36,166	10,177
Assets acquired in Merger, net of cash and restricted cash assumed (Note 3)	—	17,024,350
Liabilities assumed in Merger (Note 3)	—	11,416,937
Noncontrolling interests assumed in Merger (Note 3)	—	602,014
Common stock issued for acquisition of NSAM and NRF (Note 3)	—	5,718,004

(In thousands)	Three Months Ended March 31, 2018	2017
Preferred stock issued for acquisition of NRF (Note 3)	—	1,010,320
Debt assumed by buyer in sale of manufactured housing portfolio (Note 18)	—	1,258,558
Net assets acquired in CPI restructuring, net of cash and restricted cash assumed (Note 3)	—	219,278
Investment deposits applied to acquisition of loans receivable, real estate and CPI Group	—	66,020
Foreclosures on collateral assets of originated or acquired loans receivable	—	8,167
Proceeds from loan repayments and asset sales held in escrow	—	45,870
Costs associated with contributions from noncontrolling interests	—	2,444

26. Subsequent Events

Common Stock Repurchase

Between April 1, 2018 and May 7, 2018, the Company repurchased 5,910,690 shares of its class A common stock at an aggregate cost of $33.4 million excluding commissions, or a weighted average price of $5.65 per share. As of May 7, 2018, $20.6 million of the previously authorized $300.0 million was remaining in its stock repurchase program.

Retail Distribution Business

The Proposed Transaction which combines NorthStar Securities and S2K to create a new retail distribution business, Colony S2K, closed on April 30, 2018.

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Quarterly Report on Form 10-Q 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;
- 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 and to realize the anticipated benefits of such acquisitions;
- our ability to realize substantial efficiencies and synergies as well as anticipated strategic and financial benefits of the Merger;
- 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;
- our business and investment strategy, including the ability of the businesses in which we have a significant investment (such as Colony NorthStar Credit Real Estate, Inc. (NYSE:CLNC)) to execute their business strategies;
- 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 the combination of our captive broker-dealer with S2K Financial Holdings, LLC;
- our ability to satisfy and manage our capital requirements;
- the general volatility of the securities markets in which we participate;
- our ability to obtain and maintain financing arrangements, including securitizations;
- 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;
- 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”);
- 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 the accompanying notes thereto, which are included in Item 1 of this Quarterly Report, as well as the information contained in our Annual Report on Form 10-K for the year ended December 31, 2017, which is accessible on the SEC's website at www.sec.gov.

Overview

We are a leading global real estate and investment management firm, principally located in Los Angeles, California and New York, New York, with approximately 500 employees in offices across 18 cities in ten countries. We have significant property holdings in the healthcare, industrial and hospitality sectors, other equity and debt investments, as well as an embedded institutional and retail investment management business. We currently have assets under management, including both our balance sheet investments and third party managed investments, of approximately $43 billion, and manage capital on behalf of our stockholders, as well as institutional and retail investors in private funds, traded and non-traded REITs and registered investment companies.

We were organized on May 31, 2016 as a Maryland corporation, and intend to elect to be taxed as a REIT for U.S. federal income tax purposes commencing with our 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. As of March 31, 2018, we owned 94% of the Operating Company, and are its sole managing member.

Colony NorthStar Credit

On August 25, 2017, certain subsidiaries of the Company entered into a combination agreement with NorthStar Real Estate Income Trust, Inc. ("NorthStar Income I") and NorthStar Real Estate Income II, Inc. ("NorthStar Income II"), both publicly registered non-traded real estate investment trusts sponsored and managed by a subsidiary of the Company, and certain other subsidiaries of the foregoing. Pursuant to the combination agreement, certain subsidiaries of the Company agreed to contribute the CLNS Contributed Portfolio (as defined below), represented by their ownership interests ranging from 38% to 100% in certain investment entities ("CLNS Investment Entities") to Colony NorthStar Credit Real Estate, Inc. ("Colony NorthStar Credit") and its operating company, and NorthStar Income I and NorthStar Income II agreed to merge with and into Colony NorthStar Credit, with, in each case, Colony NorthStar Credit surviving, in all-stock mergers (collectively, the "Combination"). In consideration for the Company's contribution of the CLNS Contributed Portfolio, the Company received approximately 44.4 million shares of Colony NorthStar Credit's class B-3 common stock and approximately 3.1 million common membership units in Colony NorthStar Credit's operating company ("CLNC OP Units"). Colony NorthStar Credit's class B-3 Common Stock will automatically convert to class A common stock of Colony NorthStar Credit, which is tradable on the NYSE upon the close of trading on February 1, 2019. The CLNC OP Units are redeemable for cash or class A common stock of Colony NorthStar Credit, in Colony NorthStar Credit's sole discretion.

The CLNS Contributed Portfolio comprised the Company's interests in certain of its commercial real estate loans, net lease properties and limited partnership interests in third party sponsored funds, which represented a select portfolio of U.S. investments within the Company's other equity and debt segment that were transferable assets consistent with Colony NorthStar Credit's strategy.

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

The contribution of the CLNS Contributed Portfolio was intended to be a tax-free transaction to the Company.

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

The Combination created a prominent publicly-listed commercial real estate credit REIT. Kevin P. Traenkle, the Company's Chief Investment Officer, and Sujan S. Patel, the Company's Co-Head of U.S. Investment Management, assumed the roles of Chief Executive Officer and President and Chief Financial Officer of Colony NorthStar Credit, respectively. The board of directors of Colony NorthStar Credit is composed of seven directors, four of whom are independent, and the remaining three directors are senior executives of the Company.

Refer to Note 4 to the consolidated financial statements for further information related to the Combination.

Retail Distribution Business

On February 16, 2018, the Company entered into a definitive agreement with S2K Financial Holdings, LLC ("S2K") to combine NorthStar Securities, LLC ("NorthStar Securities"), a captive broker-dealer platform acquired through the Merger that raises capital in the retail market, with S2K to create a leading retail distribution business, which will be renamed Colony S2K Holdings, LLC ("Colony S2K") (the "Proposed Transaction"). Colony S2K will distribute both the current and future investment products of Colony NorthStar and S2K. S2K is the holding company of S2K Financial, LLC, a registered broker-dealer wholesale distributor of investment vehicles, and S2K Servicing LLC, a provider of administrative services to institutional investment managers. The Proposed Transaction closed on April 30, 2018.

Our Business

Our vision is to establish Colony NorthStar as the leading global equity REIT, with a unique and powerful embedded investment management platform, resulting in multiple avenues to drive growth and create value for stockholders. We believe our deep understanding of commercial real estate provides us a significant advantage in identifying relative value throughout real estate cycles. Through our prudent sector or subsector capital allocation and operational capabilities, we aim to generate outsized total returns to stockholders. In addition, we expect to have third-party investor participation in sponsored investment vehicles that serve as a potential enhancement to stockholder returns through fee income and as an additional source of liquidity and growth. We expect our embedded investment management platform to allow us to scale our core segments while providing revenue diversification.

We conduct our business through the following six segments:

- *Healthcare*—Our healthcare segment is composed of a diverse portfolio of medical office buildings, senior housing, skilled nursing and other healthcare properties, including hospitals. We earn rental income from medical office buildings as well as senior housing and skilled nursing facilities structured under net leases to healthcare operators, and resident fee income from senior housing operating facilities that operate through management agreements with independent third-party operators.

- *Industrial*—Our industrial segment is composed primarily of light industrial assets in infill locations throughout the U.S. that are vital for e-commerce and other tenants that require increasingly quick delivery times.

- *Hospitality*—Our hotel portfolio is composed of primarily extended stay hotels and premium branded select service hotels primarily located in major metropolitan markets, in the U.S. with the majority affiliated with top hotel brands.

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

- *Other Equity and Debt*—Our other equity and debt segment includes our portfolios of 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 real estate private equity funds and various other equity investments.

- *Investment Management*—We generate fee income through investment management services, sponsoring numerous investment products across a diverse set of institutional and retail investors.

Highlights

During the three months ended March 31, 2018, significant developments affecting our business and results of operations included the following:

Acquisitions and Dispositions

- Consummated the Combination to create Colony NorthStar Credit, a prominent publicly-listed commercial real estate credit REIT. Colony NorthStar Credit's class A common stock began trading on the NYSE on February 1, 2018; and
- Syndicated 30% of our portfolio of distressed CRE loans in Ireland to a third party investor for $67.0 million.

