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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 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 CAPITAL, INC.
(Exact Name of Registrant as Specified in Its Charter)

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

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

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

Title of Class	Name of Each Exchange on Which Registered
Class A Common Stock, $0.01 par value	New York Stock Exchange
Preferred Stock, 8.25% Series B Cumulative Redeemable, $0.01 par value	New York Stock Exchange
Preferred Stock, 8.75% Series E Cumulative Redeemable, $0.01 par value	New York Stock Exchange
Preferred Stock, 7.50% Series G Cumulative Redeemable, $0.01 par value	New York Stock Exchange
Preferred Stock, 7.125% Series H Cumulative Redeemable, $0.01 par value	New York Stock Exchange
Preferred Stock, 7.15% Series I Cumulative Redeemable, $0.01 par value	New York Stock Exchange
Preferred Stock, 7.125% Series J Cumulative Redeemable, $0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(b) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

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

If emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☐

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

The aggregate market value of the registrant’s voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2018, was approximately $3.00 billion. As of February 25, 2019, 482,619,359 shares of the Registrant's class A common stock and 733,931 shares of class B common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company’s Proxy Statement with respect to its 2018 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the Company’s fiscal year ended December 31, 2018 are incorporated by reference into Part III of this Annual Report on Form 10-K.

EXPLANATORY NOTE

Colony Capital, Inc. (together with its consolidated subsidiaries, the “Company,” and formerly Colony NorthStar, Inc.) 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. ("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.

Effective June 25, 2018, the Company changed its name from Colony NorthStar, Inc. to Colony Capital, Inc.

The financial information for the Company as set forth in this Annual Report on Form 10-K (this "Annual 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 the Company effective January 11, 2017.

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

- Colony Capital, Inc. (formerly Colony NorthStar, Inc.) and its consolidated subsidiaries for all periods on or after January 11, 2017, following the closing of the Merger; and
- Colony and its consolidated subsidiaries 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 the Company may not be meaningful.

COLONY CAPITAL, INC.

FORM 10-K

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FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Annual Report on Form 10-K 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 Annual 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 anticipated compensation and administrative cost reductions in connection with the implementation of our corporate restructuring and reorganization plan;
- our exposure to risks to which we have not historically been exposed, including liabilities with respect to the assets acquired through the Merger and our other acquisitions;
- our business and investment strategy, including the ability of the businesses in which we have a significant investment (such as Colony Credit Real Estate, Inc. (NYSE:CLNC)) to execute their business strategies;
- 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 from Colony S2K Holdings, LLC ("Colony S2K"), a joint venture formed through a combination of our captive broker-dealer with S2K Financial Holdings, LLC;
- our ability to satisfy and manage our capital requirements;
- our expected holding period for our assets and the impact of any changes in our expectations on the carrying value of such assets;
- the general volatility of the securities markets in which we participate;
- our ability to obtain and maintain financing arrangements, including securitizations, on favorable or comparable terms or at all;
- 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”);
- changes in our management team, including 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.”

PART I

Item 1. Business.

In this Annual Report, unless specifically stated otherwise or the context indicates otherwise, the terms "Colony Capital," the "Company," "we," "our" and "us" refer to Colony Capital, Inc. and its consolidated subsidiaries beginning January 11, 2017, following the closing of the Merger, and Colony and its consolidated subsidiaries for all periods on or prior to the closing of the Merger on January 10, 2017. References to the "Operating Partnership," our "Operating Company" and the "OP" refer to Colony Capital Operating Company, LLC, a Delaware limited liability company and the operating company of the Company, and its consolidated subsidiaries.

Overview

We are a leading global investment management firm with approximately $43 billion in assets under management ("AUM"). We manage capital on behalf of our stockholders, as well as institutional and retail investors in private funds, traded and non-traded real estate investment trusts ("REITs") and registered investment companies. We have significant holdings in: (a) the healthcare, industrial and hospitality property sectors; (b) Colony Credit Real Estate, Inc. (NYSE: CLNC) and NorthStar Realty Europe, Corp (NYSE: NRE) which are both externally managed by subsidiaries of the Company; and (c) various other equity and debt investments. We are headquartered in Los Angeles, with key offices in New York, Paris and London, and have over 400 employees in 17 locations in ten countries.

We were organized on May 31, 2016 as a Maryland corporation, and elected to be taxed as a REIT for U.S. federal income tax purposes commencing with our initial taxable year ended December 31, 2017. We conduct our operations as a REIT, and generally are not subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our taxable income to stockholders and maintain qualification as a REIT, although we are subject to U.S. federal income tax on income earned through our taxable subsidiaries. We also operate our business in a manner that will permit us to maintain our exemption from registration as an investment company under the 1940 Act. We conduct substantially all of our activities and hold substantially all of our assets and liabilities through our Operating Company. At December 31, 2018, we owned 93.9% of the Operating Company, as its sole managing member.

Our Business

Our vision is to establish the Company as a leading global investment management firm, principally focused on real estate strategies. 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 on our balance sheet and third-party capital. Specifically, our preference is to invest our balance sheet capital alongside third party capital to create alignment and generate returns for our shareholders in two ways. First, through the return on investment through our balance sheet capital. Second, through base management fees paid by third party capital and potential carried interest, which provides us with a greater participation of profits after a minimum return is achieved. Over time, our goal is to manage third party capital alongside the majority of our balance sheet capital at a higher ratio than what is currently in place.

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

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

- *Industrial*—Our industrial segment is composed of and primarily invests in light industrial assets throughout the U.S. that serve as the "last mile" of the logistics chain, which are vital for e-commerce and tenants that require increasingly quick delivery times. These properties are generally multi-tenant warehouses that are less than 250,000 square feet.

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

- *CLNC*—This represents our investment in Colony Credit (as described below), a commercial real estate credit REIT with a diverse portfolio consisting primarily of commercial real estate ("CRE") senior mortgage loans, mezzanine loans, preferred equity, debt securities and net lease properties primarily in the U.S.
- *Other Equity and Debt*—Our other equity and debt segment consists of a diversified group of strategic and non-strategic real estate and real estate-related debt and equity investments. Strategic investments include investments for which the Company acts as a general partner and/or manager (“GP Co-Investments”) and receives various forms of investment management economics on related third-party capital. Non-strategic investments are composed of those investments the Company does not intend to own for the long term including other real estate equity, real estate debt, and net leased assets, among other holdings.
- *Investment Management*—Our investment management business raises, invests and manages funds on behalf of a diverse set of institutional and individual investors, for which we earn management fees, generally based on the amount of assets or capital managed, and contractual incentive fees or carried interest based on the performance of the investment vehicles managed subject to the achievement of minimum return hurdles.

Refer to Note 25 to the consolidated financial statements for further information about our reportable segments.

Merger

On January 10, 2017, the Merger among NSAM, Colony and NRF to form Colony Capital, Inc. was completed in an all-stock exchange. 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.

Refer to Note 3 to the consolidated financial statements for further details on the Merger.

Colony Credit

On August 25, 2017, certain subsidiaries of the Company entered into a combination agreement with NorthStar Real Estate Income Trust, Inc. (“NorthStar I”) and NorthStar Real Estate Income II, Inc. (“NorthStar 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 CLNY Contributed Portfolio (as defined below), represented by their ownership interests ranging from 38% to 100% in certain investment entities ("CLNY Investment Entities") to Colony Credit Real Estate, Inc. (formerly Colony NorthStar Credit Real Estate, Inc.) ("Colony Credit") and its operating company, and NorthStar I and NorthStar II agreed to merge with and into Colony Credit, with, in each case, Colony Credit surviving, in all-stock mergers (collectively, the “Combination”).

The CLNY 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 within the Company’s other equity and debt segment that were based in the U.S. and consistent with Colony Credit's strategy at the time of the Combination.

On January 18, 2018, the Combination was approved by the stockholders of NorthStar I and NorthStar II. The Combination closed on January 31, 2018. Upon closing of the Combination, the Company and its affiliates, NorthStar I stockholders and NorthStar II stockholders each owned approximately 37%, 32% and 31%, respectively, of Colony Credit on a fully diluted basis.

On June 25, 2018, Colony Credit changed its name from "Colony NorthStar Credit Real Estate, Inc." to "Colony Credit Real Estate, Inc." Additionally, in June 2018, Colony Credit was added to the Small-cap Russell 2000 and broad-market Russell 3000 Indexes.

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

Corporate Restructuring

Following a strategic review process, in November 2018, we announced a corporate restructuring and reorganization plan aimed at reducing our annual compensation and administrative expenses over the next 12 months. The restructuring plan was designed to match resources that further align our increasing focus on our investment management business by, among other things, reducing our workforce globally by 10% to 20%, primarily in connection with the exit of non-core assets and business lines, together with general cost reductions. In the fourth quarter of 2018, we incurred $19.3 million of restructuring costs, which were primarily compensation costs.

Investment Strategy

We believe we can achieve our business objective of delivering attractive risk-adjusted returns through our rigorous underwriting and asset management processes, which benefit from our deep real estate experience, having invested through multiple economic cycles. These processes allow us to implement a flexible yet disciplined investment strategy for our balance sheet and for the companies and funds we manage on behalf of third parties as more fully described below:

- capitalizing on asset-level underwriting experience and market analytics to identify investments with pricing dislocations and attractive risk-return profiles that can be purchased at meaningful discounts to our estimates of intrinsic value;
- seeking to acquire assets that are undervalued as a result of operating uncertainty or liquidity constraints;
- enhancing cash flow and asset values during ownership by active asset management and implementing opportunistic resolution and exit strategies;
- originating and structuring senior and/or junior loans with attractive return profiles relative to the underlying value and financial operating performance of the real estate collateral and the strength and quality of the sponsorship;
- structuring transactions with the appropriate amount of leverage, if any, based on the risk, duration and structure of the underlying asset's cash flow.

Our investment strategy is dynamic and flexible, which enables us to adapt to shifts in economic, real estate and capital market conditions and to exploit inefficiencies around the world. Consistent with this strategy, in order to capitalize on the investment opportunities that may be present in various points of an economic cycle, we may expand or change our investment strategy or target assets over time as appropriate. We believe that the diversification of the portfolio of assets that we have acquired, our ability to acquire, originate and manage our target assets and the flexibility of our strategy will position us to identify undervalued opportunities and to generate attractive long-term returns for our stockholders in a variety of market conditions.

Financing Strategy

Our financing strategy in general is to favor investment-specific financing principally on a non-recourse basis, and then corporate financing, which is generally recourse to the Company or the Company's assets. We seek to match terms and currencies, as available and applicable, and the amount of leverage we use is based on our assessment of a variety of factors, including, among others, the anticipated liquidity and price volatility of the assets in our investment portfolio, the potential for losses and extension risk in our portfolio, the ability to raise additional equity to reduce leverage and create liquidity for future investments, the availability of credit at favorable prices or at all, the credit quality of our assets, our outlook for borrowing costs relative to the income earned on our assets and financial covenants within our credit facilities.

Our decision to use leverage to finance our assets is at our discretion and not subject to the approval of our stockholders. To the extent that we use leverage in the future, we may mitigate interest rate risk through utilization of hedging instruments, primarily interest rate swap and cap agreements, to serve as a hedge against future interest rate increases on our borrowings. Refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" for discussion of our liquidity needs and sources of liquidity.

Risk Management

Risk management is a significant component of our strategy to deliver consistent risk-adjusted returns to our stockholders. In order to maintain our qualification as a REIT for U.S. federal income tax purposes and our exemption from registration under the 1940 Act, we closely monitor our portfolio and actively manage risks associated with, among other things, our assets and interest rates. In addition, the risk committee of our board of directors, in consultation with our chief risk officer, internal auditor and other management, periodically reviews our policies with respect to risk assessment and risk management, including key risks to which we are subject, including credit risk, liquidity risk, financing risk, foreign currency risk and market risk, and the steps that management has taken to monitor and control such risks. The audit committee of our board of directors maintains oversight of financial reporting risk matters.

Underwriting

In connection with evaluating any potential equity or debt investment for our portfolio or a managed investment vehicle, our underwriting team, in conjunction with third party providers, undertakes an asset-level due diligence process, involving data collection and analysis, to ensure that we understand the state of the market and the risk-reward profile of the asset. In addition, we evaluate material accounting, legal, financial and business issues surrounding such investment. These issues and risks are built into the valuation of an asset and ultimate pricing of an investment.

During the underwriting process, we review the following data, including, but not limited to: property financial data including historic and budgeted financial statements, liquidity and capital expenditure plans, property operating metrics (including occupancy, leasing activity, lease expirations, sales information, tenant credit review, tenant delinquency reports, operating expense efficiency and property management efficacy) and local and real estate market conditions including vacancy rates, absorption, new supply, rent levels and comparable sale transactions, as applicable. For debt investments, we also analyze metrics such as loan-to-collateral value ratios, debt service coverage ratios, debt yields, sponsor credit ratings and performance history.

In addition to evaluating the merits of any particular proposed investment, we evaluate the diversification of our or a particular managed investment vehicle's portfolio of assets, as the case may be. Prior to making a final investment decision, we determine whether a target asset will cause the portfolio of assets to be too heavily concentrated with, or cause too much risk exposure to, any one real estate sector, geographic region, source of cash flow such as tenants or borrowers, or other geopolitical issues. If we determine that a proposed investment presents excessive concentration risk, we may decide not to pursue an otherwise attractive investment.

Investment Committees

We have established investment committees composed of senior executives for our various business segments as well as for the portfolios of the funds we manage. These investment committees review and evaluate potential investment opportunities, and meet periodically with the Company's portfolio management team to review and monitor risks posed by existing investments.

Allocation Procedures

We currently manage, and may in the future manage, REITs and other entities that have investment and/or rate of return objectives similar to our own or to other investment vehicles that we manage. In order to address the risk of potential conflicts of interest among us and our managed investment vehicles, we have implemented an investment allocation policy consistent with our duty as a registered investment adviser to treat our managed investment vehicles fairly and equitably over time. See "—Regulation under the Investment Advisers Act of 1940" below. Pursuant to this policy, investment allocation decisions are based on a suitability assessment involving a review of numerous factors, including the particular source of capital's investment objectives, available cash, diversification/concentration, leverage policy, the size of the investment, tax, anticipated pipeline of suitable investments and fund life.