Financing and Capital Transactions

- Repurchased 42.3 million shares of our class A common stock for $246 million under our $300 million stock repurchase program announced in February 2018

Other

- Closed on a new co-sponsored digital real estate infrastructure vehicle on February 28, 2018, in partnership with Digital Bridge. At March 31, 2018, total callable commitments of the fund was $1.95 billion, inclusive of our capital commitments of $162 million.

Results of Operations

The following table summarizes our results of operations by segment:

(in thousands)	Total Revenues		Net Income (Loss)		Net Income (Loss) Attributable to Colony NorthStar, Inc.	
Three Months Ended March 31,	2018	2017	2018	2017	2018	2017
Healthcare	$ 152,595	$ 138,813	$ (12,534)	$ (9,266)	$ (10,360)	$ (8,438)
Industrial	68,753	57,042	6,321	519	1,278	(62)
Hospitality	195,782	175,713	(11,886)	(3,616)	(10,050)	(2,993)
CLNC	—	—	(3,654)	—	(3,446)	—
Other Equity and Debt	205,154	175,086	68,548	179,908	49,109	143,912
Investment Management	42,521	59,640	(84,624)	19,989	(80,520)	18,260
Amounts not allocated to segments	1,859	871	11,530	(135,344)	12,662	(125,082)
	$ 666,664	$ 607,165	$ (26,299)	$ 52,190	$ (41,327)	$ 25,597

Selected Balance Sheet Data

The following table summarizes key balance sheet data by segment:

(in thousands)	Healthcare	Industrial	Hospitality	CLNC	Other Equity and Debt	Investment Management	Amounts Not Allocated to Segments	Total
March 31, 2018								
Real estate, net	$ 5,182,736	$ 2,598,689	$ 3,861,241	$ —	$ 2,458,208	$ —	$ —	$ 14,100,874
Loans receivable, net	74,713	—	—	—	1,897,466	—	—	1,972,179
Investments in unconsolidated ventures	—	—	—	1,161,930	1,161,465	222,493	3,742	2,549,630
Securities, at fair value	—	—	—	—	288,900	—	—	288,900
Debt, net	3,238,668	1,001,506	2,564,648	—	2,743,551	—	947,056	10,495,429
December 31, 2017								
Real estate, net	$ 5,298,168	$ 2,451,091	$ 3,881,857	$ —	$ 2,833,142	$ —	$ —	$ 14,464,258
Loans receivable, net	70,641	—	—	—	3,153,121	—	—	3,223,762
Investments in unconsolidated ventures	—	—	—	—	1,425,498	225,999	3,742	1,655,239
Securities, at fair value	—	—	—	—	383,942	—	—	383,942
Debt, net	3,242,837	1,001,458	2,560,485	—	3,126,428	—	896,602	10,827,810

Comparison of 2018 to 2017

As a result of the Merger, the historical financial information included herein as of any date or for any periods on or prior to the Closing Date represents the pre-Merger financial information of Colony, and the results of operations of NSAM and NRF were incorporated into Colony NorthStar effective from January 11, 2017. Accordingly, comparisons of the period to period results of operations of Colony NorthStar as set forth herein may not be meaningful as the first 10 days of 2017 reflects the pre-Merger activity of Colony.

Consolidated Results of Operations

Our consolidated results of operations were as follows:

(In thousands)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Change
Revenues			
Property operating income	$ 554,730	$ 426,854	$ 127,876
Interest income	63,854	115,544	(51,690)
Fee income	36,842	53,250	(16,408)
Other income	11,238	11,517	(279)
Total revenues	666,664	607,165	59,499
Expenses			
Property operating expense	305,770	216,349	89,421
Interest expense	148,889	126,278	22,611
Investment, servicing and commission expense	18,653	11,807	6,846
Transaction costs	716	87,340	(86,624)
Depreciation and amortization	144,705	137,420	7,285
Provision for loan loss	5,375	6,724	(1,349)
Impairment loss	153,398	8,519	144,879
Compensation expense	49,484	91,818	(42,334)
Administrative expenses	24,863	25,914	(1,051)
Total expenses	851,853	712,169	139,684
Other income			
Gain on sale of real estate	18,444	8,970	9,474
Earnings from investments in unconsolidated ventures	32,265	113,992	(81,727)
Other gain, net	75,256	25,381	49,875
Income before income taxes	(59,224)	43,339	(102,563)
Income tax benefit (expense)	32,808	(3,709)	36,517
Income (loss) from continuing operations	(26,416)	39,630	(66,046)
Income from discontinued operations	117	12,560	(12,443)
Net income (loss)	(26,299)	52,190	(78,489)
Net income (loss) attributable to noncontrolling interests:			
Redeemable noncontrolling interests	(696)	617	(1,313)
Investment entities	20,102	27,059	(6,957)
Operating Company	(4,378)	(1,083)	(3,295)
Net income (loss) attributable to Colony NorthStar, Inc.	(41,327)	25,597	(66,924)
Preferred stock dividends	31,387	30,813	574
Net loss attributable to common stockholders	$ (72,714)	$ (5,216)	(67,498)

Property Operating Income and Expenses

(In thousands)	Three Months Ended March 31, 2018	2017	Change
Property operating income:			
Healthcare	$ 151,137	$ 137,431	$ 13,706
Industrial	67,637	56,679	10,958
Hospitality	195,259	175,670	19,589
Other Equity and Debt	140,697	57,074	83,623
	$ 554,730	$ 426,854	127,876
Property operating expenses:			
Healthcare	$ 66,966	$ 60,686	$ 6,280
Industrial	20,811	16,497	4,314
Hospitality	136,095	118,491	17,604
Other Equity and Debt	81,898	20,675	61,223
	$ 305,770	$ 216,349	89,421

Healthcare—Property operating income and expense were higher overall in the three months ended March 31, 2018 compared to the same period in 2017, primarily due to the 2017 period including only 80 days of post-Merger results from our healthcare portfolio. The three months ended March 31, 2018 also included additional lease termination income. However, after giving effect to the 10-day period of pre-Merger activity, property operating expenses were lower as a result of three RIDEA properties that were converted into net lease properties in the fourth quarter of 2017.

Industrial—Increases in total property operating income and expenses in our industrial portfolio reflect the continued growth of our portfolio. As of March 31, 2018 and December 31, 2017, our industrial portfolio consisted of 378 and 369 buildings, respectively, with a net addition of 9 buildings and 2.3 million rentable square feet during the three months ended March 31, 2018 compared to the same period in 2017.

Comparing our industrial portfolio on a same store basis between the three months ended March 31, 2018 and 2017, the increase in property operating income reflects higher recoveries of tenant reimbursements, and generally higher rental rates on new and renewal leases, notwithstanding a marginal decrease in average occupancy from 94.6% to 93.8%. Same store property operating expenses also increased during this period, primarily due to higher repair and maintenance costs and bad debt expenses.

($ in thousands)	Three Months Ended March 31, 2018	2017	Change Amount	%
Industrial: [1]				
Same store property operating income	$ 52,889	$ 50,546	$ 2,343	4.6%
Same store property operating expenses	16,506	14,928	1,578	10.6%

[1] Our same store portfolio consisted of the same 305 buildings that are stabilized and held for use during the three months ended March 31, 2018 and 2017. Properties acquired, disposed or held for sale during these periods are excluded. Stabilized properties are held for more than one year or are greater than 90% leased.

Hospitality—Property operating income and expense were higher in the three months ended March 31, 2018 compared to the same period in 2017, primarily due to the first quarter of 2017 including only 80 days of post-Merger activity. Average occupancy and revenue per available room ("RevPAR") across our portfolio was 1% higher in the three months ended March 31, 2018 compared to the same period in 2017. This resulted from a combination of higher corporate demand, post-storm demand as well as benefits from room renovations, while expenses increased due to increases in real estate taxes, food and beverage costs and utility rates.

Other Equity and Debt—Property operating income and property operating expenses related to our other equity and debt portfolio increased by $83.6 million and $61.2 million, respectively, during the three months ended March 31, 2018 compared to the same period in 2017. This can be attributed primarily to the THL Hotel Portfolio acquired through a consensual foreclosure in July 2017, which generated $88.6 million of hotel operating income and $63.5 million of hotel operating expenses in the first quarter of 2018. However, these increases were partially offset by our contribution of $219.7 million of real estate to Colony NorthStar Credit on January 31, 2018, which reduced property operating income by $3.3 million and property operating expenses by $0.8 million, as well as continued sales of our non-core properties.

Interest Income

Interest income decreased $51.7 million during the three months ended March 31, 2018 compared to the same period in 2017. The decrease can be attributed to the contribution of $1.3 billion of loans to Colony NorthStar Credit on January 31, 2018 which reduced interest income by $25.6 million, as well as decreases due to loan repayments, sales and foreclosures, which more than offset income from new loans and additional draws on existing loans.

Fee Income

Fee income was earned from the following sources:

	Three Months Ended March 31,		
(In thousands)	2018	2017	Change
Institutional funds	$ 13,141	$ 14,827	$ (1,686)
Non-traded REITs	11,459	22,237	(10,778)
Public companies—NRE, Colony NorthStar Credit	12,172	3,170	9,002
Broker-dealer, Townsend private funds and other clients	70	13,016	(12,946)
	$ 36,842	$ 53,250	(16,408)

Fee income decreased $16.4 million during the three months ended March 31, 2018 compared to the same period in 2017, resulting primarily from the sale of the Townsend investment management business in December 2017, which contributed $12.5 million of fee income during the three months ended March 31, 2017. We also replaced fees from our non-traded REITs, NorthStar Income I and NorthStar Income II, with fees from a public vehicle, Colony NorthStar Credit, upon closing of the Combination on January 31, 2018. Additionally, beginning in 2018, we no longer earn acquisition fees from NorthStar Healthcare under its amended advisory agreement, which amounted to $3.2 million for the three months ended March 31, 2017, contributing to the decrease in fee income from non-traded REITs. With respect to our institutional funds business, fee income decreased $1.7 million primarily due to continued realization of investments by liquidating funds more than offset income from new capital deployments.

Other Income

Other income, consisting primarily of cost reimbursement income as well as expense recoveries from borrowers and other recoveries from loan resolutions, decreased marginally between the three months ended March 31, 2018 and 2017, resulting from lower recovery income, partially offset by dividend income from a sponsored private fund that was consolidated beginning in the third quarter of 2017. Overall cost reimbursements remained largely consistent during these periods.

Interest Expense

	Three Months Ended March 31,		
(In thousands)	2018	2017	Change
Investment-level financing:			
Healthcare	$ 50,941	$ 41,092	$ 9,849
Industrial	10,190	12,426	(2,236)
Hospitality	34,361	27,249	7,112
Other Equity and Debt	40,280	30,819	9,461
Corporate-level debt	13,117	14,692	(1,575)
	$ 148,889	$ 126,278	22,611

The net increase in interest expense during the three months ended March 31, 2018 compared to the same period in 2017 can be attributed to the following:

Healthcare—$9.8 million increase in interest expense in our healthcare segment due to (i) full quarter of interest expense incurred in the three months ended March 31, 2018 as the same period in 2017 included only 80 days of interest expense post-Merger; and (ii) higher interest incurred on variable rate debt due to an increase in LIBOR, partially offset by debt paydowns in 2017.

Industrial—$2.2 million decrease in interest expense in our industrial segment due to $2.8 million of debt extinguishment costs incurred in the three months ended March 31, 2017 related to the paydown of our variable rate acquisition debt, partially offset by additional interest expense incurred on new financing obtained subsequent to the first quarter of 2017.

Hospitality—$7.1 million increase in interest expense in our hospitality segment due to (i) full quarter of interest expense incurred in the three months ended March 31, 2018 while the same period in 2017 included only 80 days of interest expense post-Merger; (ii) higher interest incurred on variable rate debt due to an increase in LIBOR, and (iii) financing costs incurred in the three months ended March 31, 2018 on debt refinanced in late 2017.

Other Equity and Debt—$9.5 million increase in interest expense in the other equity and debt segment resulting from (i) $15.4 million of interest expense on debt assumed in the acquisition of the THL Hotel Portfolio in July 2017, partially offset by (ii) $6.2 million decrease in interest expense related to approximately $380 million of debt contributed to Colony NorthStar Credit in January 2018, and (iii) debt paydowns upon sales and resolution of our non-core real estate investments.

Corporate-level debt—$1.6 million net decrease in interest expense on corporate-level debt driven by a lower utilization of our credit line in 2018, partially offset by a full quarter of interest expense on the junior subordinated notes and exchangeable senior notes assumed through the Merger while the same period in 2017 included only 80 days of interest expense.

Investment, Servicing and Commission Expense

Investment, servicing and commission expense includes costs incurred for servicing and managing loan portfolios and foreclosed properties, fees paid to third parties for management of our real estate portfolios, fees incurred in relation to debt refinancing or restructuring, and unconsummated deal costs. The $6.8 million increase in costs between the three months ended March 31, 2018 and 2017 was due to a write-off of cost reimbursement receivable from NorthStar/RXR NY Metro following the termination of its offering period in March 2018 and expenses incurred in relation to the THL Hotel Portfolio acquired in July 2017, partially offset by lower expenses incurred in our healthcare and hospitality segments.

Transaction Costs

Transaction costs incurred in both the three months ended March 31, 2018 and 2017 were driven by the Merger. Such costs were significantly higher in the first quarter of 2017, the period the Merger closed, which included approximately $66.8 million of fees paid to investment bankers contingent upon consummation of the Merger, professional fees for legal, financial advisory, accounting and consulting services, as well as fees incurred on a bridge loan facility commitment that was terminated on the Closing Date. Excluding Merger-related costs, other transaction costs in the three months ended March 31, 2017 were related to new investments or restructuring of existing investments. There were no non-Merger related transaction costs in the three months ended March 31, 2018.

Depreciation and Amortization

The net increase of $7.3 million in depreciation and amortization for the three months ended March 31, 2018 compared to the same period in 2017 can be attributed to the following: (i) full quarter of expense in the three months ended March 31, 2018 while the same period in 2017 included only 80 days of expense post-Merger for assets acquired through the Merger; and (ii) additional expense related to the THL Hotel Portfolio acquired in July 2017 and continued growth in our industrial portfolio; partially offset by (i) decreases in expense as a result of real estate contributed to Colony NorthStar Credit in January 2018 as well as real estate classified as held for sale or sold in 2017, mainly in our other equity and debt segment; and (ii) lower amortization on our investment management intangible assets following the sale of Townsend in December 2017 and the write-off of management contracts in connection with the Combination in January 2018.

Provision for Loan Losses

	Three Months Ended March 31,		
(In thousands)	2018	2017	Change
Non-PCI loans	$ 2,662	$ 2,475	$ 187
PCI loans	2,713	4,249	(1,536)
Total provision for loan losses	$ 5,375	$ 6,724	(1,349)

Provision for loan losses decreased $1.3 million during the three months ended March 31, 2018 compared to the same period in 2017, primarily due to lower provision on PCI loans, which have continued to resolve over time.

Of the total provision for loan losses, $3.2 million and $3.3 million in the three months ended March 31, 2018 and 2017, respectively, were attributed to noncontrolling interests in investment entities.

Impairment Loss

(In thousands)	Three Months Ended March 31, 2018	2017	Change
Healthcare	$ 3,780	$ —	$ 3,780
Other Equity and Debt	9,189	8,519	670
Investment Management	140,429	—	140,429
	$ 153,398	$ 8,519	144,879

Healthcare—Impairment loss in our healthcare portfolio during the three months ended March 31, 2018 was driven by write-downs on properties that were sold or held for sale.

Other Equity and Debt—Total impairment in our other equity and debt segment was marginally higher at $9.2 million in the first quarter of 2018 compared to $8.5 million in the first quarter of 2017, attributable to additional impairment on held for investment properties in Europe, particularly in the United Kingdom, partially offset by lower write-downs on foreclosed properties.

Investment Management—Impairment in the first quarter of 2018 was related to the write-off of (i) NorthStar Income I and NorthStar Income II management contract intangibles totaling $139.0 million as these contracts ceased to exist upon closing of the Combination on January 31, 2018; and (ii) NorthStar/RXR NY Metro management contract intangible of $1.4 million upon the termination of its offering period effective March 31, 2018.

Of the $153.4 million and $8.5 million of impairment loss in the three months ended March 31, 2018 and 2017, $7.8 million and $5.7 million were attributable to noncontrolling interests in investment entities, respectively.