Portfolio Management

The comprehensive portfolio management process generally includes day-to-day oversight by the Company's portfolio management team, regular management meetings and quarterly asset review process. These processes are designed to enable management to evaluate and proactively identify asset-specific issues and trends on a portfolio-wide basis for both assets on our balance sheet and assets of the companies within our investment management business. Nevertheless, we cannot be certain that such review will identify all issues within our portfolio due to, among other things, adverse economic conditions or events adversely affecting specific assets; therefore, potential future losses may also stem from investments that are not identified during these credit reviews.

We use many methods to actively manage our risk to preserve our income and capital. For commercial real estate equity and debt investments, frequent re-underwriting and dialogue with tenants, operators, partners and/or borrowers and regular inspections of our collateral and owned properties have proven to be an effective process for identifying issues early. With respect to our healthcare properties, we consider the impact of regulatory changes on operator performance and property values. During a quarterly review, or more frequently as necessary, investments are monitored and identified for possible asset impairment and loan loss reserves, as appropriate, based upon several factors, including missed or late contractual payments, significant declines in collateral performance and other data which may indicate a potential issue in our ability to recover our invested capital from an investment. In addition, we seek to utilize services of certain strategic partnerships and joint ventures with third parties with expertise in commercial real estate or other sectors and markets to assist our portfolio management.

In order to maintain our qualification as a REIT for U.S. federal income tax purposes and our exemption from registration under the 1940 Act, and maximize returns and manage portfolio risk, we may dispose of an asset earlier than anticipated or hold an asset longer than anticipated if we determine it to be appropriate depending upon prevailing market conditions or factors regarding a particular asset. We can provide no assurances, however, that we will be successful in identifying or managing all of the risks associated with acquiring, holding or disposing of a particular asset or that we will not realize losses on certain assets.

Interest Rate and Foreign Currency Hedging

Subject to maintaining our qualification as a REIT for U.S. federal income tax purposes and our exemption from registration under the 1940 Act, we may mitigate the risk of interest rate volatility through the use of hedging instruments, such as interest rate swap agreements and interest rate cap agreements. The goal of our interest rate management strategy is to minimize or eliminate the effects of interest rate changes on the value of our assets, to improve risk-adjusted returns and, where possible, to lock in, on a long-term basis, a favorable spread between the yield on our assets and the cost of financing such assets. In addition, because we are exposed to foreign currency exchange rate fluctuations, we employ foreign currency risk management strategies, including the use of, among others, currency hedges, and matched currency financing. We can provide no assurances, however, that our efforts to manage interest rate and foreign currency exchange rate volatility will successfully mitigate the risks of such volatility on our portfolio.

Operating and Regulatory Structure

REIT Qualification

We elected to be taxed as a REIT for U.S. federal income tax purposes commencing with our initial taxable year ended December 31, 2017. So long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax at the REIT-level on our REIT taxable income that we distribute currently to our stockholders. Our qualification as a REIT depends upon our ability to meet, on a continuing basis, various complex requirements under the Internal Revenue Code of 1986, as amended (the "Code"), relating to, among other things, the sources of our gross income and the composition and values of our assets (which, based on the types of assets we own, can fluctuate rapidly, significantly and unpredictably), our distribution levels and the diversity of ownership of our shares. In addition, we hold certain of our assets through taxable REIT subsidiaries (each a "TRS"), which are subject to U.S. federal and applicable state and local income taxes (and any applicable non-U.S. taxes) at regular corporate rates. Due to the nature of the assets in which we invest, our TRSs may have a material amount of assets and net taxable income.

1940 Act Exemption

We intend to continue to conduct our operations so that we are not required to register as an investment company under the 1940 Act. Section 3(a)(1)(A) of the 1940 Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the 1940 Act defines an investment company as any issuer that is engaged in, or proposes to engage in, the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer’s total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis. Excluded from the definition of investment securities under the 1940 Act, among other things, are U.S. Government securities and securities issued by majority owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the 1940 Act, which relate to “private” investment companies.

We are organized as a holding company that conducts its businesses primarily through wholly owned or majority owned subsidiaries. We expect that many of our subsidiaries will qualify for an exception from the definition of investment company under Section 3(c)(5)(C) or Section 3(c)(6) of the 1940 Act. Section 3(c)(5)(C) provides an exception for entities “primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate.” The SEC staff has taken the position that this exemption generally requires that at least 55% of an entity’s assets must be comprised of mortgages and other liens on and interests in real estate, also known as “qualifying assets,” and at least another 25% of the entity’s assets must be comprised of additional qualifying assets or a broader category of assets that we refer to as “real estate-related assets” (and no more than 20% of the entity’s assets may be comprised of miscellaneous assets). Section 3(c)(6) provides an exception for entities that are primarily engaged, directly or through majority owned subsidiaries, in, among other things, the business of purchasing mortgages or other real estate interests. We intend to limit the investment securities we hold in our wholly owned or majority owned subsidiaries that rely solely on the exception from the definition of investment company contained in Section 3(c)(1) or 3(c)(7) of the 1940 Act, with the result that, combined with any other investment securities we may hold directly, the value of such securities do not exceed 40% of the value of our total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis. We intend to monitor our holdings to ensure ongoing compliance with the 40% test. In addition, we believe we are not an investment company under Section 3(a)(1)(A) of the 1940 Act because we do not and will not engage primarily, or hold ourselves out as being engaged primarily, in the business of investing, reinvesting or trading in securities. Rather, through our wholly owned and majority owned subsidiaries, we are primarily engaged in the non-investment company businesses of these subsidiaries.

Continuing qualification for exemption from registration under the 1940 Act will limit our ability to make certain investments. For example, for our subsidiaries that rely on Section 3(c)(5)(C) of the 1940 Act, the requirements to maintain the exemption will limit their ability to invest directly in mortgage-backed securities that represent less than the entire ownership in a pool of mortgage loans, debt and equity tranches of securitizations and certain asset-backed securities and real estate companies or assets not related to real estate.

We classify our investments for purposes of testing for these exemptions based in large measure on no-action letters issued by the Staff of the Securities and Exchange Commission (the "SEC") and other SEC interpretive guidance. These positions were based upon facts that may be different from ours, and many of these no-action positions were issued more than twenty years ago. To the extent that the Staff of the Division of Investment Management of the SEC provides more specific guidance regarding any of the matters bearing upon any exemption on which we may rely, we may be required to adjust our holdings and strategies accordingly. Additional guidance from the Staff of the Division of Investment Management of the SEC could provide us with additional flexibility, or it could further inhibit our ability to pursue strategies we have chosen. For example, on August 31, 2011, the SEC issued a concept release (Release No. 29778, File No. S7-34-11, Companies Engaged in the Business of Acquiring Mortgages and Mortgage Related Instruments), pursuant to which it is reviewing whether certain companies that invest in mortgage-backed securities should continue to be allowed to rely on the exclusion from registration under Section 3(c)(5)(C) of the 1940 Act. If the SEC takes action with respect to this exclusion, these changes could result in certain of our securitization vehicles and other subsidiaries being no longer able to rely on the exclusion from registration under Section 3(c)(5)(C) of the 1940 Act. In such a case, we would either need to conform our activities to one or more other exemptions from the 1940 Act or lose our status as exempt from registration under the 1940 Act, either of which could result in an adverse effect on us.

If we or our subsidiaries fail to maintain an exception or exemption from the 1940 Act, we may be required to, among other things: (i) substantially change the manner in which we conduct our operations to avoid being required to register as an investment company under the 1940 Act; or (ii) register as an investment company under the 1940 Act. Either of (i) or (ii) could have an adverse effect on us and the market price of our securities. If we were required to register as an investment company under the 1940 Act, we would become subject to substantial regulation with respect to our capital structure (including our ability to use leverage), management, operations, transactions with affiliated persons (as defined in the 1940 Act), portfolio composition, including restrictions with respect to diversification and industry concentration, and other matters.

Regulation under the Investment Advisers Act of 1940

We have subsidiaries that are registered with the SEC as investment advisers under the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act"). As a result, we are subject to the anti-fraud provisions of the Investment Advisers Act and to applicable fiduciary duties derived from these provisions that apply to our relationships with the investment vehicles that we manage. These provisions and duties impose restrictions and obligations on us with respect to our dealings with our investors and our investments, including, for example, restrictions on agency, cross and principal transactions. We, or our registered investment adviser subsidiaries, will be subject to periodic SEC examinations and other requirements under the Investment Advisers Act and related regulations primarily intended to benefit advisory clients. These additional requirements relate, among other things, to maintaining an effective and comprehensive compliance program, recordkeeping and reporting requirements and disclosure requirements. The Investment Advisers Act generally grants the SEC broad administrative powers, including the power to limit or restrict an investment adviser from conducting advisory activities in the event it fails to comply with federal securities laws. Additional sanctions that may be imposed for failure to comply with applicable requirements include the prohibition of individuals from associating with an investment adviser, the revocation of registrations and other censures and fines.

U.S. Healthcare Regulation—Overview

Assisted living, memory care, independent living, hospitals, skilled nursing facilities and other healthcare providers that operate healthcare properties in our portfolio are subject to extensive federal, state and local laws, regulations and industry standards governing their operations. Failure to comply with any of these, and other, laws could result in loss of licensure; loss of certification or accreditation; denial of reimbursement; imposition of civil and/or criminal penalties and fines; suspension or exclusion from federal and state healthcare programs; or closure of the facility. Although the properties within our portfolio may be subject to varying levels of governmental scrutiny, we expect that the healthcare industry, in general, will continue to face increased regulation and pressure in the areas of fraud and abuse and privacy and security, among others. We also expect that efforts by third-party payors, such as the federal Medicare program, state Medicaid programs and private insurers, to impose greater and more stringent cost controls upon operators will intensify and continue. Changes in laws, regulations, reimbursement, and enforcement activity can all have a significant effect on the operations and financial condition of our tenants, operators and managers, which in turn may adversely impact us, as set forth below and under "Item 1A. Risk Factors" in this report.

Healthcare Fraud and Abuse Enforcement

Healthcare providers are subject to federal and state laws and regulations that govern their operations and, in some cases, arrangements with referral sources. These laws include those that require providers to furnish only medically necessary services and submit to third-party payors valid and accurate statements for each service, as well as kickback laws, self-referral laws and false claims acts. In particular, enforcement of the federal False Claims Act has resulted in increased enforcement activity for healthcare providers and can involve significant monetary damages and awards to private plaintiffs who successfully bring “whistleblower” lawsuits. Sanctions for violations of these laws, regulations, and other applicable guidance may include, but are not limited to, loss of licensure, loss of certification or accreditation, denial of reimbursement, imposition of civil and/or criminal penalties and fines, suspension or exclusion from federal and state healthcare programs or closure of the facility; any of which could have a material adverse effect on the operations and financial condition of our tenants, operators and managers, which in turn may adversely impact us.

Healthcare Reform

The Patient Protection and Affordable Care Act of 2010, or ACA, impacted the healthcare marketplace by decreasing the number of uninsured individuals in the United States through the establishment of health insurance exchanges to facilitate the purchase of health insurance, expanded Medicaid eligibility, subsidized insurance premiums and included requirements and incentives for businesses to provide healthcare benefits. The ACA remains subject to continuing legislative, administrative and judicial scrutiny. In 2017, Congress enacted legislation eliminating the tax penalty for individuals who do not purchase insurance after it unsuccessfully sought to replace substantial parts of the ACA with different mechanisms for facilitating insurance coverage in the commercial and Medicaid markets. Additionally, the Centers for Medicare and Medicaid Services (CMS) discontinued payment of cost-sharing reduction subsidies to insurance providers. In 2018, the average annual premium for employer-based family coverage rose five percent and three percent for single coverage. Further, CMS has begun approving waivers permitting states to alter state Medicaid programs by, among other things, requiring individuals to meet certain requirements, like work requirements, in order to maintain eligibility for Medicaid (although some of these waivers have subsequently been challenged in court). These and other actions may impact the insurance markets and reduce the number of individuals purchasing insurance or qualifying for Medicaid and may negatively impact the operations and financial condition of our tenants, operators and managers, which in turn may adversely impact us. Congress may revisit ACA or Medicaid reform legislation in 2019. If the ACA is repealed or further substantially modified, or if implementation of certain aspects of the ACA are suspended, slowed, or subject to reduced funding, such actions could negatively impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us.

On December 14, 2018, a U.S. District Court in Texas ruled the ACA unconstitutional in its entirety. This decision has been appealed, and will not take effect while that appeal is pending. Nonetheless, should this ruling be upheld upon appeal, it could dramatically change U.S. healthcare regulation in numerous ways and may potentially spur congressional action, making the ultimate consequences of the ruling difficult to predict. Should the ruling be upheld and implemented, the immediate effects would include reduced access to health coverage through: (1) reduced Medicaid eligibility, (2) the disestablishment of health insurance exchanges and accompanying subsidized premiums, and (3) no requirement for businesses to provide health insurance. Amendments, including certain waivers to healthcare fraud and abuse laws made by the ACA would also be void, which could change the enforcement posture of federal regulators. Current healthcare reimbursement standards, including those discussed below, are predicated on changes made by the ACA and implementation of this ruling would create significant uncertainty regarding the legality of such standards and what standards are in effect absent the ACA. The effects of this ruling could adversely affect the operations and financial condition of our tenants and operators, which in turn may adversely impact us.

Healthcare Reimbursement

Federal, state and private payor reimbursement methodologies applied to healthcare providers continue to evolve. Federal and state healthcare financing authorities are continuing to implement new or modified reimbursement methodologies that shift risk to healthcare providers and generally reduce payments for services, which may negatively impact healthcare property operations. Additionally, Congress and the current presidential administration could substantially change the health insurance industry and payment systems. The impact of any such changes, if implemented, may result in an adverse effect on our tenants, managers and operators, which in turn may adversely impact us.