Compensation Expense

The table below provides the components of compensation expense for the three months ended March 31, 2018 and 2017:

(In thousands)	Three Months Ended March 31, 2018	2017	Change
Cash compensation and benefits	$ 34,608	$ 44,743	$ (10,135)
Equity-based compensation	8,894	5,528	3,366
	43,502	50,271	(6,769)
Merger-related compensation expense:			
Equity-based compensation for replacement awards to NSAM executives subject to one year vesting	3,297	26,049	(22,752)
Severance and other employee transition	2,685	15,498	(12,813)
	5,982	41,547	(35,565)
Total compensation expense	$ 49,484	$ 91,818	(42,334)

Compensation expense was $42.3 million lower for the three months ended March 31, 2018 compared to the same period in 2017, driven primarily by a $22.8 million decrease in equity-based compensation related to replacement equity awards issued to certain NSAM executives as part of the Merger, which vested one year from the Closing Date, and a $12.8 million decrease in severance and other costs related to employee transition in connection with the Merger. Excluding the effects of the Merger, compensation expense decreased $6.8 million during the three months ended March 31, 2018 compared to the same period in 2017 as a result of lower bonus accruals, sale of the Townsend business in December 2017 and streamlining of our broker dealer business.

Administrative Expense

Administrative expense was $24.9 million in the three months ended March 31, 2018, $1.1 million lower from the same period in 2017. The primary reasons for the decrease related to lower insurance and rent-related expenses as well as lower costs incurred in connection with integrating the operations of the combined entities as most of the costs were incurred in 2017 and are non-recurring. This was partially offset by higher professional service expenses and other miscellaneous administrative expenses.

Gain on Sale of Real Estate

(In thousands)	Three Months Ended March 31, 2018	2017	Change
Industrial	$ 2,293	$ —	$ 2,293
Other Equity and Debt	16,151	8,970	7,181
	$ 18,444	$ 8,970	9,474

Industrial—The $2.3 million gain in the three months ended March 31, 2018 was realized from the sale of one building in the Orlando market. There were no sales in the three months ended March 31, 2017.

Other Equity and Debt—We recorded gains totaling $16.2 million in the three months ended March 31, 2018 compared to $9.0 million in the three months ended March 31, 2017. Higher gains were realized from the sale of our European properties in 2018, in particular from a portfolio that was acquired through a restructuring of a loan receivable in 2016.

Gain on sale of $10.7 million and $5.6 million in the three months ended March 31, 2018 and 2017, respectively, were attributed to noncontrolling interests in investment entities.

Earnings from Investments in Unconsolidated Ventures

(In thousands)	Three Months Ended March 31, 2018	2017	Change
CLNC	$ (3,654)	$ —	$ (3,654)
Other Equity and Debt	27,217	108,837	(81,620)
Investment Management	8,702	5,155	3,547
	$ 32,265	$ 113,992	(81,727)

CLNC—For the three months ended March 31, 2018, our share of net losses in Colony NorthStar Credit was $3.7 million as significant transaction costs was incurred in connection with the closing of the Combination.

Other Equity and Debt—Earnings from investments in unconsolidated ventures was significantly lower during the three months ended March 31, 2018 compared to the same period in 2017, primarily due to the three months ended March 31, 2017 including an $89.1 million gain from the sale of 50% of our interest in Starwood Waypoint Homes along with our proportionate share of gain from additional share issuance by the investee. Additionally, the contribution of certain investments in unconsolidated ventures to Colony NorthStar Credit in January 2018 further decreased earnings by $4.2 million. These decreases in 2018 were partially offset by higher earnings from other investments which included new investments subsequent to the first quarter of 2017.

Investment Management—The increase in earnings from investments in unconsolidated ventures during the three months ended March 31, 2018 compared to the same period in 2017 was driven by $6.4 million of additional income from our interest in an investment manager, property owner and developer, derived from gains on sales of real estate, partially offset by a decrease in earnings from other investees.

Earnings from investments in unconsolidated ventures of $5.5 million and $5.0 million in the three months ended March 31, 2018 and 2017, respectively, were attributed to noncontrolling interests in investment entities.

Other Gain (Loss), Net

Other gain was $75.3 million for the three months ended March 31, 2018. The $49.9 million increase compared to the three months ended March 31, 2017 resulted primarily from the following:

- $30.5 million higher gain on a non-designated out-of-money interest rate swap (liability) assumed through the Merger due to rising interest rates. The swap was intended to hedge future refinancing risk on certain NRF mortgage debt;
- $9.9 million gain recorded in connection with the Combination, which represents the excess of fair value over carrying value of the Company's equity interest in the CLNS Investment Entities, retained through the Company’s 37% interest in Colony NorthStar Credit (refer to Note 4 of the consolidated financial statements);
- $7.1 million higher gain due to a decrease in fair value of the contingent consideration liability in connection with Colony's management internalization in 2015 (refer to Note 14 of the consolidated financial statements);

- $8.4 million gain on sale of CRE debt securities; and
- $1.2 million higher gain on remeasurement of a foreign currency loan receivable in our healthcare segment.

These increases were partially offset by

- $4.4 million loss due to an other-than-temporary impairment on N-Star CDOs and CMBS held by consolidated N-Star CDOs.

Income Tax Expense

We recorded an income tax benefit of $32.8 million in the three months ended March 31, 2018. Approximately $36.8 million of the income tax benefit is related to the Investment Management segment, primarily in connection with the write-off of the management contract intangible assets for NorthStar Income I and NorthStar Income II as the contracts ceased to exist upon closing of the Combination. For the three months ended March 31, 2017, we incurred an income tax expense of $3.7 million which reflects the results from normal operations of our taxable REIT subsidiaries and foreign taxable entities.

Income from Discontinued Operations

Income from discontinued operations represents net income generated from businesses that we acquired through business combinations that were classified as held for sale at the time of acquisition. There was immaterial net income from discontinued operations in the three months ended March 31, 2018 from operations of hotels held for sale in the THL Hotel Portfolio acquired in July 2017, while the $12.6 million net income from discontinued operations in the three months ended March 31, 2017 was derived predominantly from operations of our manufactured housing portfolio during the approximately two month period prior to its disposition in March 2017.

Segments

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

Net operating income ("NOI") and earnings before interest, income tax, depreciation and amortization ("EBITDA") for our core real estate segments were determined as follows. NOI and EBITDA are discussed further and reconciled to the most directly comparable GAAP figure in "*—Non-GAAP Supplemental Financial Measures.*"

	Healthcare		Industrial		Hospitality	
	Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
(In thousands)	2018	2017	2018	2017	2018	2017
Total revenues	$ 152,595	$ 138,813	$ 68,753	$ 57,042	$ 195,782	$ 175,713
Straight-line rent revenue and amortization of above- and below-market lease intangibles	(4,319)	(6,999)	(2,297)	(1,663)	(7)	(14)
Interest income	—	—	(532)	—	—	—
Other income	—	—	—	—	(488)	—
Property operating expenses [(1)]	(66,966)	(60,686)	(20,811)	(16,497)	(136,095)	(118,491)
Transaction, investment and servicing costs	—	—	—	(101)	—	—
Compensation expense [(1)]	—	—	(480)	(583)	—	—
NOI or EBITDA	$ 81,310	$ 71,128	$ 44,633	$ 38,198	$ 59,192	$ 57,208

(1) For healthcare and hospitality, fees paid to third parties for property management are included in property operating expenses. For industrial, compensation costs of employees engaged in property management and operations are included in compensation expense.

Healthcare

Our healthcare segment is composed of a diverse portfolio of medical office buildings, senior housing, skilled nursing and other healthcare properties. Over half of our healthcare properties are medical office buildings as well as senior housing and skilled nursing facilities structured under net leases to healthcare operators for which we earn rental income. Substantially all of our net leases include annual escalating rent provisions. We also earn resident fee income from senior housing operating facilities that operate through management agreements with independent third-party operators, predominantly through structures permitted by REIT Investment Diversification and Empowerment Act of 2007 (“RIDEA”), which allows us, through a TRS, to directly receive resident fee income and incur customary operating expenses.

At March 31, 2018, our interest in our healthcare segment was approximately 71.3%.

Results of operations of our Healthcare segment were as follows:

(In thousands)	Three Months Ended March 31, 2018
Total revenues	$ 152,595
Net loss attributable to Colony NorthStar, Inc.	(10,360)

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

(In thousands)	March 31, 2018
Real estate	
Held for investment	$ 5,182,736
Held for sale	133,156
Debt	3,238,668

During the three months ended March 31, 2018, we sold three skilled nursing facilities totaling 471 beds for aggregate gross proceeds of $14.1 million. These activities reflect our continued monetization initiatives on non-core assets. Additionally, one medical office building encumbered with a $3 million mortgage was consensually transferred to the lender in February 2018.

Net Operating Income

NOI generated by our healthcare portfolio was as follows:

	Three Months Ended March 31,		2018 vs. 2017	
($ in thousands)	2018	2017	$ Change	% Change
Medical office buildings	$ 16,551	$ 11,974	$ 4,577	38.2 %
Senior housing—operating	17,472	16,314	1,158	7.1 %
Net lease—senior housing	15,539	12,461	3,078	24.7 %
Net lease—skilled nursing facilities	26,825	25,384	1,441	5.7 %
Net lease—hospitals	4,923	4,995	(72)	(1.4)%
Total	$ 81,310	$ 71,128	$ 10,182	14.3 %

The increase in NOI between the three months ended March 31, 2018 and 2017 is a result of the three months ended March 31, 2017 including 80 days of NOI as the healthcare portfolio was incorporated into Colony NorthStar effective January 11, 2017. After giving effect to the 10-day period of pre-Merger activity, the remaining increase in NOI in the three months ended March 31, 2018 is a result of lease termination income earned in the first quarter 2018, offset by sales of our non-core healthcare assets beginning in late 2017.

Healthcare Portfolio

Our healthcare portfolio is located across 33 states domestically and 10% of our portfolio (based on property count) is in the United Kingdom.

The following table presents selected operating metrics of our healthcare segment as of and for the three months ended March 31, 2018:

	Number of Buildings	Capacity		Average Occupancy[1]	Average Remaining Lease Term (Years)
Medical office buildings	108	3.8 million	square feet	83.2%	N/A
Senior housing—operating	109	6,436	units	86.4%	N/A
Net lease—senior housing	83	4,153	units	83.2%	11.8
Net lease—skilled nursing facilities	99	11,829	beds	82.7%	6.8
Net lease—hospitals	14	872	beds	55.3%	11.2
Total	413			82.8%	8.9

[1] Occupancy represents property operator's patient occupancy for all types except medical office buildings. Average occupancy is based on 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.

Revenue mix of our healthcare portfolio weighted by NOI for the twelve months ended December 31, 2017 (as our operators report on a quarter lag) is as follows:

Payor Sources	Revenue Mix % [1]
Private Pay	58%
Medicaid	31%
Medicare	11%
Total	100%

[1] Excludes two operating partners who do not track or report payor source data, representing approximately 2% of revenues for the trailing twelve month period.

Industrial

Our industrial segment is composed primarily of light industrial assets. Our 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 either multi-tenant buildings of up to 500,000 square feet or single tenant buildings of up to 250,000 square feet with an office build out of less than 20%. They are typically located in supply constrained locations and are designed to meet the local and regional distribution needs of businesses of every size, from large international to local and regional firms, by providing smaller industrial distribution spaces located closer to a company's customer base.

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

At March 31, 2018, we owned 40.1% of our industrial portfolio based on net asset value through our capital contributions of $750.0 million. Our ownership interest decreased from 41.5% at December 31, 2017 as we continue to expand our industrial portfolio through third party capital, with approximately $70 million of additional capital raised in the first quarter of 2018, bringing total third party capital to $1.2 billion at March 31, 2018.

Results of operations of our Industrial segment were as follows:

(In thousands)	Three Months Ended March 31, 2018
Total revenues	$ 68,753
Net income attributable to Colony NorthStar, Inc.	1,278

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

(In thousands)		March 31, 2018
Real estate		
Held for investment	$	2,598,689
Held for sale		2,489
Debt		1,001,506

Net Operating Income

NOI generated by our industrial portfolio was as follows:

	Three Months Ended March 31,				2018 vs. 2017		
($ in thousands)	2018		2017		$ Change		% Change
NOI—Industrial	$	44,633	$	38,198	$	6,435	16.8%

The increase in NOI between the three months ended March 31, 2018 and 2017 resulted from a combination of growth in the size of our portfolio, higher recoveries of tenant reimbursements as well as higher rental rates for both new leases and renewals, which offset higher real estate taxes incurred during this period from new acquisitions. Average occupancy decreased marginally from 94.8% to 94.0% in the periods under comparison.

Industrial Portfolio

Our industrial portfolio is well-diversified with approximately 46 million square feet and over 900 tenants across 18 major U.S. markets, with significant concentrations (by total square feet) in Dallas (16%) and Atlanta (15%).

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

	Number of Buildings	Rentable Square Feet (in thousands)	Leased %	Average Remaining Lease Term (Years)
March 31, 2018	378	45,592	94.4%	3.8
December 31, 2017	369	43,325	95.1%	3.7

- At March 31, 2018, 76% of our tenants (based on leased square feet) were international and national companies, with the top ten tenants making up approximately 9% of our portfolio based on annualized base rent.
- Total portfolio leased percentage declined from 95.1% at December 31, 2017 to 94.4% at March 31, 2018. Notwithstanding, leasing activity and tenant demand continue to remain strong, with initial rental rates on new and renewal leases commencing in the first quarter of 2018 experiencing an 8% growth compared to prior ending rents.
- At March 31, 2018, no more than 18.5% of existing leases by square footage were scheduled to expire in any single year over the next ten years.
- Acquisitions and dispositions in 2018 are summarized below. We continually seek to sell less strategic assets and redeploy capital into high quality real estate in line with our strategy.

	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 [(2)]	10	2,449	95%	$	179,203		NA		NA
Dispositions	1	181	NA		NA	$	11,000	$	2,293

(1) Purchase price includes capitalized transaction costs for asset acquisitions.
(2) Includes acquisition of $11.0 million of land for co-development with operating partners.

- At March 31, 2018. there was one building in New Jersey that was held for sale.

Hospitality

Our hotel portfolio consists primarily of extended stay hotels and premium branded select service hotels. Select service hotels generally generate higher operating margins and have less volatile cash flow streams relative to full service hotels. We seek to achieve value optimization through capital improvements, asset management and as appropriate, opportunistic asset sales.

At March 31, 2018, we owned approximately 94% of our Hospitality segment.

Results of operations of our Hospitality segment were as follows:

(In thousands)	Three Months Ended March 31, 2018
Total revenues	$ 195,782
Net loss attributable to Colony NorthStar, Inc.	(10,050)

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

(In thousands)	March 31, 2018
Real estate	
Held for investment	$ 3,861,241
Debt	2,564,648

EBITDA

EBITDA generated by our hospitality portfolio was as follows:

	Three Months Ended March 31,		2018 vs. 2017	
($ in thousands)	2018	2017	$ Change	% Change
Select service	$ 32,365	$ 31,198	$ 1,167	3.7 %
Extended stay	22,918	23,510	(592)	(2.5)%
Full service	3,909	2,500	1,409	56.4 %
Total	$ 59,192	$ 57,208	$ 1,984	3.5 %

The increase in EBITDA between the three months ended March 31, 2018 and 2017 is a result of the three months ended March 31, 2017 including 80 days of EBITDA for the post-Merger period. After giving effect to the 10-day period of pre-Merger activity, EBITDA was lower due to higher salaries, food and beverage costs, utility rates and an increase in real estate taxes compared to the three months ended March 31, 2017.

Hotel Portfolio

Our hotel portfolio is located across 26 states in the U.S, with concentrations (based on EBITDA) in Florida (23%), California (18%) and Texas (12%).

A majority of our portfolio is affiliated with top hotel brands. Composition of our hotel portfolio by brand at March 31, 2018 is as follows:

Brands	% by Rooms
Marriott	79%
Hilton	16%
Hyatt	4%
Intercontinental	1%
Total	100%

The following table presents selected operating metrics of our hotel portfolio as of and for the three months ended March 31, 2018:

Type	Number of Hotel Properties	Number of Rooms	Average Occupancy	ADR [1]	RevPAR [2]
Select service	97	13,193	68.4%	$ 123	$ 84
Extended stay	66	7,936	74.3%	130	96
Full service	4	962	67.7%	181	123
Total	167	22,091	70.5%	128	90

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

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

CLNC and Other Equity and Debt

CLNC

At March 31, 2018, we have a 36.6% interest (on a fully diluted basis) in Colony NorthStar Credit with a carrying value of $1.2 billion. In the first quarter of 2018, our share of net losses in Colony NorthStar Credit was $3.7 million for the two months since its closing as significant transaction costs were incurred in connection with closing.