Skilled nursing facilities and hospitals typically receive most of their revenues from the Medicare and Medicaid programs, with the balance representing reimbursement payments from private payors, including private insurers and self-pay patients. Senior housing facilities (assisted living, independent living and memory care facilities) typically receive most of their revenues from private pay sources and a small portion of their revenue from the Medicaid program.

Providers that contract with government and private payors may be subject to periodic pre- and post-payment reviews and other audits. A review or audit of a property operator's claims could result in recoupments, denials or delay of payments in the future, each of which could have a significant negative financial impact on such property. Additionally, there can be no guarantee that a third-party payor will continue to reimburse for services at current levels or continue to be available to residents of our facilities. Rates generated at facilities will vary by payor mix, market conditions and resident acuity. Rates paid by self-pay residents are set by the facilities and are determined by local market conditions and operating costs.

- *Medicare Reimbursement*—Medicare is a significant payor source for our skilled nursing facilities and hospitals. Skilled nursing facilities are reimbursed under the Medicare Skilled Nursing Facility Prospective Payment System, while hospitals are reimbursed by Medicare under prospective payment systems that vary based upon the type of hospital, geographic location and service furnished. Under these payment systems, providers typically receive fixed fees for defined services, which create a risk that payments will not cover the costs of delivering care. In addition, CMS continues to focus on linking payment to performance relative to quality and other metrics and bundling payments for multiple items and services in a way that shifts more financial risk to providers. These changes, and a facility's ability to conform to them, could reduce payments and patient volumes for some facilities, including our tenants and operators, which may in turn impact us. Furthermore, while CMS has previously tested some of these new payment principles through optional "models," CMS could adopt rules making certain detrimental payment policies mandatory. The current presidential administration could propose additional changes to the amount and manner in which healthcare providers are paid, and these changes also could have a material adverse effect on payments and patient volumes for some facilities. Lastly, Congress is contemplating substantial reforms to the Medicare program as a whole that, if enacted, could negatively impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us.
    - *Skilled Nursing Conditions for Participation* - On October 4, 2016, CMS published a final rule to make major changes to improve the care and safety of residents in long-term care facilities that participate in the Medicare and Medicaid programs. The policies in this final rule were targeted at reducing unnecessary hospital readmissions and infections, improving the quality of care, and strengthening safety measures for residents in these facilities. The regulations were effective on November 28, 2016, but CMS has been implementing the regulations using a phased approach, with Phase 1 of the regulations implemented on November 28, 2016, Phase 2 of the regulations implemented on November 28, 2017 and Phase 3 of the regulations to be implemented on November 28, 2019. Failure of our tenants and operators to comply with the new regulations could have an adverse impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us.
    - *Skilled Nursing*-In August 2018, CMS adopted a revised methodology used to compensate skilled nursing facilities for therapy services, which changes the core basis of reimbursement from duration of services provided to reimbursement based on anticipated patient needs; these changes will take effect on October 1, 2019. A tenant or operator of a skilled nursing facility's ability to conform to these changes could positively or negatively impact the facility's revenue, which in turn may adversely impact us.
- *Medicaid Reimbursement*—Medicaid is also a significant payor source for our skilled nursing facilities and hospitals. The federal and state governments share responsibility for financing Medicaid. Within certain federal guidelines, states have a fairly wide range of discretion to determine Medicaid eligibility and reimbursement methodology. CMS, in part as a result of the change in leadership in the executive branch, has embraced a more flexible approach to state amendments and waivers that allow states even more latitude to determine eligibility and reimbursement. Certain states are attempting to slow the rate of growth in Medicaid expenditures by freezing rates or restricting eligibility and benefits; some states have elected not to expand their Medicaid eligibility criteria pursuant to the ACA. Some states are transitioning their Medicaid programs to managed care models, which rely on networks of contracted providers to provide services at reduced negotiated rates to a higher volume of patients than they might see absent the contract. Such changes may reduce the volume of Medicaid patients at facilities that do not participate in the managed care plan's network. Facilities that do participate may not receive a sufficient increase in patient volume to offset their lowered reimbursement rates. States and the federal government are also examining ways to further align Medicaid reimbursement with quality metrics and other value-based payment models that might shift risk to or place additional compliance costs on facilities. Congress and the current presidential administration have sought to repeal and alter the ACA and substantially reform the Medicaid program. If successful, Congress may repeal the provisions of the ACA that encouraged states to expand Medicaid eligibility to more adults, including additional federal matching funds that enabled states to do so. Congress also might impose strict limits on the federal role in subsidizing the costs of state Medicaid programs. These actions, if enacted, could result in states reducing or eliminating eligibility for certain individuals

and/or offsetting the cost by further reducing payments to providers of services. Congress is also considering enacting substantial reforms to Medicaid to grant states more autonomy and discretion to design Medicaid programs. These changes, if enacted, could also reduce or eliminate eligibility for certain individuals and/or allow states to further reduce payments to providers of services. In some states, our tenants and operators could experience delayed or reduced payment for services furnished to Medicaid enrollees, which in turn may adversely impact us. As noted above, ongoing litigation regarding the ACA and Medicaid waivers may also affect Medicaid coverage and reimbursement.

Healthcare Licensure, CON, Certification and Accreditation

Hospitals, skilled nursing facilities, senior housing facilities and other healthcare providers that operate healthcare properties in our portfolio may be subject to extensive state licensing and certificate of need, or CON, laws and regulations, which may restrict the ability of our tenants and operators to add new properties, expand an existing facility's size or services, or transfer responsibility for operating a particular facility to a new tenant, operator or manager. The failure of our tenants and operators to obtain, maintain or comply with any required license, CON or other certification, accreditation or regulatory approval (which could be required as a condition of third-party payor reimbursement) could result in loss of licensure, loss of certification or accreditation, denial of reimbursement, imposition of civil and/or criminal penalties and fines, suspension or exclusion from federal and state healthcare programs, or closure of the facility; any of which could have an adverse effect on the operations and financial condition of our tenants, operators and managers, which in turn may adversely impact us.

Health Information Privacy and Security

Healthcare providers, including those in our portfolio, are subject to numerous state and federal laws that protect the privacy and security of patient health information. The federal government, in particular, has significantly increased its enforcement of these laws. The failure of our tenants, operators and managers to maintain compliance with privacy and security laws could result in the imposition of penalties and fines, which in turn may adversely impact us.

For additional information regarding regulations applicable to the Company, refer to "Item 1A. Risk Factors."

Competition

The Company is engaged in a competitive multifaceted business and competes for capital from investors and numerous types of target assets.

We compete directly with other real estate investment managers and to lesser degree, investment managers focused on corporate private equity, credit and hedge fund strategies and venture capital. Some of our competitors have greater financial resources, longer track records, more established relationships and more attractive fund terms, including fees. Further, as institutional fund investors increasingly consolidate their relationships for multiple investment products with a few investment firms, competition for capital from such institutional fund investors may become more acute.

Our competition for investments includes a variety of institutional investors, including other REITs and/or investment managers, specialty finance companies, public and private funds, commercial and investment banks, hedge funds, mortgage bankers, commercial finance and insurance companies, governmental bodies and other financial institutions. In addition, there are several REITs with similar investment objectives, including a number that have been recently formed, and others may be organized in the future. These other REITs increase competition for the available supply of industrial, healthcare, hospitality, commercial debt and equity real estate and other real estate-related assets suitable for purchase or origination. Some competitors may have greater financial resources, access to lower costs of capital and access to funding sources that may not be available to the Company, such as funding from the U.S. Government, if we are not eligible to participate in programs established by the U.S. Government. In addition, some of our competitors are not subject to the operating constraints associated with REIT compliance or maintenance of an exemption from the 1940 Act. Furthermore, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, or pay higher prices, than we can. Current market conditions may attract more competitors, which may increase the competition for our target assets.

The industrial, healthcare and hospitality industries are also highly competitive. Competition in the markets in which our properties operate from existing or newly renovated properties could adversely affect the operating performance of our properties, and thus our financial results. Competition may also require us to make capital improvements or incur additional costs that we otherwise might not choose to make, which may adversely affect the profitability of our properties.

We also face competition in the recruitment and retention of qualified and skilled personnel. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees and consultants.

An increase in competition across the various components of our business may limit our ability to generate attractive risk-adjusted returns for our stockholders, thereby adversely affecting the market price of our common stock.

Employees

At December 31, 2018, we employed over 400 full-time employees worldwide.

Seasonality

Operations of our hospitality portfolio are affected by seasonal patterns resulting from overall economic cycles, geographic locations, weather and customer mix at the hotels. Generally, we expect our hotel portfolio to have higher revenues, operating income and cash flows in the second and third quarters of each year and lower revenues, operating income and cash flows in the first and fourth quarters of each year.

Available Information and Corporate Governance

Our principal executive office is located at 515 South Flower Street, 44th Floor, Los Angeles, California, 90071. Our website address is www.clny.com.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports or statements are available on our website under "Public Shareholders—SEC Filings," as soon as reasonably practicable after we file these materials with, or furnish them to, the SEC. We also post corporate presentations on our website from time to time.

All of our reports, proxy and information statements filed with the SEC can also be obtained at the SEC's website at www.sec.gov.

Colony Capital, Inc. emphasizes the importance of professional business conduct and ethics through our corporate governance initiatives. Our board of directors consists of a majority of independent directors; the audit, compensation, nominating and corporate governance, and risk committees of the board of directors are composed exclusively of independent directors. Additionally, the following documents relating to corporate governance are available on our website under "Public Shareholders—Corporate Governance":

- Corporate Governance Guidelines
- Code of Business Conduct and Ethics
- Code of Ethics for Principal Executive Officer and Senior Financial Officers
- Complaint Procedures for Accounting and Audit Matters
- Audit Committee Charter
- Compensation Committee Charter
- Nominating and Corporate Governance Committee Charter
- Risk Committee Charter

These corporate governance documents are also available in print free of charge to any security holder who requests them in writing to: Colony Capital, Inc., Attention: Investor Relations, 515 South Flower Street, 44th Floor, Los Angeles, California, 90071. Within the time period required by the rules of the SEC and the NYSE, we will post on our website any amendment to such corporate governance documents.

Information contained on our website is not incorporated by reference into this Annual Report and such information should not be considered to be part of this report.

Item 1A. Risk Factors.

The following risk factors and other information included in this Annual Report should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us that we currently deem immaterial or that generally apply to all businesses also may adversely impact our business. If any of the following risks occur, our business, financial condition, operating results, cash flow and liquidity could be materially adversely affected.

Risks Related to Our Company

Adverse changes in general economic conditions can negatively affect our business, which could adversely impact our business, financial condition and results of operations.

Our success is dependent upon general economic conditions in the United States and in international geographic areas where a substantial number of our investments are located. Adverse changes in economic conditions in the United States or these countries or regions would likely have a negative impact on real estate values and, accordingly, our financial performance, the market prices of our securities, and our ability to pay dividends.

The condition of the real estate markets in which we operate is cyclical and depends on the condition of the economy in the United States, Europe, China and elsewhere as a whole and to the perceptions of investors of the overall economic outlook. Rising interest rates, declining employment levels, declining demand for real estate, declining real estate values or periods of general economic slowdown or recession, increasing political instability or uncertainty, or the perception that any of these events may occur have negatively impacted the real estate market in the past and may in the future negatively impact our operating performance. In addition, the economic condition of each local market where we operate may depend on one or more key industries within that market, which, in turn, makes our business sensitive to the performance of those industries.

We have only a limited ability to change our portfolio promptly in response to changing economic or other conditions. Certain significant expenditures, such as debt service costs, real estate taxes, and operating and maintenance costs, are generally not reduced when market conditions are poor. These factors impede us from responding quickly to changes in the performance of our investments and could adversely impact our business, financial condition and results of operations.

We require capital in order to continue to operate and grow our business, and the failure to obtain such capital, either through the public or private markets or other third party sources of capital, would have a material adverse effect on our business, financial condition, results of operations and ability to maintain our distributions to our stockholders.

We require capital to fund acquisitions and originations of our target investments, to fund our operations, including overhead costs, to fund distributions to our stockholders and to repay principal and interest on our borrowings. We expect to meet our capital requirements using cash on hand, cash flow generated from our operations, and principal and interest payments received from our investments. However, because of distribution requirements imposed on us to qualify as a REIT which generally requires that we distribute to our stockholders 90% of our taxable income and that we pay tax on any undistributed income, our ability to finance our growth must largely be funded by external sources of capital. As a result, we may have to rely on third party sources of capital, including public and private offerings of securities and debt financings.

Our ability to raise capital through the public and private capital markets depends on a number of factors, including many that are outside our control, such as the general economic environment, the regulatory environment, competition in the marketplace, media attention and investor investment allocation preferences. Poor performance by, or negative publicity about, our Company, our management or our managed companies could also make it more difficult for us to raise new capital. Investors in our managed companies may decline to invest in future companies we raise, and investors may withdraw their investments in our managed companies (subject to the terms of such managed company) as a result of poor performance or negative perceptions of our Company or our leadership. In addition, third party financing may not be available to us when needed, on favorable terms, or at all. In the event that we are unable to obtain adequate financing to fund or grow our business, it would have a material adverse effect on our ability to acquire additional assets and make our debt service payments and our financial condition, results of operations and the ability to fund our distributions to our stockholders would be materially adversely affected.

The investment management business is intensely competitive.

The investment management business is intensely competitive, with competition based on a variety of factors, including investment performance, the quality of service provided to clients, brand recognition and business reputation. Our investment management business competes for clients, personnel and investment opportunities with a large number of private equity funds, specialized investment funds, hedge funds, corporate buyers, traditional investment managers, commercial banks, investment banks, other investment managers and other financial institutions, and we expect that competition will increase. Numerous factors serve to increase our competitive risks, some of which are outside of our control, including that:

- a number of our competitors have more personnel and greater financial, technical, marketing and other resources than we do;
- many of our competitors have raised, or are expected to raise, significant amounts of capital, and many of them have investment objectives similar to ours, which may create additional competition for investment opportunities and reduce the size and duration of pricing inefficiencies that we seek to exploit;
- some of our competitors (including strategic competitors) may have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to our managed companies, particularly our managed companies that directly use leverage or rely on debt financing of their portfolio companies to generate superior investment returns;
- some of our competitors have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments;
- our competitors may be able to achieve synergistic cost savings in respect of an investment that we cannot, which may provide them with a competitive advantage in bidding for an investment;
- there are relatively few barriers to entry impeding new funds, and the successful efforts of new entrants into our various lines of business, including major commercial and investment banks and other financial institutions, have resulted in increased competition;
- some investors may prefer to invest with an investment manager whose equity securities are not traded on a national securities exchange;
- some investors may prefer to pursue investments directly instead of investing through one of our managed companies;
- other industry participants will from time to time seek to recruit our investment professionals and other employees away from us; and
- other investment managers may offer more products and services than we do, have more diverse sources of revenue or be more adept at developing, marketing and managing new products and services than we are.

We may find it harder to raise managed companies, and we may lose investment opportunities in the future, if we do not match the fees, structures and terms offered by competitors to their fund clients. Alternatively, we may experience decreased profitability, rates of return and increased risk of loss if we match the prices, structures and terms offered by competitors. This competitive pressure could adversely affect our ability to make successful investments and limit our ability to raise future managed companies, either of which would adversely impact our business, revenues, results of operations and cash flow.

We may not be able to generate sufficient cash flow to meet all of our existing or potential future debt service obligations.

Our ability to meet all of our existing or potential future debt service obligations (including those under our revolving credit facility, pursuant to which we may incur significant indebtedness), to refinance our existing or potential future indebtedness, and to fund our operations, working capital, acquisitions, capital expenditures, and other important business uses, depends on our ability to generate sufficient cash flow in the future. Our future cash flow is subject to, among other factors, general economic, industry, financial, competitive, operating, legislative, and regulatory conditions, many of which are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations or that future sources of cash will be available to us on favorable terms, or at all, in amounts sufficient to enable us to meet all of our existing or potential future debt service obligations, or to fund our other important business uses or liquidity needs. Furthermore, if we incur additional indebtedness in connection with future acquisitions or for any other purpose, our existing or potential future debt service obligations could increase significantly and our ability to meet those obligations could depend, in large part, on the returns from such acquisitions or projects, as to which no assurance can be given.

Furthermore, our obligations under the terms of our borrowings could impact us negatively. For example, such obligations could:

- limit our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- restrict us from making strategic acquisitions or cause us to make non-strategic divestitures;

- restrict us from paying dividends to our stockholders;
- increase our vulnerability to general economic and industry conditions; and
- require a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our borrowings, thereby reducing our ability to use cash flow to fund our operations, capital expenditures and future business opportunities.

We may also need to refinance all or a portion of our indebtedness at or prior to the scheduled maturity. Our ability to refinance our indebtedness or obtain additional financing will depend on, among other things, (i) our business, financial condition, liquidity, results of operations, core funds from operations ("Core FFO") prospects, and then-current market conditions; and (ii) restrictions in the agreements governing our indebtedness. As a result, we may not be able to refinance any of our indebtedness or obtain additional financing on favorable terms, or at all.

If we do not generate sufficient cash flow from operations and additional borrowings or refinancings are not available to us, we may be unable to meet all of our existing or potential future debt service obligations. As a result, we would be forced to take other actions to meet those obligations, such as selling properties, raising equity or delaying capital expenditures, any of which could have a material adverse effect on us. Furthermore, we cannot assure you that we will be able to effect any of these actions on favorable terms, or at all.

We depend on our key personnel, and the loss of their services, through the termination of their employment agreements, or the loss of investor confidence in such personnel could have a material adverse effect on our business, results of operations and financial condition.

We depend on the efforts, skill, reputations and business contacts of our key personnel, including our executive officers, which include our Executive Chairman and Chief Executive Officer, Thomas J. Barrack, Jr., and our President, Darren J. Tangen, in particular, and the services of the other members of our senior management team, including Mark M. Hedstrom, Ronald M. Sanders, Kevin P. Traenkle and Neale W. Redington, each of whom has entered into an employment agreement with us. For instance, the extent and nature of the experience of our executive officers and the nature of the relationships they have developed with real estate professionals and financial institutions are critical to the success of our business. Changes to our management team have occurred in the past, and we cannot assure stockholders that further changes will not be made. We also cannot assure stockholders of the continued employment of these individuals with the Company. The loss of services of certain of our executive officers could have a material adverse effect on our business, financial condition, results of operations and ability to effectively operate our business. Furthermore, our key personnel possess substantial experience and expertise and have strong business relationships with investors in certain of our managed companies and other members of the business community. As a result, the loss of these key personnel could jeopardize such business relationships and result in the reduction of capital raising or fewer investment opportunities.

In addition, certain of our key personnel have been and may continue to be the subject of media attention, which includes scrutiny or criticism of our Company, business and leadership. Such attention and scrutiny could negatively impact our reputation as well as that of our key personnel, which could in turn negatively impact the relationships our key personnel have with current and potential investors, business partners, vendors and employees. Negative perceptions of or a loss of investor confidence in our key personnel could adversely impact our business prospects.

Our board of directors has adopted, and will likely continue to adopt, certain incentive plans to establish incentives that will allow us to retain and attract the services of key personnel. These incentive plans may be tied to the performance of our Class A common stock. Further, the agreements we entered into with certain members of our senior management team contain certain restrictions on these executives, including a restriction on engaging in activities that are deemed competitive to our business. Although we believe these covenants to be enforceable under current law in the states in which we do business, there can be no guarantee that if our executives were to breach these covenants and engage in competitive activities, a court of law would fully enforce these restrictions. If our executives were to terminate their employment with us and engage in competitive activities, such activities could have a material adverse effect on our business, financial condition and results of operations.

We continue to be subject to business uncertainties following the Merger, which could have a material adverse effect on our business, results of operations and financial condition.

Uncertainty about the effect of the Merger on employees and clients may have an adverse effect on us following the Merger. These uncertainties have and could continue to disrupt our business and impair our ability to attract, retain and motivate key personnel and other experienced real estate professionals, and cause clients and others that deal with us to seek to change existing business relationships, cease doing business with us or cause potential new clients to delay doing business with us. Retention and motivation of employees may be challenging due to the uncertainty and difficulty of integration, the Company's poor performance or a desire not to remain with us.

We often pursue investment opportunities that involve business, regulatory, legal or other complexities and the failure to successfully manage such risks could have a material adverse effect on our business, results of operations and financial condition.

We often pursue unusually complex investment opportunities involving substantial business, regulatory or legal complexity that would deter other investors. Our tolerance for complexity presents risks, as such transactions can be more difficult, expensive and time-consuming to finance and execute, it can be more difficult to manage or realize value from the assets acquired in such transactions, and such transactions sometimes entail a higher level of regulatory scrutiny or a greater risk of contingent liabilities. Failure to successfully manage these risks could have a material adverse effect on our business, results of operations and financial condition.

We have been and may continue to be subject to the actions of activist stockholders, which could cause us to incur substantial costs, divert management's attention and resources, and have an adverse effect on our business.

We have been and may continue to be the subject of increased activity by activist stockholders. Responding to stockholder activism can be costly and time-consuming, disrupt our operations and divert the attention of management and our employees from executing our business plan. Activist campaigns can create perceived uncertainties as to our future direction, strategy or leadership and may result in the loss of potential business opportunities, harm our ability to attract new investors, tenants/operators/managers and joint venture partners and cause our stock price to experience periods of volatility or stagnation. Moreover, if individuals are elected to our board of directors with a specific agenda, even though less than a majority, our ability to effectively and timely implement our current initiatives and execute on our long-term strategy may be adversely affected. Furthermore, there are circumstances in which our revolving credit facility could terminate and/or accelerate and various change of control payments could arise as a result of the conclusion of a proxy fight.

Many of our investments may be illiquid and we may not be able to vary our investment portfolio in response to changes in economic and other conditions.

Equity investments in real estate, as well as investments in mortgage-related assets, are relatively illiquid. As a result, our ability to vary our investment portfolio promptly in response to changed economic and other conditions is limited, which could adversely affect our financial condition and results of operations and our ability to pay dividends and make distributions. In addition, the liquidity of our investments may also be impacted by, among other things, restrictions on a REIT’s ability to dispose of properties that are not applicable to other types of real estate companies, other legal or contractual restrictions, the lack of available financing for assets, the absence of a willing buyer or an established market and turbulent market conditions. The illiquidity of our investments may make it difficult for us to sell such investments at advantageous times or in a timely manner if the need or desire arises, including, if necessary, to maintain our status as a REIT or to maintain our exemption from the 1940 Act. If we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our assets. If and to the extent that we use leverage to finance our investments that are or become liquid, the adverse impact on us related to trying to sell assets in a short period of time for cash could be greatly exacerbated.

Changes in the debt financing markets could negatively impact our ability to obtain attractive financing or re-financing for our investments and could increase the cost of such financing if it is obtained, which could lead to lower-yielding investments and potentially decrease our net income.

A significant contraction in the market for debt financing, such as the contraction that occurred in 2008 and 2009, or other adverse changes relating to the terms of such debt financing with, for example, higher interest rates, higher capital requirements and/or more restrictive covenants, particularly in the area of acquisition financings for leveraged buyout and real assets transactions, could have a material adverse impact on our business. In the event that we are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, we may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the income earned by us. Similarly, we regularly utilize the corporate debt markets in order to obtain financing for our operations. To the extent that the credit markets render such financing difficult to obtain or more expensive, this may negatively impact our operating performance. In addition, to the extent that the markets make it difficult or impossible to refinance debt that is maturing in the near term, we may be unable to repay such debt at maturity and may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection.

We have undertaken a corporate restructuring and reorganization plan to reduce our annual compensation and administrative expenses. Our corporate restructuring and reorganization plan may not be effective, might have unintended consequences and could negatively impact our business.

In November 2018, we announced a corporate restructuring and reorganization plan aimed at reducing our annual compensation and administrative expenses over the next 12 months. This restructuring plan was designed to match resources that further align with our increasing focus on the investment management business by, among other things, reducing our workforce globally by 10% to 20%. Through December 31, 2018, we incurred approximately $19.3 million of restructuring charges. While we expect to continue with our cost reductions, we face a variety of risks and uncertainties relating to the effectiveness of such activities. Any delays in the implementation of our restructuring plan or unforeseen expenses related to such activities could adversely affect our business, results of operations and financial condition.

Despite our planning, our corporate restructuring and reorganization plan could have unexpected negative consequences. As part of our workforce reduction, we may experience additional attrition, which may expose us to legal claims against us and loss of necessary human resources. If we face costly employee or contract termination claims, our operations and prospects could be harmed. In addition, there can be no assurance that the cost reductions we have made will be successful or are the right reductions for our business going forward. There is a risk that the restructuring, cost savings initiatives and reduction in personnel will make it more difficult to grow our investment management business and conduct our operations.

Our operations in Europe and elsewhere expose our business to risks inherent in conducting business in foreign markets.

A material portion of our revenues are sourced from our foreign operations in Europe and elsewhere or other foreign markets. Accordingly, our firm-wide results of operations depend in part on our foreign operations. Conducting business abroad carries significant risks, including:

- our REIT tax status not being respected under foreign laws, in which case any income or gains from foreign sources could be subject to foreign taxes and withholding taxes;
- changes in real estate and other tax rates, the tax treatment of transaction structures and other changes in operating expenses in a particular country where we have an investment;
- restrictions and limitations relating to the repatriation of profits;
- complexity and costs of staffing and managing international operations;
- the burden of complying with multiple and potentially conflicting laws;
- changes in relative interest rates;
- translation and transaction risks related to fluctuations in foreign currency and exchange rates;
- lack of uniform accounting standards (including availability of information in accordance with accounting principles generally accepted in the United States ("GAAP"));
- unexpected changes in regulatory requirements;
- the impact of different business cycles and economic instability;
- political instability and civil unrest;
- legal and logistical barriers to enforcing our contractual rights, including in perfecting our security interests, collecting accounts receivable, foreclosing on secured assets and protecting our interests as a creditor in bankruptcies in certain geographic regions;
- share ownership restrictions on foreign operations;
- compliance with U.S. laws affecting operations outside of the United States, including sanctions laws, or anti-bribery laws such as the Foreign Corrupt Practices Act (“FCPA”); and
- geographic, time zone, language and cultural differences between personnel in different areas of the world.

Each of these risks might adversely affect our performance and impair our ability to make distributions to our stockholders required to qualify and remain qualified as a REIT. In addition, there is generally less publicly available information about foreign companies and a lack of uniform financial accounting standards and practices (including the availability of information in accordance with GAAP) which could impair our ability to analyze transactions and receive timely and accurate financial information from our investments necessary to meet our reporting obligations to financial institutions or governmental or regulatory agencies.

Concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency, given the diverse economic and political circumstances in individual Eurozone countries and in recent volatility in the value of the euro. These concerns could lead to the re-introduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the euro currency entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations would be uncertain. Such uncertainty would extend to among other things, whether obligations previously expressed to be owed and payable in euros would be re-denominated in a new currency, what laws would govern and the courts of which country would have jurisdiction. These potential developments, or market perceptions concerning these and related issues, could materially adversely affect the value of our euro-denominated assets and obligations.

In addition, there is increased uncertainty in the wake of the “Brexit” referendum in the United Kingdom in June 2016, in which the majority of voters voted in favor of an exit from the European Union. The announcement of Brexit caused significant volatility in global stock markets and currency exchange rate fluctuations that resulted in the strengthening of the U.S. dollar against the U.K. Pound Sterling. Any impact of the Brexit vote depends on the terms of the United Kingdom’s withdrawal from the European Union, which remains under negotiation between the parties despite the upcoming March 29, 2019 deadline. Failure to obtain parliamentary approval of an agreed withdrawal agreement would, absent a revocation of the United Kingdom’s notification to withdraw or some other delay, mean that the United Kingdom would leave the European Union on March 29, 2019, likely with no agreement (a so-called “hard Brexit”). Current discussions between the United Kingdom and the European Union may result in any number of outcomes including an extension or delay of the United Kingdom’s withdrawal from the European Union. The consequences for the economies of the European Union member states as a result of the United Kingdom’s withdrawal from the European Union are unknown and unpredictable, especially in the case of a hard Brexit. Uncertainty about global or regional economic conditions poses a risk as consumers and businesses may postpone spending in response to tighter credit, negative financial news, and declines in income or asset values, which could adversely affect the availability of financing, our business and our results of operations.