Other Equity and Debt

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 approximately 10.3% interest in NRE as well as our co-investments alongside third party capital that we raised and manage for investment management economics in the form of real estate, loans receivable and investments in unconsolidated ventures. 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 real estate 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 March 31, 2018
Total revenues	205,154
Net income attributable to Colony NorthStar, Inc.	49,109

Significant investments and corresponding debt in our other equity and debt portfolio at March 31, 2018 were as follows.

Type		Carrying Value (In thousands)
Real estate		
Held for investment	$	2,458,208
Held for sale		799,452
Investments in unconsolidated ventures		
NRE		73,978
Third party private funds acquired through the Merger, at fair value		171,945
Other (1)		915,542
Loans receivable		1,897,466
CRE debt securities, at fair value		253,558
Debt (2)		2,743,551

(1) Significant investments include acquisition, development and construction loans ($166.5 million) and preferred equity investments ($465.5 million).

(2) At March 31, 2018, debt totaling $661.4 million was related to real estate held for sale, including $215.4 million of debt to be assumed by the buyers upon sale of the property holding entities.

Significant activities in our other equity and debt segment in the three months ended March 31, 2018 were as follows:

- Upon closing of the Combination on January 31, 2018, we contributed $1.9 billion of assets and $0.4 billion of liabilities or net equity of $1.1 billion (net of noncontrolling interests) from our other equity and debt segment to Colony NorthStar Credit. This included certain of our U.S. commercial real estate loans, net lease properties, limited partnership interests in third party private funds as well as acquisition, development and construction loans accounted for as equity method investments, which represent transferable assets consistent with Colony NorthStar Credit's strategy. In consideration for our contribution, we received common shares in Colony NorthStar Credit and membership units in its operating subsidiary. As discussed in Note 4 to the consolidated financial statements, we deconsolidated the subsidiaries holding the contributed interests, resulting in the recognition of a gain of $9.9 million, measured as the excess of fair value over carrying value of our retained interests. At March 31, 2018, we hold a 36.6% interest (on a fully diluted basis) in Colony NorthStar Credit.

- In March 2018, we syndicated 30% of equity in our portfolio of distressed CRE loans in Ireland to a third party investor for $67.0 million.
- Continued disposition of non-core real estate, predominantly in Europe, generated total gains of $16.2 million.

Investment Management

We manage capital on behalf of third party institutional and retail investors through private funds, traded and non-traded REITs and investment companies, 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 tactical strategy.

Results of operations of our Investment Management segment were as follows. The net loss for the period was driven by a $139.0 million write-off of the NorthStar Income I and NorthStar Income II management contract intangible assets upon closing of the Combination.

(In thousands)	Three Months Ended March 31, 2018
Total revenues [(1)]	$ 42,521
Net loss attributable to Colony NorthStar, Inc.	(80,520)

[(1)] Includes $4.1 million of cost reimbursement income from retail companies, NRE and Colony NorthStar Credit, which is recorded gross as income and expense in the results of operations.

Balance sheet investments of $222.5 million in our Investment Management segment generally consists of our general partner and co-general partner interests in investment vehicles we sponsor or co-sponsor of $9.1 million, interests in our sponsored non-traded REITs of $6.7 million, as well as other investments, primarily interests in other third party asset managers.

Capital Raising and Assets Under Management

In the three months ended March 31, 2018, we closed on $2.0 billion of third party capital commitments (including our pro rata share from equity method investments in third party asset managers), driven by approximately $1.8 billion of capital commitments in connection with our new co-sponsored digital real estate infrastructure fund.

Below is our total third party assets under management ("AUM") at March 31, 2018:

(In billions)	March 31, 2018	December 31, 2017
Third party AUM [(1)]	$27.5	$26.9

[(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 on reported gross undepreciated carrying value of managed investments as reported by each underlying vehicle at March 31, 2018. AUM further includes a) uncalled capital commitments and b) the Company's pro-rata share of assets of each affiliate's real estate investment management platform as presented and calculated by the affiliate.

The Company's third party AUM at March 31, 2018 increased $0.6 billion from December 31, 2017 as new capital was raised in the first quarter of 2018 through our co-sponsored digital real estate infrastructure fund as well as the syndication of 30% interest in our European non-performing loan portfolio, partially offset by continued realization of investments by liquidating funds.

Below is a summary of our third party AUM at March 31, 2018:

Type	Products	Description	AUM (in billions)
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 and potential for incentives on sponsored funds	$ 9.8
Retail Companies	NorthStar Healthcare NorthStar/RXR NY Metro [(1)] NorthStar Capital Income Fund NorthStar/Townsend [(2)]	Earns base management fees from all retail companies, disposition fees from NorthStar Healthcare and potential for incentives (except for NorthStar/Townsend)	3.7
Public companies	NorthStar Realty Europe Corp.	NYSE-listed European equity REIT	2.2
	Colony NorthStar Real Estate Credit, Inc. [(3)]	NYSE-listed credit REIT	3.1
		Earns base management fees and potential for incentives	
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 investments in unconsolidated ventures Includes co-sponsored digital real estate infrastructure vehicle, investments in RXR Realty (27% interest in a real estate investor, developer and asset manager with AUM of $18 billion) and AHI (43% interest in a healthcare asset manager and sponsor of non-traded vehicles with AUM of $3 billion)	8.7
			$ 27.5

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(1) Fee income is shared between the Company and its co-advisor, RXR Realty.

(2) NorthStar/Townsend Institutional Real Estate Fund Inc. (“NorthStar/Townsend”) submitted a registration statement on Form N-2 to the SEC in May 2017, which as of May 7, 2018, is not yet effective. Townsend is the advisor for NorthStar/Townsend and an affiliate of Colony NorthStar will act as administrator and sub-advisor for certain investments. Fee income will be shared between Townsend and Colony NorthStar.

(3) Represents 3rd party ownership share at March 31, 2018 of CLNC's pro rata share of total assets, excluding consolidated securitization trusts.

Significant Developments in the Investment Management Segment

Colony NorthStar Credit—Upon closing of the Combination on January 31, 2018, our management contracts with NorthStar Income I and NorthStar Income II ceased to exist. Concurrently, we entered into a management agreement with Colony NorthStar Credit. The management agreement provides for a base management fee of 1.5% per annum of Colony NorthStar Credit's stockholders' equity (as defined in the management agreement) and incentive fees subject to the achievement of minimum return levels in accordance with terms set out in the management agreement, each payable quarterly in arrears in cash. The management agreement has an initial term of three years and will be automatically renewed for a one-year term thereafter unless earlier terminated.

Digital Colony Infrastructure Fund—In partnership with Digital Bridge, we closed on a new co-sponsored digital real estate infrastructure vehicle on February 28, 2018. At March 31, 2018, total callable commitments of the fund was $1.95 billion, inclusive of our capital commitments of $162 million as both limited partner and co-general partner. Fee income and carried interest will be shared with our co-sponsor, Digital Bridge.

NorthStar RXR/NY Metro—On March 15, 2018, the board of directors of NorthStar RXR/NY Metro determined to terminate its primary offering effective March 31, 2018 and its distribution reinvestment plan effective April 2, 2018. We continue to actively manage the NorthStar RXR/NY Metro portfolio and together with its board of directors and our co-sponsor, we will evaluate potential strategic opportunities focused on maximizing stockholder value.

Retail Distribution Business—On February 16, 2018, we entered into a definitive agreement with S2K to combine NorthStar Securities with S2K to create Colony S2K. It is expected that ColonyS2K will distribute both the current and future investment products sponsored by Colony NorthStar and S2K as well as third-party sponsored products. The Proposed Transaction closed on April 30, 2018.

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, NOI and EBITDA 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, NOI and EBITDA 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 extraordinary items, as defined by GAAP, gains and losses from sales of depreciable real estate and impairment write-downs associated with depreciable real estate, plus real estate-related depreciation and amortization, and after similar adjustments for unconsolidated partnerships and joint ventures. Included in FFO are gains and losses from sales of assets which are not depreciable real estate such as loans receivable, investments in unconsolidated joint ventures as well as investments in debt and other equity 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 March 31,	
(In thousands)	2018	2017
Net loss attributable to common stockholders	$ (72,714)	$ (5,216)
Adjustments for FFO attributable to common interests in Operating Company and common stockholders:		
Net income attributable to noncontrolling common interests in Operating Company	(4,378)	(1,083)
Real estate depreciation and amortization	143,906	128,545
Impairment of real estate	14,940	8,513
Gain on sales of real estate	(22,925)	(6,993)
Less: Adjustments attributable to noncontrolling interests in investment entities [1]	(40,763)	(32,695)
FFO attributable to common interests in Operating Company and common stockholders	$ 18,066	$ 91,071

[1] For the three months ended March 31, 2018, adjustments attributable to noncontrolling interests in investment entities include $43.7 million of real estate depreciation and amortization, $7.8 million of impairment of real estate, offset by $10.7 million of gain on sales of real estate. For the three months ended March 31, 2017, adjustments attributable to noncontrolling interests in investment entities include $32.6 million of real estate depreciation and amortization, $5.7 million of impairment of real estate, offset by $5.6 million of gain on sales of real estate.