We are subject to substantial litigation risks and may face significant liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.

In the ordinary course of business, we are subject to the risk of substantial litigation and face significant regulatory oversight. Such litigation and proceedings, including, among others, regulatory actions and shareholder class action suits relating to transactions in which we have agreed to acquire public companies, may result in defense costs, settlements, fines or judgments against us, some of which may not be covered by insurance. Litigation could be more likely in connection with a change of control transaction or during periods of market dislocation or shareholder activism. During 2018, several class action lawsuits and related derivative actions were filed against our Company and certain of our current and former executive officers and directors alleging certain violations of securities laws and omissions or misstatements regarding disclosures made in connection with our business and the Merger. While these lawsuits are not expected to have a material impact on the Company's financial results or condition, due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such litigation or proceedings. An unfavorable outcome could negatively impact our cash flow, financial condition, results of operations and trading price of our shares of Class A common stock.

In addition, even in the absence of misconduct, we may be exposed to litigation or other adverse consequences where investments perform poorly and investors in or alongside our managed companies experience losses. We depend to a large extent on our business relationships and our reputation for integrity and high-caliber professional services to attract and retain investors and to pursue investment opportunities for us and our managed companies. As a result, allegations of improper conduct by private litigants (including investors in or alongside our managed companies) or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the private equity industry in general, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses.

The historical financial information included in this Annual Report is not necessarily indicative of our future performance.

The historical financial information included in this Annual Report is not necessarily indicative of our future financial results, in particular because the historical financial information is related only to Colony. This financial information does not purport to represent or predict the results of any future periods.

Further, the results of future periods are likely to be materially different as a result of:

- future growth that does not follow our historical trends;
- changes in the economic environment, competitive landscape and financial markets;
- new and additional costs and expenses attributable to our operations, including our operations as a public company, an adviser and a company within an extensively regulated industry; and
- the transitions we continue to undergo as a result of the Merger.

We are subject to significant competition and we may not be able to compete successfully for investments.

We are subject to significant competition for attractive investment opportunities from other real estate investors, some of which have greater financial resources than us, including publicly-traded REITs, non-traded REITs, insurance companies, commercial and investment banking firms, private institutional funds, hedge funds, private equity funds and other investors. We may not be able to compete successfully for investments. In addition, the number of entities and the amount of funds competing for suitable investments may increase. For example, a significant portion of the assets that were acquired in the Merger were acquired during periods of increased competition in 2014 and 2015. To the extent we paid higher prices for such investments or originated loans on less advantageous terms to us, or are required to do so in the future, due to increased competition, our returns may be lower and the value of our assets may not increase or may decrease significantly below the amount we paid for such assets. Further, as we reinvest capital, we may not realize risk adjusted returns that are as attractive as those we have realized in the past due to decreased competition for such investments or otherwise. If such events occur, we may experience lower returns on our investments.

Our assets may be subject to impairment charges, which could have a material adverse effect on our results of operations.

We evaluate our long-lived assets, primarily real estate held for investment, for impairment periodically or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. In evaluating and/or measuring impairment, the Company considers, among other things, current and estimated future cash flows associated with each property, market information for each sub-market and other quantitative and qualitative factors. Another key consideration in this assessment is the Company's assumptions about the highest and best use of its real estate investments and its intent and ability to hold them for a reasonable period that would allow for the recovery of their carrying values. These key assumptions are subjective in nature and could differ materially from actual results if the property was disposed. Changes in our strategy or changes in the marketplace may alter the hold period of an asset or asset group, which may result in an impairment loss, and such loss could be material to our financial condition or operating performance. If, after giving effect to such changes, we conclude that the carrying values of such assets or asset groups are no longer recoverable, we may recognize impairments in future periods equal to the excess of the carrying values over the estimated fair value. Such impairments could have a material adverse effect on our results of operations.

These subjective assessments have a direct impact on our net income because recording an impairment charge results in an immediate negative adjustment to net income. There can be no assurance that we will not take additional charges in the future related to the impairment of our assets. Any future impairment could have a material adverse effect on our results of operations in the period in which the charge is taken.

We face cybersecurity risks and risks associated with security breaches that have the potential to disrupt our operations, cause material harm to our financial condition, result in misappropriation of assets, compromise confidential information and/or damage our business relationships and can provide no assurance that the steps we and our service providers take in response to these risks will be effective.

We face cybersecurity risks and risks associated with security breaches or disruptions such as those through cyber-attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to emails, social engineering and phishing schemes or persons inside our organization. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusions, including by computer hackers, nation-state affiliated actors, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. These incidents may result in disruption of our operations, material harm to our financial condition, cash flows and the market price of our common shares, misappropriation of assets, compromise or corruption of confidential information collected in the course of conducting our business, liability for stolen information or assets, increased cybersecurity protection and insurance costs, regulatory enforcement, litigation and damage to our stakeholder relationships. These risks require continuous and likely increasing attention and other resources from us to, among other actions, identify and quantify these risks, upgrade and expand our technologies, systems and processes to adequately address them and provide periodic training for our employees to assist them in detecting phishing, malware and other schemes. Such attention diverts time and other resources from other activities and there is no assurance that our efforts will be effective. Potential sources for disruption, damage or failure of our information technology systems include, without limitation, computer viruses, security breaches, human error, cyber-attacks, natural disasters and defects in design.Additionally, due to the size and nature of our company, we rely on third-party service providers for many aspects of our business. Furthermore, as an asset manager our business is highly dependent on information technology systems, including systems provided by third parties over which we have no control. We can provide no assurance that the networks and systems that our third-party vendors have established or use will be effective.

In the normal course of business, we and our service providers collect and retain certain personal information provided by our tenants, employees and vendors. We also rely extensively on computer systems to process transactions and manage our business. We can provide no assurance that the data security measures designed to protect confidential information on our systems established by us and our service providers will be able to prevent unauthorized access to this personal information. There can be no assurance that our efforts to maintain the security and integrity of the information we and our service providers collect and our and their computer systems will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not be detected and, in fact, may not be detected. Accordingly, we and our service providers may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us and our service providers to entirely mitigate this risk.

We are dependent on the effectiveness of our information and cyber security policies, procedures and capabilities to protect our computer and telecommunications systems and the data that resides on or is transmitted through them. An externally caused information security incident, such as a hacker attack, virus or worm, or an internally caused issue, such as failure to control access to sensitive systems, could materially interrupt business operations or cause disclosure or modification of sensitive or confidential information and could result in material financial loss, loss of competitive position, regulatory actions, breach of contracts, reputational harm or legal liability. Any failure or interruption of our systems could cause delays or other problems in our activities, which could have a material adverse effect on our financial performance. Potential sources for disruption, damage or failure of our information technology systems include, without limitation, computer viruses, security breaches, human error, cyber-attacks, natural disasters and defects in design.

If we are unable to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"), or our internal control over financial reporting is not effective, the reliability of our financial statements may be questioned and our stock price may suffer.

The Sarbanes-Oxley Act requires any company subject to the reporting requirements of the U.S. securities laws to do a comprehensive evaluation of its and its consolidated subsidiaries’ internal control over financial reporting. To comply with this statute, we are required to document and test our internal control procedures, our management is required to assess and issue a report concerning our internal control over financial reporting and our independent auditors are required to issue an opinion on their audit of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation to meet the detailed standards under the rules. During the course of its testing, our management may identify material weaknesses or deficiencies which may not be remedied in time to meet the deadline imposed by the Sarbanes-Oxley Act. If our management cannot favorably assess the effectiveness of our internal control over financial reporting or our auditors identify material weaknesses in our internal controls, investor confidence in our financial results may weaken and our stock price may suffer. For instance, accounting irregularities recently discovered at other companies have caused the SEC to launch an inquiry, stockholders to initiate lawsuits, executives to resign, the stock price to significantly decrease and the firm’s reputation to be questioned by stockholders and the press.

Increases in interest rates could adversely affect the value of our investments and cause our interest expense to increase, which could result in reduced earnings or losses and negatively affect our profitability as well as the cash available for distribution to our stockholders.

The value of our investments in certain assets may decline if long-term interest rates increase. Declines in the value of our investments may ultimately reduce earnings or result in losses to us, which may negatively affect cash available for distribution to our stockholders. Significant increases in interest rates may, among other things, increase the credit risk of our assets by negatively impacting the ability of the borrowers to pay debt service on our floating rate loan assets or our ability to refinance our assets upon maturity, negatively impact the value of the real estate collateralizing our investments (or the real estate we own directly) through the impact such increases can have on property valuation capitalization rates and decrease the value of our fixed-rate debt investments.

In addition, in a period of rising interest rates, our operating results will partially depend on the difference between the income from our assets and financing costs. We anticipate that, in some cases, the income from such assets will respond more slowly to interest rate fluctuations than the cost of our borrowings. Consequently, changes in interest rates, particularly short-term interest rates, may significantly influence our net interest income, which is the difference between the interest income we earn on our interest-earning investments and the interest expense we incur in financing these investments. Increases in these rates could decrease our net income and the market value of our assets.

Rising interest rates may also affect the yield on our investments or target investments and the financing cost of our debt. If rising interest rates cause us to be unable to acquire a sufficient volume of our target investments with a yield that is above our borrowing cost, our ability to satisfy our investment objectives and to generate income and pay dividends may be materially and adversely affected. Due to the foregoing, significant fluctuations in interest rates could materially and adversely affect our results of operations, financial conditions and our ability to make distributions to our stockholders.

Changes in the method pursuant to which LIBOR and other benchmark rates are calculated and their potential discontinuance could hinder our ability to maintain effective hedges and could adversely impact our business operations and financial results.

Our floating-rate debt, certain senior and junior subordinated notes and certain hedging transactions determine the applicable interest rate or payment amount by reference to a benchmark rate, such as the London Interbank Offered Rate (“LIBOR”), or to another financial metric. In the event any such benchmark rate or other referenced financial metric is significantly changed, replaced or discontinued, or ceases to be recognized as an acceptable market benchmark rate or financial metric, there may be uncertainty or differences in the calculation of the applicable interest rate or payment amount depending on the terms of the governing instrument, and there may be significant work required to transition to any new benchmark rate or other financial metric.

In July 2017, the Chief Executive of the U.K. Financial Conduct Authority (“FCA”) announced that the FCA intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. In response to concerns regarding the reliability and robustness of commonly used reference rates, in particular LIBOR, the Financial Stability Oversight Council and Financial Stability Board called for the development of alternative interest rate benchmarks. In April 2018, the New York Federal Reserve commenced publishing an alternative reference rate, the Secured Overnight Financing Rate (“SOFR”), proposed by a group of major market participants convened by the U.S. Federal Reserve with participation by SEC Staff and other regulators, the Alternative Reference Rates Committee ("ARRC"). SOFR is based on transactions in the more robust U.S. Treasury repurchase market and has been proposed as the alternative to LIBOR for use in derivatives and other financial contracts that currently rely on LIBOR as a reference rate. ARRC has proposed a paced market transition plan to SOFR from LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to derivatives and cash markets exposed to LIBOR. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR, whether LIBOR rates will cease to be published or supported before or after 2021 or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR, including for purposes of hedging arrangements such as those we currently have in place. Furthermore, the transition from LIBOR to one or more replacement rates could cause uncertainty in what reference rates apply to existing hedging and other arrangements. Additionally, there is some possibility that LIBOR continues to be published, but that the quantity of loans used to calculate LIBOR diminishes significantly enough to reduce the appropriateness of the rate as a reference rate. We can provide no assurance regarding the future of LIBOR, whether our current hedging arrangements will continue to use USD-LIBOR as a reference rate or whether any reliance on such rate will be appropriate. Confusion as to the relevant benchmark reference rate for our hedging instruments could hinder our ability to establish effective hedges.

Despite progress made to date by regulators and industry participants to prepare for the anticipated discontinuation of LIBOR, significant uncertainties still remain. Such uncertainties relate to, for example, whether LIBOR will continue to be viewed as an acceptable market benchmark rate, what rate or rates may become accepted alternatives to LIBOR (various characteristics of SOFR make it uncertain whether it would be viewed by market participants as an appropriate alternative to LIBOR for certain purposes), how any replacement would be implemented across the industry, and the effect of any changes in industry views or movement to alternative benchmarks would have on the markets for LIBOR-linked financial instruments.

The discontinuation of a benchmark rate or other financial metric, changes in a benchmark rate or other financial metric, or changes in market perceptions of the acceptability of a benchmark rate or other financial metric, including LIBOR, could, among other things result in increased interest payments, changes to our risk exposures, or require renegotiation of previous transactions. In addition, any such discontinuation or changes, whether actual or anticipated, could result in market volatility, adverse tax or accounting effects, increased compliance, legal and operational costs, and risks associated with contract negotiations.

Risks Related to Ownership of Our Securities

The market price of our Class A common stock has been and may continue to be volatile and holders of our Class A common stock could lose all or a significant portion of their investment due to drops in the market price of our Class A common stock.

The market price of our Class A common stock has been and may continue to be volatile, especially as a result of the Merger. Our stockholders may not be able to resell their common stock at or above the implied price at which they acquired such common stock pursuant to the merger agreement or otherwise due to fluctuations in the market price of our Class A common stock, including changes in market price caused by factors unrelated to our operating performance or prospects. Additionally, this volatility and other factors has and may continue to induce stockholder activism, which has been increasing in publicly traded companies in recent years and could materially disrupt our business, operations and ability to make distributions to our stockholders.