NOI and EBITDA

NOI for healthcare and industrial segments represents total property and related income less property operating expenses, adjusted for the effects of (i) straight-line rental income adjustments; (ii) amortization of acquired above- and below-market lease adjustments to rental income; and (iii) other items such as adjustments for our share of NOI of unconsolidated ventures.

EBITDA for the hospitality segment represents income from continuing operations of that segment, excluding interest expense, income tax expense or benefit, and depreciation and amortization.

We believe that NOI and EBITDA are useful measures of operating performance of our respective real estate portfolios as they are 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 and EBITDA exclude historical cost depreciation and amortization, which are based on 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 and EBITDA provide 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 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 and EBITDA.

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

	Healthcare		Industrial		Hospitality	
	Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
(In thousands)	2018	2017	2018	2017	2018	2017
Income (loss) from continuing operations	$ (12,534)	$ (9,266)	$ 6,321	$ 519	$ (11,886)	$ (3,616)
Adjustments:						
Straight-line rent revenue and amortization of above- and below-market lease intangibles	(4,319)	(6,999)	(2,297)	(1,663)	(7)	(14)
Interest income	—	—	(532)	—	—	—
Other income	—	—	—	—	(488)	—
Interest expense	50,941	41,092	10,190	12,426	34,361	27,249
Transaction, investment and servicing costs	2,310	2,123	74	—	1,542	1,737
Depreciation and amortization	41,127	40,881	29,945	24,639	35,457	30,041
Impairment loss	3,780	—	—	—	—	—
Compensation and administrative expense	1,933	2,519	3,222	2,875	2,017	1,697
Gain on sale of real estate	—	—	(2,293)	—	—	—
Other (gain) loss, net	(2,926)	(1,464)	—	—	(323)	76
Income tax (benefit) expense	998	2,242	3	(598)	(1,481)	38
NOI or EBITDA	$ 81,310	$ 71,128	$ 44,633	$ 38,198	$ 59,192	$ 57,208

Liquidity and Capital Resources

Our financing strategy is to employ investment-specific financing principally on a non-recourse basis with matching terms and currencies, as available and applicable, through first mortgages, senior loan participations or securitizations. In addition to investment-specific financings, we may use and have used credit facilities and repurchase facilities on a shorter term basis and public and private, secured and unsecured debt issuances on a longer term basis.

Our current primary liquidity needs are to fund:

- acquisitions of our target assets and related ongoing commitments;
- our general partner commitments to our future investment vehicles and co-investment commitments to other investment vehicles;
- principal and interest payments on our borrowings, including interest obligation on our corporate level debt;
- our operations, including compensation, administrative and overhead costs;
- distributions to our stockholders;
- acquisitions of common stock under our common stock repurchase program; and
- income tax liabilities of taxable REIT subsidiaries and of the Company subject to limitations as a REIT.

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 2018:

Declaration Date	Record Date	Payment Date	Dividend Per Share
February 26, 2018	March 30, 2018	April 16, 2018	$ 0.11
May 8, 2018	June 29, 2018	July 16, 2018	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 March 31, 2018 (In thousands)	Quarterly Cash Distributions	
			Total (In thousands)	Per Share
Series B	8.25%	6,114	$ 3,153	$ 0.5156250
Series D	8.5%	8,000	4,250	0.5312500
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
		65,464	$ 31,388	

Common Stock Repurchases

On February 26, 2018, the Company's board of directors authorized a new common stock repurchase program, pursuant to which the Company may repurchase up to $300 million of its outstanding class A common stock in a one-year period, either in the open market or through privately negotiated transactions. During the three months ended March 31, 2018, the Company repurchased 42,306,294 shares of its class A common stock, at an aggregate cost of approximately $246.0 million (excluding commissions), or a weighted-average price of $5.82 per share.

In 2017, the Company had a similar stock repurchase program pursuant to which the Company repurchased the full authorized amount of $300 million of its outstanding class A common stock through both open market trades and privately negotiated transactions.

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 investments in unconsolidated ventures. 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 performance based incentive income is 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.

Investment-Level Financing

We have various forms of investment-level financing, as described in Note 12 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 12 to the consolidated financial statements, the JPM Credit Agreement provides a secured revolving credit facility in the maximum principal amount of $1.0 billion, which may be increased up to $1.5 billion, subject to customary conditions. The JPM Credit Agreement 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 May 7, 2018, the borrowing base valuation was sufficient to permit borrowings of up to the full $1.0 billion commitment, of which $820.0 million was available to be drawn.

The JPM 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 JPM Credit Agreement. We were in compliance with the financial covenants as of March 31, 2018.

Convertible and Exchangeable Senior Notes

Convertible and exchangeable senior notes issued by us and that remain outstanding are described in Note 12 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 offering of securities in the three months ended March 31, 2018.

In 2017, we issued our Series I preferred stock in June and our Series J preferred stock in September with dividend rates of 7.15% and 7.125% per annum, respectively. We applied the proceeds from these offerings, combined with available cash, to redeem all of the outstanding shares of Series A, Series F and Series C preferred stock and a portion of the outstanding shares of Series B preferred stock.

Cash Flows

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

	Three Months Ended March 31,	
(In thousands)	2018	2017
Net cash provided by (used in):		
Operating activities	$ 99,952	$ 24,120
Investing activities	(140,242)	693,786
Financing activities	(418,736)	(253,511)

Operating Activities

Cash inflows from operating activities are generated primarily through property operating income from our real estate portfolio, interest received from loans receivable and securities, distributions of earnings received from unconsolidated ventures, 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 $100.0 million and $24.1 million in the three months ended March 31, 2018 and 2017, respectively. The three months ended March 31, 2017 incorporated the operating activities of NSAM and NRF for 80 days post-Merger, rather than a full quarter, and also reflected significant payments of Merger-related costs, including $66.8 million of success-based fees paid to investment bankers.

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 loan receivables, distributions of capital received from unconsolidated ventures, proceeds from sale of real estate, as well as proceeds from maturity or sale of securities.

Net cash used in investing activities was $140.2 million for the three months ended March 31, 2018. This was driven in part by a contribution of $141.2 million of cash and restricted cash to Colony NorthStar Credit, as well as cash outflow for acquisition and addition of real estate, primarily in industrial, exceeding proceeds from sale of real estate, partially offset by a return of capital on our initial investment in a digital real estate infrastructure joint venture as we raised third party capital through a private fund.

For the three months ended March 31, 2017, investing activities generated a net cash inflow of $693.8 million as a result of our initiatives to monetize certain investments. This included net proceeds of $239.1 million from the sale of shares in Starwood Waypoint Homes and proceeds from the sale of various non-core real estate investments totaling $903.8 million, of which $664.4 million was from the sale of our manufactured housing portfolio acquired in the Merger. This was partially offset by cash outflow of $538.1 million, net of deposits, for the acquisition of a distressed loan portfolio in Ireland.

Additionally, in the three months ended March 31, 2017, although the Merger was completed in an all-stock exchange, we assumed certain liabilities of NSAM and NRF which arose as a result of the Merger and were settled shortly after the Closing Date. These amounts included approximately $226.1 million which was paid to former NSAM stockholders, representing a one-time special dividend, and approximately $78.9 million in payroll taxes representing shares that were canceled and remitted to taxing authorities on behalf of employees whose equity-based compensation was accelerated and fully vested upon closing of the Merger. These amounts, net of $260.6 million of cash assumed, are presented as investing cash outflows in the consolidated statement of cash flows in the three months ended March 31, 2017.

Financing Activities

We finance our investing activities largely through borrowings secured by our investments along with capital from third party or affiliated co-investors. We also have the ability to raise capital in the public markets through issuances of preferred stock, common stock and debt such as our convertible and exchangeable notes, as well as draw upon our corporate credit facility, to finance our investing and operating activities. Accordingly, we incur cash outlays for payments on our corporate debt and third party debt, dividends to our preferred and common stockholders as well as distributions to our noncontrolling interests.

Net cash used in financing activities was $418.7 million for the three months ended March 31, 2018 and $253.5 million for the three months ended March 31, 2017.

Cash activity in the three months ended March 31, 2018 was driven largely by repurchases of our common stock for $210.3 million and dividend payments of $179.5 million. For the three months ended March 31, 2017, debt repayments exceeded borrowings by $498.3 million as we utilized proceeds from the sale of a minority interest in our healthcare platform for $330 million and proceeds from the sale of our manufactured housing portfolio to pay down outstanding debt.

Contractual Obligations

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, 2017, as filed with the SEC.

Guarantees and Off-Balance Sheet Arrangements

In connection with financing arrangements for certain unconsolidated ventures, we provided 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 March 31, 2018.

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 2018 and 2037. In the event of default or termination of the franchise agreements, the Company is liable for liquidated damages not to exceed $100 million.

We have off-balance sheet arrangements with respect to our retained interests in certain deconsolidated 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. Given our need 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 senior management, will periodically review 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 will maintain oversight of financial reporting risk matters.

Underwriting

Prior to making any equity or debt investment, our underwriting team, in conjunction with third-party providers, undertakes a rigorous asset-level due diligence process, involving intensive data collection and analysis, to ensure that we understand fully 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 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 portfolio of assets. Prior to making a final investment decision, we determine whether a target asset will cause our 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.

Asset Management

The comprehensive portfolio management process generally includes day-to-day oversight by the portfolio management and servicing team, regular management meetings and quarterly credit review process. These processes are designed to enable management to evaluate and proactively identify asset-specific credit 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 credit risk to preserve our income and capital, in order to minimize credit losses that could decrease income and portfolio value. 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 the quarterly credit 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.

Given our need to maintain our qualification as a REIT for U.S. federal income tax purposes and our exemption from registration under the 1940 Act, and in order to 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 is to employ investment-specific financing principally on a non-recourse basis with matching terms and currencies, as available and applicable, through first mortgages, senior loan participations or securitizations. In addition to investment-specific financings, we may use and have used credit facilities on a shorter term basis and repurchase facilities and public and private, secured and unsecured debt issuances on a longer term basis. 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.

We currently expect to target an overall leverage rate of approximately 50% or less. 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. Other than the adoption of new accounting pronouncements for revenue recognition and financial instruments, which are included in Note 2 to our consolidated financial statements, 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, 2017.

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. Our primary market risks are credit risk, interest rate risk, credit curve spread risk, foreign currency risk and inflation, either directly or indirectly through our investments in unconsolidated ventures.

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 healthcare 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 the 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.

In connection with the Merger, we assumed a $2 billion notional forward starting interest rate swap intended to hedge against future refinancing costs of certain mortgage debt assumed in the Merger. The interest rate swap is currently out of the money and may be subject to future margin calls. If an early termination event were to occur with respect to the swap, we would be required to pay the termination value to our counterparty. As of May 7, 2018, the termination value was approximately $66.9 million. 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. As of May 7, 2018, a hypothetical 100 basis point increase or decrease in the 10-year treasury forward curve applied to our interest rate swap would result in an unrealized gain of approximately $160.8 million or unrealized loss of $183.3 million.

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. Changes in foreign currency rates can adversely affect the fair values and earnings of our non-U.S. holdings. We mitigate this risk by utilizing currency instruments to hedge the capital portion of our foreign currency risk. The types of hedging instruments that we may employ on our foreign currency denominated 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 March 31, 2018, we had approximately €452.5 million, £243.4 million and NOK 785.7 million or a total of $998.9 million, in European investments. A 1% change in these foreign currency rates would result in a $10.0 million increase or decrease in translation gain or loss included in other comprehensive income. At March 31, 2018, our share of net tax-effected accumulated foreign exchange gain on the European investments was approximately $50.8 million, net of effect of hedging.

A summary of the foreign exchange contracts in place at March 31, 2018, including notional amount and key terms, is included in Note 13 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 March 31, 2018, 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 March 31, 2018.

Changes in Internal Control over Financial Reporting

The Company acquired the THL Hotel Portfolio on July 1, 2017. We have completed our evaluation and integration of the acquired business into our overall system of internal control over financial reporting.

Except as described above, during the quarter ended March 31, 2018, there was no change in our internal control over financial reporting that has materially affected, or is 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 March 31, 2018, 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, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

Redemption of OP Units—During the quarter ended March 31, 2018, we issued 1,940 shares of our class A common stock upon redemption of an equal number of OP Units held by certain of our employees.

Such shares of class A common stock were issued in reliance on Section 4(a)(2) of the Securities Act.

Purchases of Equity Securities by Issuer and Affiliated Purchasers

On February 26, 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. The following table presents information related to our purchases of our class A common stock during the quarter ended March 31, 2018:

Period	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Approximate Dollar Value that May Yet Be Purchased Under the Program
January 1, 2018 through January 31, 2018	—	N/A	N/A	N/A
February 1, 2018 through February 28, 2018	—	N/A	N/A	N/A
March 1, 2018 through March 31, 2018	42,306,294	5.82	42,306,294	53,982,106
Total	42,306,294	$ 5.82	42,306,294	$ 53,982,106

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

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	Amended and Restated Bylaws of Colony NorthStar, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on January 10, 2017)
3.3	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)
3.4	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 the Company's Registration Statement on Form 8-A filed on September 22, 2017)
4.1	Form of stock certificate evidencing the 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 4.1 to the Company's Registration Statement on Form 8-A filed on September 22, 2017)
4.2	Form of stock certificate evidencing the 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 4.1 to the Company's Registration Statement on Form 8-A filed on June 5, 2017)
10.1	First Amendment, dated as of January 12, 2018, among Colony Capital Operating Company, LLC, the several lenders from time to time parties thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 19, 2018)
10.2	Management Agreement, dated as of January 31, 2018, by and among Colony NorthStar Credit Real Estate, Inc., Credit RE Operating Company, LLC and CLNC Manager, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 1, 2018)
10.3	Stockholders Agreement, dated as of January 31, 2018, by and between Colony NorthStar Credit Real Estate, Inc. and Colony Capital Operating Company, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on February 1, 2018)
10.4	Registration Rights Agreement, dated as of January 31, 2018, by and among Colony NorthStar Credit Real Estate, Inc., Colony Capital Operating Company, LLC and NRF RED REIT Corp (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on February 1, 2018)
31.1*	Certification of Richard B. Saltzman, President and 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 Darren J. Tangen, Chief Financial Officer and Treasurer, 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 Richard B. Saltzman, President and 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 Darren J. Tangen, Chief Financial Officer and Treasurer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101**	Financial statements from the Quarterly Report on Form 10-Q of Colony NorthStar, Inc. for the quarter ended March 31, 2018, formatted in XBRL (eXtensible Business Reporting Language): (1) Consolidated Balance Sheets, (2) Consolidated Statements of Operations, (3) Consolidated Statements of Comprehensive Income, (4) Consolidated Statements of Equity, (5) Consolidated Statements of Cash Flows and (6) Notes to Consolidated Financial Statements.

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* Filed herewith

** Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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: May 10, 2018

COLONY NORTHSTAR, INC.

By: /s/ Richard B. Saltzman
Richard B. Saltzman
Chief Executive Officer

By: /s/ Darren J. Tangen
Darren J. Tangen
Chief Financial Officer (Principal Financial Officer)

By: /s/ Neale Redington
Neale Redington
Chief Accounting Officer (Principal Accounting Officer)

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Richard B. Saltzman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Colony NorthStar, 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: May 10, 2018

/s/ Richard B. Saltzman

Richard B. Saltzman
Chief Executive Officer and President

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Darren J. Tangen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Colony NorthStar, 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: May 10, 2018

/s/ Darren J. Tangen

Darren J. Tangen
Chief Financial Officer and Treasurer

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 NorthStar, Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard B. Saltzman, Chief Executive Officer and President 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: May 10, 2018

/s/ Richard B. Saltzman

Richard B. Saltzman
Chief Executive Officer and President

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 NorthStar, Inc. (the “Company”) on Form 10-Q for the three months ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Darren J. Tangen, Chief Financial Officer and Treasurer 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: May 10, 2018

/s/ Darren J. Tangen

Darren J. Tangen
Chief Financial Officer and Treasurer

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.