Specific factors that may have a significant effect on the market price of our Class A common stock include, among others, the following:

- changes in stock market analyst recommendations or earnings estimates regarding our Class A common stock, other companies comparable to it or companies in the industries we serve;
- actual or anticipated fluctuations in our operating results or future prospects;
- reactions to public announcements by us;
- changes in our dividend policy;
- impairment charges affecting the carrying value of one or more of our investments;
- media attention about our Company or our management team;
- strategic actions taken by our Company or our competitors, such as business separations, acquisitions or restructurings;
- failure of our Company to achieve the perceived benefits of certain transactions and restructurings, including financial results and anticipated cost savings and synergies, as rapidly as or to the extent anticipated by financial or industry analysts;
- changes or other announcements regarding our key management personnel;
- adverse conditions in the financial market or general U.S. or international economic conditions, including those resulting from war, incidents of terrorism and responses to such events; and
- sales of common stock by our Company, members of our management team or significant stockholders.

We may issue additional equity securities, which may dilute your interest in us.

In order to expand our business, we may consider offering Class A common stock and securities that are convertible into our Class A common stock and may issue additional common stock in connection with acquisitions or joint ventures. If we issue and sell additional shares of our Class A common stock, the ownership interests of our existing stockholders will be diluted to the extent they do not participate in the offering. The number of shares of Class A common stock that we may issue for cash in non-public offerings without stockholder approval will be limited by the rules of the NYSE. However, we may issue and sell shares of our Class A common stock in public offerings, and there generally are exceptions that allow companies to issue a limited number of equity securities in private offerings without stockholder approval, which could dilute your ownership.

Our board of directors may modify our authorized shares of stock of any class or series and may create and issue a class or series of common stock or preferred stock without stockholder approval.

Our Articles of Amendment and Restatement (our "Charter") authorizes our board of directors to, without stockholder approval, classify any unissued shares of common stock or preferred stock; reclassify any previously classified, but unissued, shares of common stock or preferred stock into one or more classes or series of stock; and issue such shares of stock so classified or reclassified. Our board of directors may determine the relative rights, preferences, and privileges of any class or series of common stock or preferred stock issued. As a result, we may issue series or classes of common stock or preferred stock with preferences, dividends, powers, and rights (voting or otherwise) senior to the rights of current holders of our Class A common stock. The issuance of any such classes or series of common stock or preferred stock could also have the effect of delaying or preventing a change of control transaction that might otherwise be in the best interests of our stockholders.

Risks Related to Our Organizational Structure and Business Operations

Thomas J. Barrack, Jr., our Executive Chairman and Chief Executive Officer, controls a significant number of votes in any matter presented to our stockholders for approval, including the election of directors.

In connection with the acquisition on April 2, 2015 by Colony's operating partnership of substantially all of the real estate and investment management businesses and operations of Colony Capital, LLC ("CCLLC"), Mr. Barrack was issued shares of Colony's class B common stock which had additional voting rights. In the Merger, such Colony class B common stock was exchanged for shares of our Class B Common Stock. Mr. Barrack controls a significant number of votes in matters submitted to a vote of stockholders, including the election of directors, as a result of his beneficial ownership of our Class B Common Stock. Mr. Barrack may have interests that differ from our other stockholders and may vote in ways that may not be consistent with the interests of those other stockholders.

Our tax protection and related agreements could limit our ability to sell certain properties, engage in a strategic transaction or reduce our level of indebtedness, which could materially and adversely affect us.

At the closing of the Merger, CCLLC, CCH Management Partners I, LLC, FHB Holding LLC and Richard B. Saltzman, each of which we refer to as a protected member, entered into a tax protection agreement with the Company and the OP (the "TPA"). The TPA provides that each protected member is indemnified on an after-tax basis for any Section 704(c) gain, calculated as provided in the TPA, as a result of a transaction occurring during the period commencing on June 3, 2016 and ending on the fifth anniversary of the closing of the Merger and that is considered to be a sale of the tax goodwill, going concern value or airplane owned by the OP and contributed (directly or indirectly) by such protected members, which we refer to, collectively, as the protected property, other than on transfers to the protected members or persons or entities related to the protected members. The TPA also applies to a merger or other transaction that would convert interests in the OP held by the protected members to cash or otherwise result in a taxable disposition of such interests, but does not apply to a transaction in which the equity interests of the protected members are maintained in a manner that does not trigger gain or offers the protected members the option to roll over their investment into an equity interest that is substantially equivalent (including value, profit and loss share, distribution rights and liquidity) to the equity interests exchanged in such transaction.

If our tax indemnification obligations are triggered under these agreements, we will be required to pay damages for the resulting tax consequences to the protected members and the calculation of damages will not be based on the time value of money or the time remaining within the restricted period. Moreover, these obligations may restrict our ability to engage in a strategic transaction. In addition, these and related obligations may require us to maintain more or different indebtedness than we would otherwise require for our business. For example, the operating agreement of the OP requires us to maintain at least $1.05 billion of certain non-recourse liabilities during the five-year period beginning on the closing of Colony's internalization transaction. The OP estimates that if all of its assets subject to the TPA are sold in a taxable transaction, its indemnification obligations (based on tax rates applicable for the taxable year ended December 31, 2018 and exchange values and including additional payments to compensate the protected members for additional tax liabilities resulting from the indemnification payments) would be approximately $431 million.

We may not realize the anticipated benefits of our strategic partnerships and joint ventures.

We have and may continue to enter into strategic partnerships and joint ventures to support growth in our business. We may also make investments in partnerships or other co-ownership arrangements or participations with third parties. In connection with our investments, our partners provide, among other things, property management, investment advisory, sub-advisory and other services to us and certain of the companies that we manage. We may not realize any of the anticipated benefits of our strategic partnerships and joint ventures. Such investments and any future strategic partnerships and/or joint ventures subject us and the companies we manage to risks and uncertainties not otherwise present with other methods of investment.

For a substantial portion of our assets, we rely upon joint venture partners to manage the day-to-day operations of the joint venture and underlying assets, as well as to prepare financial information for the joint venture. Any failure to perform these obligations may have a negative impact on our financial performance and results of operations. In addition, the terms of the agreements with our partners may limit or restrict our ability to make additional capital contributions for the benefit of properties or to sell or otherwise dispose of properties or interests held in joint ventures, even for ventures where we are the controlling partner. In certain instances, we may not control our joint venture investments. In these ventures, the controlling partner(s) may be able to take actions which are not in our best interests or the best interests of the investments we manage. Furthermore, to the extent that our joint venture partner provides services to the companies we manage, certain conflicts of interest will exist. Moreover, we may decide to terminate a strategic relationship or joint venture partner, which could be costly and time-consuming for our management team.

Any of the above might subject us to liabilities and thus reduce our returns on our investment with that joint venture partner, which in turn may have an adverse effect on our financial condition and results of operations. In addition, disagreements or disputes between us and our joint venture partner(s) could result in litigation, which could increase our expenses and potentially limit the time and effort our officers and directors are able to devote to our business.

We are not required to meet any diversification standards; therefore, our investments may become subject to concentration risks.

Subject to our intention to maintain our qualification as a REIT, there are no limitations on the number or value of particular types of investments that we may make. We are not required to meet any diversification standards, including geographic diversification standards. Therefore, our investments may become concentrated in type or geographic location, which could subject us to significant concentration risks with potentially adverse effects on our investment objectives.

At the closing of the Merger, we assumed liabilities and obligations of NSAM, Colony and NRF.

In connection with the Merger, we assumed the liabilities and obligations of NSAM, Colony and NRF, including NRF’s obligations under its exchangeable senior notes and Colony’s obligations under its convertible notes. These liabilities could have a material adverse effect on our business to the extent each of NSAM, Colony and NRF did not identify such liabilities or underestimated the nature, amount or significance, based on amount or otherwise, of such liabilities.

Risks Related to Our Incorporation in Maryland

The stock ownership limits imposed by the Code for REITs and our Charter may restrict our business combination opportunities.

In order for us to maintain our qualification as a REIT under the Code, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year following our first year. Our Charter, with certain exceptions, authorizes our board of directors to take those actions that are necessary and desirable to preserve our qualification as a REIT. In order to assist us in complying with the limitations on the concentration of ownership of REIT stock imposed by the Code, our Charter generally prohibits any person (other than a person who has been granted an exemption) from actually or constructively owning more than 9.8% of the aggregate of the outstanding shares of our capital stock (as defined in our Charter) by value or 9.8% of the aggregate of the outstanding shares of our common stock (as defined in our Charter) by value or by number of shares, whichever is more restrictive. Our board of directors may, in its sole discretion, grant an exemption to the ownership limits, subject to certain conditions and the receipt by our board of directors of certain representations and undertakings. The ownership limits imposed under the Code are based upon direct or indirect ownership by “individuals,” but only during the last half of a tax year. The ownership limits contained in our Charter are based on the ownership at any time by any “person,” which term includes entities. These ownership limitations are common in REIT charters and are intended to provide added assurance of compliance with the tax law requirements, and to minimize administrative burdens. However, the ownership limit on our common stock might also delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders, and the proposed reduction in the ownership limit could further restrict such transactions that may otherwise not be so delayed or prevented.

Certain provisions of Maryland law could inhibit changes in control.

Certain provisions of the Maryland General Corporation Law ("MGCL") may have the effect of inhibiting a third party from making a proposal to acquire us or impeding a change of control that could provide our stockholders with the opportunity to realize a premium over the then-prevailing market price of our common stock, including:

- “business combination” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting stock), or an affiliate thereof, for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes special appraisal rights and supermajority voting requirements on these combinations; and

- “control share” provisions that provide that holders of “control shares” of our company (defined as voting shares which, when aggregated with all other shares owned or controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of issued and outstanding “control shares”) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by a board of directors prior to the time that the “interested stockholder” becomes an interested stockholder. Our board of directors has, by resolution, exempted any business combination between us and any person who is an existing, or becomes in the future, an “interested stockholder,” provided that any such business combination is first approved by our board of directors (including a majority of the directors of our company who are not affiliates or associates of such person). Consequently, the five-year prohibition and the supermajority vote requirements will not apply to business combinations between us and any such person. As a result, such person may be able to enter into business combinations with us that may not be in the best interest of our stockholders, without compliance with the supermajority vote requirements and the other provisions of the statute. Additionally, this resolution may be altered, revoked or repealed in whole or in part at any time and we may opt back into the business combination provisions of the MGCL. If this resolution is revoked or repealed, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer. In the case of the control share provisions of the MGCL, we have elected to opt out of these provisions of the MGCL pursuant to a provision in our bylaws.

Conflicts of interest may exist or could arise in the future with the OP and its members, which may impede business decisions that could benefit our stockholders.

Conflicts of interest may exist or could arise as a result of the relationships between us and our affiliates, on the one hand, and the OP or any member thereof, on the other. Our directors and officers have duties to our Company and our stockholders under applicable Maryland law in connection with their management of our Company. At the same time, the Company, as sole managing member of the OP, has fiduciary duties to the OP and to its members under Delaware law in connection with the management of the OP. Our duties to the OP and its members, as the sole managing member, may come into conflict with the duties of our directors and officers to our Company and our stockholders. These conflicts may be resolved in a manner that is not in the best interest of our stockholders.

Risks Related to Our Managed Companies

Our ability to raise capital and attract investors at our current and any future managed companies is critical to their success and consequently our ability to grow our investment management business.

The fee income generated from or expected to be generated from our current and future managed companies is driven, both directly and indirectly, by the ability to raise capital at such companies, which is dependent on a number of factors, certain of which are substantially the same as those that may impact the ability to raise capital at our company. In addition, for our managed companies that raise capital through the retail market, the ability to raise capital has been and is expected to continue to be negatively impacted by regulatory changes, changes in market receptivity to illiquid investments with similar fee or compensation structures and regulatory scrutiny. In addition, the poor performance of, or negative media attention about, our Company or our senior management team and any of our current or future managed companies could also make it more difficult for our managed companies to raise new capital. In the event that our current and future managed companies are not able to raise new capital, our ability to grow our investment management business will be materially adversely affected.

Poor performance of our current and future managed companies could cause a decline in our revenue, income and cash flow.

The fee arrangements we have with certain of our managed companies are based on the respective performance of such companies. As a result, poor performance or a decrease in value of assets under management of such managed companies (or any companies we may manage in the future with similar performance-based fees) would result in a reduction of our investment management and other fees, carried interest and/or other incentive fees and consequently cause our revenue, income and cash flow to decline. Further, to the extent that we have an investment in a managed company, poor performance at such company could cause us to suffer losses on such investments of our own capital.

Investors in our current or future managed companies may negotiate less favorable terms to us than those of managed companies we currently manage, which could have a material adverse effect on our business, results of operations and financial condition.

In connection with sponsoring new managed companies or securing additional capital commitments in existing managed companies, we will negotiate terms for such managed companies and commitments from investors. In addition, we have agreed and may in the future agree to re-negotiate terms in the agreements with our managed companies due to performance of such managed companies or other market conditions. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us economically than the existing terms of our managed companies or companies advised by our competitors. In addition, we may need to record an impairment in the goodwill associated with such agreement. Further, we may also agree to terms that could restrict our ability to sponsor competing managed companies, increase our obligations as the manager or require us to take on additional potential liabilities. Agreement to terms that are materially less favorable to us could result in a decrease in our profitability, which could have a material adverse effect on our business, results of operations and financial condition.

Certain of the management agreements with our managed companies are subject to limitation or termination, and any such termination could have a material adverse effect on our business, results of operations and financial condition.

The agreements under which we provide management and other services to companies that raise capital through the retail market are renewable upon mutual consent of the parties for an unlimited number of successive one-year periods. These agreements may generally be terminated by such managed company immediately for cause, or upon 60 days' written notice, without cause or for good reason, and expire on an annual basis, unless otherwise renewed. Further, we anticipate that our managed retail companies will pursue a liquidity transaction in the future and, if successful, certain liquidity transactions could result in termination or expiration of these agreements. There can be no assurance that these agreements will not expire or be terminated. Any such termination or expiration could have a material adverse effect on our business, results of operations, financial condition and prospects.

We are subject to risks and liabilities in connection with sponsoring, investing in and managing new institutional funds.

We sponsor, manage and serve as general partner and/or manager of new institutional funds. Such sponsorship and management of, and investment in, these institutional funds may involve risks not otherwise present with a direct investment in such fund's target investments, including, for example:

- the possibility that investors in the institutional funds might become bankrupt or otherwise be unable to meet their capital commitment obligations;
- that operating and/or management agreements of an institutional fund often restrict our ability to transfer or liquidate our interest when we desire or on advantageous terms;
- that our relationships with the investors will be generally contractual in nature and may be terminated or dissolved under the terms of the agreements, or we may be removed as general partner and manager (with or without cause), and in such event, we may not continue to manage or invest in the applicable institutional fund;
- that disputes between us and the investors may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business and result in subjecting the investments owned by the applicable institutional fund to additional risk; and
- that we may incur liability for obligations of an institutional fund by reason of being its general partner or manager.

Valuation methodologies for certain assets in our managed institutional funds can involve subjective judgments, and the fair value of assets established pursuant to such methodologies may be incorrect, which could result in the misstatement of performance and accrued performance fees of an institutional fund.

There are often no readily ascertainable market prices for a substantial majority of illiquid investments of our managed institutional funds. We determine the fair value of the investments of each of our institutional funds at least quarterly based on the fair value guidelines set forth by GAAP. The fair value measurement accounting guidance establishes a hierarchal disclosure framework that ranks the observability of market inputs used in measuring financial instruments at fair value. The observability of inputs is impacted by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices, or for which fair value can be measured from quoted prices in active markets, will generally have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.

Investments for which market prices are not observable include, but are not limited to, illiquid investments in operating companies, real estate, energy ventures and structured vehicles, and encompass all components of the capital structure, including equity, mezzanine, debt, preferred equity and derivative instruments such as options and warrants. Fair values of such investments are determined by reference to the market approach (i.e., multiplying a key performance metric of the investee company or asset, such as earnings before interest, income tax, depreciation and amortization ("EBITDA"), by a relevant valuation multiple observed in the range of comparable public entities or transactions, adjusted by management as appropriate for differences between the investment and the referenced comparables), the income approach (i.e., discounting projected future cash flows of the investee company or asset and/or capitalizing representative stabilized cash flows of the investee company or asset) and other methodologies such as prices provided by reputable dealers or pricing services, option pricing models and replacement costs.

The determination of fair value using these methodologies takes into consideration a range of factors including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, the multiples of comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. These valuation methodologies involve a significant degree of management judgment. For example, as to investments that we share with another sponsor, we may apply a different valuation methodology than the other sponsor does or derive a different value than the other sponsor has derived on the same investment, which could cause some investors to question our valuations.

Because there is significant uncertainty in the valuation of, or stability of the value of, illiquid investments, the fair values of such investments as reflected in an institutional fund’s net asset value do not necessarily reflect the prices that would be obtained by us on behalf of the institutional fund when such investments are realized. Realizations at values significantly lower than the values at which investments have been reflected in prior institutional fund net asset values would result in reduced earnings or losses for the applicable fund, the loss of potential carried interest and incentive fees and in the case of our hedge funds, management fees. Changes in values attributed to investments from quarter to quarter may result in volatility in the net asset values and results of operations that we report from period to period. Also, a situation where asset values turn out to be materially different than values reflected in prior institutional fund net asset values could cause investors to lose confidence in us, which could in turn result in difficulty in raising additional institutional funds.

The organization and management of our current and future managed companies may create conflicts of interest.

We currently manage, and may in the future manage, REITs and other entities that have investment and/or rate of return objectives similar to our own. Those entities may be in competition with us with respect to investment opportunities, potential purchasers, sellers and lessees of properties, and mortgage financing opportunities. We have agreed to implement certain procedures to help manage any perceived or actual conflicts among us and our managed companies, including the following:

- allocating investment opportunities based on numerous factors, including investment objectives, available cash, diversification/concentration, leverage policy, the size of the investment, tax, anticipated pipeline of suitable investments and fund life;

- all co-investment transactions with managed companies are subject to the approval of the independent directors of such managed company or previously approved in applicable company documentation, as the case may be; and

- investment allocations are reviewed at least annually by the chief compliance officer of our applicable registered investment adviser and/or the board of directors of the applicable managed company, as the case may be.

In addition, subject to compliance with the rules promulgated under the Investment Advisers Act, we may allow a managed company to enter into principal transactions with us or cross-transactions with other managed companies or strategic vehicles. For certain cross-transactions, we may receive a fee from the managed company and conflicts may exist. If our interests and those of our managed companies are not aligned, we may face conflicts of interests that result in action or inaction that is detrimental to us, our managed companies, our strategic partnerships or our joint ventures.

Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest would have a material adverse effect on our reputation, which would materially adversely affect our business and our ability to raise capital in future managed companies.

Conflicts of interest may also arise in the allocation of fees and costs among our managed companies that we incur in connection with the management of their assets. This allocation sometimes requires us to exercise discretion and there is no guarantee that we will allocate these fees and costs appropriately.

In addition to the management fees we receive from our managed companies, we are reimbursed by the publicly traded and retail companies we manage for costs and expenses we incur on their behalf, including certain indirect personnel and employment costs that we may allocate to such managed companies and disputes could arise in connection with those allocations.

We are paid substantial fees for the services we and our subsidiaries provide to our managed companies and we are also reimbursed by the publicly-traded and retail companies we manage for certain costs and expenses we incur and pay on their behalf. Such managed companies reimburse us, subject to certain limitations and exceptions, for both direct expenses as well as indirect costs, including our personnel and employment costs. The costs and expenses that we allocate to our publicly-traded and retail companies can be substantial and may involve subjective judgment and discretion. There are conflicts of interest that arise when we make allocation determinations. These conflicts of interest, as well as the loyalties of our executives and other real estate and finance professionals to other entities and investors, could result in action or inaction that is detrimental to our business, which could harm the implementation of our business strategy and our reputation. For the year ended December 31, 2018, we allocated $15.4 million in costs to Colony Credit, NorthStar Realty Europe Corp. and our retail companies, in the aggregate. These managed companies could dispute the amount of costs we allocate to them and the methodologies we use to determine those amounts. Any dispute or investigation regarding our allocation of costs and expenses could be distracting, expensive and harmful to our reputation as well as have other adverse effects on our company and future operating performance, including the potential that such managed companies could seek to terminate their relationship with us.

In addition, our managed companies that are publicly-traded grant, either directly or indirectly through us as manager, equity awards to certain of our employees in connection with the services that we provide to such companies as their manager. Such grants of equity awards are in the discretion and subject to the approval of the specific managed company's board of directors or compensation committee. To the extent one or more of these publicly-traded managed companies determine not to grant equity awards to us or our employees, either in the amounts historically granted, recommended by us or at all, we may determine to increase the equity awards issued by our Company in order to compensate and retain our employees. During the year ended December 31, 2018, the publicly-traded companies we manage issued $26.9 million, based on grant date fair value, in equity-based compensation which was granted directly or indirectly to our employees.

Non-traded REITs and business development companies are subject to significant scrutiny by federal and state regulators, including FINRA, the U.S. Department of Labor ("DOL") and the SEC, and have been subjected to significant regulatory changes in recent years which have inhibited capital raising. These changes and any future changes in regulations could negatively impact the ability of our non-traded sponsored companies to raise substantial funds which will limit the number and type of investments they may make and their ability to diversify their assets.

In recent years regulators have scrutinized non-traded REITs and business development companies and their capital raising practices. This scrutiny has resulted in changes in regulations which have adversely impacted capital raising by non-traded companies. For example, amendments to FINRA rules regarding customer account statements were approved by the SEC and became effective on April 11, 2016. These amendments significantly affected the manner in which non-traded companies raise capital and may have contributed to a significant reduction in capital raised by non-traded companies. In addition, recent amendments adopted by the DOL to the definition of “fiduciary” under the Employee Retirement Income Security Act of 1974 ("ERISA") and the Code, and other standards on sales practices of broker-dealers and the impact of such rules, have and could continue to adversely affect the ability of our managed companies to raise additional capital. Furthermore, if we or the non-traded companies we manage become the subject of scrutiny, even if we have complied with all applicable laws and regulations, responding to such scrutiny could be expensive, harmful to our reputation and distracting to our management.

Future regulations, including possible SEC rules requiring fiduciary standards for broker-dealers, could also adversely affect the ability of our sponsored companies to raise additional capital. Should these companies be unable to raise substantial funds in their offerings, the number and type of investments they may make will be curtailed, all of which could materially adversely affect the fee income generated from our broker-dealer that acts as the dealer manager of these offerings as well as the asset management and other fees we earn and the nature of the transactions undertaken by the non-traded companies we manage which would adversely affect our ability to grow our business.

Our ownership of approximately 37% of Colony Credit, on a fully diluted basis, subjects us to various risks, any of which could have a material adverse effect on our business and results of operations.

In connection with our contribution of the CLNY Contributed Portfolio, as of the date of this report, we own approximately 44.4 million shares of Colony Credit’s Class A common stock, which is listed on the NYSE, and approximately 3.1 million common membership units in Colony Credit's operating company ("CLNC OP Units"), which represent, in the aggregate, approximately 37% of Colony Credit’s total outstanding shares on a fully diluted basis. The CLNC OP Units are redeemable for cash or Class A common stock of Colony Credit, in Colony Credit’s sole discretion. During 2018, Colony Credit’s Class A common stock traded between $15.56 and $23.23 per share, and closed at $15.79 per share on December 31, 2018. At December 31, 2018, the carrying value of our Colony Credit investment was $1 billion or $21.65 per share. As of December 31, 2018, we believe that the carrying value of our investment in Colony Credit is recoverable in the near term and therefore, have not taken an impairment on the value of our investment. However, if Colony Credit's Class A common stock continues to trade below our carrying value for a prolonged period of time, an other-than-temporary impairment may be recognized in the future. Based on the closing price of Colony Credit’s Class A common stock as of February 25, 2019, our investment in Colony Credit has a value of approximately $849 million.

Although we are the external manager to Colony Credit and have two representatives who are our senior executives on Colony Credit’s board of directors, our role as manager is under the supervision and direction of Colony Credit’s board of directors, which has a total of seven members, a majority of whom are independent. In addition, until the later of the two year anniversary of the closing of the Combination and the second annual meeting of stockholders of Colony Credit, we have agreed to cause our shares of Colony Credit's Class A common stock to be voted in favor of the director nominees recommended by the Colony Credit board. Therefore, the value of our investment is subject to the strategies and management decisions of the Colony Credit board of directors as a whole, as well as the trading price of Colony Credit’s Class A common stock on the NYSE.

Moreover, Colony Credit owns and expects to continue to originate, acquire, finance and manage a diversified portfolio of commercial real estate debt and net lease real estate investments predominantly in the United States. As a result, our investment in Colony Credit exposes us to the same risks that we are subject to as a result of our other equity and debt segment, as further described in “Risk Factors—Risks Related to Our Other Equity and Debt Business.” If any of the foregoing risks were to occur, our investment in Colony Credit could decline in value and our results of operations could be materially and adversely affected.

Risks Related to Our Healthcare Business

Approximately 37% of our real estate investments are concentrated in healthcare properties, which increases the likelihood of risks related to owning healthcare real estate properties becoming more material to our business and results of operations.

Healthcare real estate properties currently represent approximately 37% of our real estate portfolio. As a result of this concentration of healthcare real estate properties, our exposure to the risks inherent in investments in the healthcare sector has also increased, making us more vulnerable to a downturn or slowdown in the healthcare sector. We cannot be certain that our tenants, operators and managers will achieve and maintain occupancy and rate levels that will enable them to satisfy their obligations to us. We also cannot assure you that future changes in government regulation will not adversely affect the healthcare industry. Any adverse changes in the regulation of the healthcare industry or the competitiveness of our tenants, operators and managers could have a more pronounced effect on us than if our investments were more diversified.

We have significant leverage on our healthcare properties, which increases the risk of loss associated with our healthcare investments, impacts our liquidity and restricts our ability to engage in certain activities.

As of December 31, 2018, we had $3.2 billion of borrowings outstanding on our healthcare properties. Use of leverage increases our risk of loss, impacts our liquidity and restricts our ability to engage in certain activities, including our ability to implement certain strategic initiatives or dispose of certain assets. If we fail to comply with the covenants required by our borrowers or do not generate sufficient cash flow to service our borrowings, our liquidity may be materially and adversely affected. As of December 31, 2018, $482 million in aggregate principal amount of our non-recourse borrowings were in default as a result of the failure of our tenants, operators or managers to satisfy certain performance thresholds or other covenants. As a result of these defaults or if we default on additional borrowings, we may be required to repay outstanding obligations, including penalties, prior to the stated maturity, be subject to cash flow sweeps or potentially have assets foreclosed upon. In addition, as of the date hereof, we have approximately $2.0 billion of borrowings maturing in 2019 and we may be unable to refinance these borrowings when they become due on favorable terms, at similar interest rate levels, or at all, which could have a material adverse impact on our results of operations.

We do not control the operations of our healthcare properties and are therefore dependent on the tenants/operators/managers of our healthcare properties to successfully operate their businesses.

Our healthcare properties are typically operated by healthcare operators pursuant to net leases or by an independent third party manager pursuant to management agreements. As a result, we are unable to directly implement strategic business decisions with respect to the daily operation and marketing of our healthcare properties. While we have various rights as the property owner under our leases or management agreements and monitor the tenants/operators/managers' performance, we may have limited recourse under our leases or management agreements if we believe that the tenants/operators/managers are not performing adequately. Failure by the tenants/operators/managers to adequately manage the risks associated with operations of healthcare properties could result in defaults under our borrowings and otherwise affect adversely our results of operations. Furthermore, if our tenants/operators/managers experience any significant financial, legal, accounting or regulatory difficulties, such difficulties could have a material adverse effect on us.

Senior Lifestyle Corporation and its affiliates ("SLC") manage a significant portion of our senior housing facilities pursuant to management agreements. Because SLC manages our properties in exchange for a management fee from us, we are not exposed to its credit risk. However, failure of SLC to manage our properties efficiently and effectively could have a significant adverse impact on us. We monitor and assess numerous factors, including legal, contractual, regulatory, business and other relevant considerations, in determining whether to pursue any rights or remedies under our management agreements with SLC, including termination. If we elected to terminate the management agreements for any properties, we would attempt to reposition the properties, but there can be no assurance that we will be able to locate a suitable replacement manager or that the replacement manager would manage the properties effectively.

We are directly exposed to operational risks at certain of our healthcare properties, which could adversely affect our revenue and operations.

We operate a substantial number of healthcare properties pursuant to management agreements, whereby we are directly exposed to various operational risks with respect to these healthcare properties that may increase our costs or adversely affect our ability to generate revenues. These risks include fluctuations in occupancy, government reimbursement, if applicable, private pay rates, economic conditions, competition, federal, state, local and industry-regulated licensure, certification, fraud and abuse and privacy and security laws, regulations and standards and related audits, investigations and litigation, the availability and increases in cost of general and professional liability insurance coverage, and the availability and increases in the cost of labor (as a result of unionization or otherwise). Any one or a combination of these factors may adversely affect our revenue and operations and our ability to make distributions to stockholders. Refer to "Operating and Regulatory Structure—U.S. Healthcare Regulation" included in Item 1 of this Annual Report for further discussion.

Decreases in our tenants' and operators' revenues or increases in our tenants and operators' expenses could negatively affect our financial results.

Our tenants' and operators' revenues are primarily driven by occupancy, private pay rates, and Medicare and Medicaid reimbursement, if applicable. Expenses for these facilities are primarily driven by the costs of labor, food, utilities, taxes, insurance and rent or debt service. Revenues from government reimbursement may continue to be subject to reimbursement cuts, disruptions in payment, audit and recovery actions, and state budget shortfalls. Operating costs, including labor costs, continue to increase for our tenants and operators. To the extent that any decrease in revenues and/or any increase in operating expenses result in a property not generating sufficient cash, our tenants and operators may not be able to make payments to us. For our properties operated pursuant to management agreements, we may be directly exposed to operating shortfalls. Failure of our tenants, operators or managers to perform could result in defaults under our borrowings. As a result, we may need to negotiate new leases or management agreements with our tenants, operators or managers or replace such tenants, operators or managers, which may subject us to significant liabilities and expense. Under these circumstances, we have recorded and may need to further record impairment for such assets. Furthermore, if we determine to dispose of an underperforming property, such sale may result in a loss. Any such impairment or loss on sale would negatively affect our financial results.

If we must replace any of our tenants, operators or managers, we might be unable to reposition the properties on as favorable terms, or at all, and we could be subject to delays, limitations and expenses, which could have a material adverse effect on us.

Following expiration of a lease term or if we exercise our right to replace a tenant, operator or manager in default, we will attempt to reposition properties. However, rental payments on the related properties could decline or cease altogether while we reposition the properties with a suitable replacement tenant, operator or manager. We also may not be successful in identifying suitable replacements or enter into new leases or management agreements on a timely basis or on terms as favorable to us as our current leases and management agreements, if at all, and we may be required to fund certain expenses and obligations (e.g., real estate taxes, debt costs and maintenance expenses) to preserve the value of, and avoid the imposition of liens on, our properties while they are being repositioned. In addition, we may incur certain obligations and liabilities, including obligations to indemnify the replacement tenant, operator or manager. Once a suitable replacement tenant/operator/manager has taken over operation of the properties, it may still take an extended period of time before the properties are fully repositioned and value restored, if at all. Any of these results could have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to stockholders.

Increased competition may affect our tenants' and operators' ability to meet their obligations to us.

The healthcare industry is highly competitive, and our tenants, operators and managers may encounter increased competition for residents and patients, including with respect to the scope and quality of care and services provided, reputation and financial condition, physical appearance of the properties, price and location. Our tenants, operators and managers compete for labor, making their results sensitive to changes in the labor market and/or wages and benefits offered to their employees. If our tenants, operators and managers are unable to successfully compete with other tenants, operators and managers by maintaining profitable occupancy and rate levels or controlling labor costs, their ability to meet their respective obligations to us may be materially adversely affected, potentially decreasing our revenues or impairing our assets.

Failure to comply with certain healthcare laws and regulations could adversely affect the operations of our tenants/operators/managers, which could jeopardize our tenants/operators/managers' abilities to meet their obligations to us.

Our tenants, operators and managers generally are subject to varying levels of federal, state, local, and industry-regulated laws, regulations and standards. Our tenants/operators/managers' failure to comply with any of these laws, regulations or standards could result in denial of reimbursement, imposition of fines, penalties or damages, suspension, decertification or exclusion from federal and state healthcare programs, loss of license, loss of accreditation or certification, or closure of the facility. Such actions may have an effect on our tenants/operators/managers' ability to meet all of their obligations to us, including obligations to make lease payments, and, therefore, adversely impact us. Refer to "Operating and Regulatory Structure—U.S. Healthcare Regulation" included in Item 1 of this Annual Report for further discussion.

Changes in the reimbursement rates or methods of payment from third party payors, including the Medicare and Medicaid programs, could have a material adverse effect on certain of our tenants and operators and on us.

Certain of our tenants and operators rely on reimbursement from third party payors, including payments received through the Medicare and Medicaid programs, for substantially all of their revenues. Federal and state legislators and healthcare financing authorities have adopted or proposed various cost-containment measures that would limit payments to healthcare providers and have considered Medicaid rate freezes or cuts. Additionally, some states are considering changes that would affect patient eligibility for Medicaid. See "Operating and Regulatory Structure—U.S. Healthcare Regulation" included in Item 1 of this Annual Report. Private third party payors also have continued their efforts to control healthcare costs. We cannot assure you that our tenants and operators who currently depend on governmental or private payor reimbursement will be adequately reimbursed for the services they provide. Significant limits by governmental and private third party payors on the scope of services reimbursed or on reimbursement rates and fees, whether from legislation, administrative actions or private payor efforts, could have a material adverse effect on the liquidity, financial condition and results of operations of certain of our tenants and operators, which could affect adversely their ability to comply with the terms of our leases and have a material adverse effect on us.

Efforts by Congress, states, and the current presidential administration to repeal and replace the ACA in total or in part and reform Medicare and Medicaid could negatively impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us.

The ACA remains subject to continuing and increasing legislative, administrative and judicial scrutiny, including continued efforts by the current presidential administration and parties in ongoing court cases to repeal and replace the ACA in total or in part. If certain key provisions of the ACA are repealed or substantially modified, or if implementation of certain aspects of the ACA are suspended, such action could negatively impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us. Additionally, Congress is contemplating substantial reforms to the Medicare and Medicaid programs. Refer to “Operating and Regulatory Structure—U.S. Healthcare Regulation” included in Item 1 of this Annual Report for further discussion. Some states are also considering and already implementing changes that will affect patient eligibility for Medicaid, such as work requirements. More generally, and because of the dynamic nature of the legislative and regulatory environment for healthcare products and services, and in light of the current legislative environment, existing federal deficit and budgetary concerns, we cannot predict the impact that broad-based, far-reaching legislative or regulatory changes could have on the U.S. economy, our business or that of our tenants and operators. Additionally, on December 14, 2018, a U.S. District Court in Texas ruled the ACA unconstitutional in its entirety. This decision has been appealed, and will not take effect while that appeal is pending. Refer to “Operating and Regulatory Structure—U.S. Healthcare Regulation” included in Item 1 of this Annual Report for further discussion.

The hospitals on or near whose campuses many of our medical office buildings ("MOBs") are located and their affiliated health systems could fail to remain competitive or financially viable, which could adversely impact their ability to attract physicians and physician groups to our MOBs.

Our MOB operations depend on the competitiveness and financial viability of the hospitals on or near whose campuses our MOBs are located and their ability to attract physicians and other healthcare-related clients to our MOBs. The viability of these hospitals, in turn, depends on factors such as the quality and mix of healthcare services provided, competition for patients, physicians and physician groups, demographic trends in the surrounding community, market position and growth potential. Because we rely on proximity to and affiliations with hospitals to create leasing demand in our MOBs, a hospital’s inability to remain competitive or financially viable, or to attract physicians and physician groups, could materially adversely affect our MOB operations and have a material adverse effect on us.

Risks Related to Our Industrial Business

Our ownership of industrial properties is subject to various risks, any of which could have a material adverse effect on our business and results of operations.

Our ownership of industrial properties subjects us to various risks that could adversely affect our business and results of operations, including, among others, the following:

- an economic downturn in the industrial real estate sector;
- environmentally hazardous conditions, including the presence of or proximity to underground storage tanks for the storage of petroleum products and other hazardous toxic substances, or the failure to properly remediate these substances, and the resulting potential for release of such products and substances, which may adversely affect our ability to sell, rent or pledge such properties as collateral for future borrowings;
- restrictions imposed by environmental laws on the manner in which property may be used or businesses may be operated; and
- the risk of liabilities, including under environmental laws and regulations, arising from leasing properties to customers that engage in industrial, manufacturing, and commercial activities that involve hazardous or toxic substances.

Any of the foregoing risks could materially and adversely affect our results of operations, cash flows and ability to make distributions to our stockholders.

Risks Related to Our Hospitality Business

A significant portion of our real estate investments are concentrated in hotels, which increases our exposure to risks affecting the hospitality industry.

Hotels in our hospitality segment represent approximately 27% (or 34% including the THL Hotel Portfolio in our other equity and debt segment) of our real estate portfolio. The hospitality industry is subject to changes in the travel patterns of business and leisure travelers, both of which are affected by the strength of the economy, as well as other factors. The performance of the hospitality industry has traditionally been closely linked with the performance of the general economy and, specifically, growth in gross domestic product. Changes in travel patterns of both business and leisure travelers, particularly during periods of economic contraction or low levels of economic growth, may create difficulties for the industry over the long-term and adversely affect our results. The majority of our hotels are classified as upscale extended stay and upscale select service that generally target business travelers. In periods of economic difficulties, business and leisure travelers may seek to reduce travel costs by limiting travel or seeking to reduce costs on their trips. Our results of operations and any forecast we make may be affected by, and can change based on, a variety of circumstances that affect the hospitality industry, including:

- changes in the international, national, regional and local economic climate;
- changes in business and leisure travel patterns;
- increases in energy prices or airline fares or terrorist incidents, which impact the propensity of people to travel and revenues from our hospitality facilities because operating costs cannot be adjusted as quickly;
- supply growth in markets where we own hotels, which may adversely affect demand at our properties;
- the attractiveness of our hotels to consumers relative to competing hotels;
- the performance of the managers of our hotels;
- outbreaks of disease and the impact on travel of natural disasters and weather;
- physical damage to our hotels as a result of earthquakes, hurricanes or other natural disasters or the income lost as a result of the damage;
- changes in room rates and increases in operating costs due to inflation, labor costs and other factors; and
- unionization of the labor force at our hotels.

A reduction in our revenue or earnings as a result of the above risks may reduce our working capital, impact our long-term business strategy and impact the value of our assets and our ability to meet certain covenants in our existing debt agreements.

We do not control our hotel operations and we are dependent on the managers of our hotels.

To maintain our status as a REIT, we are not permitted to operate any of our hotels. As a result, we have entered into management agreements with third-party managers to operate our hotel properties. For this reason, we are unable to directly implement strategic business decisions with respect to the daily operation and marketing of our hotels, such as decisions with respect to the setting of room rates, negotiation of corporate client contracts, food and beverage pricing and certain similar matters. Although we consult with our hotel operators with respect to strategic business plans, the hotel operators are under no obligation to implement any of our recommendations with respect to these matters. While we monitor the hotel managers' performance, we have limited recourse under our management agreements if we believe that the hotel managers are not performing adequately. The cash flow from our hotels may be affected adversely if our managers fail to provide quality services and amenities or if they or their affiliates fail to maintain the hotels in an acceptable condition.

From time to time, we may have differences with the managers of our hotels over their performance and compliance with the terms of our management agreements. If we are unable to reach satisfactory results through discussions and negotiations, we may choose to litigate the dispute or submit the matter to third-party dispute resolution. Failure by our hotel managers to fully perform the duties agreed to in our management agreements or the failure of our managers to adequately manage the risks associated with hotel operations, including cyber-security risks, could affect adversely our results of operations.

In addition, our hotel managers or their affiliates manage, and in some cases own, have invested in, or provided credit support or operating guarantees to hotels that compete with our hotels, all of which may result in conflicts of interest. As a result, our hotel managers have in the past made, and may in the future make, decisions regarding competing hospitality facilities that are not or would not be in our best interest.

Island Hospitality Group, Inc. ("Island") manages the majority of our hotels in our hospitality segment pursuant to management agreements. In addition, Aimbridge Hospitality (“Aimbridge”) manages all of the hotel properties in the THL Hotel Portfolio that we acquired through consensual foreclosure in July 2017. Although we have various rights as the property owner under our management agreements, we rely on Island’s and Aimbridge’s respective personnel, expertise, technical resources and information systems, proprietary information, good faith and judgment to manage our hotel operations efficiently and effectively. Any adverse developments in Island’s and Aimbridge’s respective business and affairs or financial condition could impair their ability to manage our properties efficiently and effectively and could have a materially adverse effect on us.

We are subject to risks associated with the employment of hotel personnel, particularly with hotels that employ unionized labor.

Our third-party managers are responsible for hiring and maintaining the labor force at each of our hotels. Although we do not directly employ or manage employees at our hotels, we still are subject to many of the costs and risks generally associated with the hotel labor force, particularly at those hotels with unionized labor. From time to time, hotel operations may be disrupted as a result of strikes, lockouts, public demonstrations or other negative actions and publicity. We also may incur increased legal costs and indirect labor costs as a result of contract disputes involving our third-party managers and their labor force or other events. The resolution of labor disputes or re-negotiated labor contracts could lead to increased labor costs, a significant component of our hotel operating costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. Additionally, hotels where our third-party managers have collective bargaining agreements with employees are more highly affected by labor force activities than others. The resolution of labor disputes or re-negotiated labor contracts could lead to increased labor costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. Furthermore, labor agreements may limit the ability of our hotel managers to reduce the size of hotel workforces during an economic downturn because collective bargaining agreements are negotiated between the hotel managers and labor unions. Our ability, if any, to have any material impact on the outcome of these negotiations is restricted by and dependent on the individual management agreement covering a specific property and we may have little ability to control the outcome of these negotiations.

In addition, changes in labor laws may negatively impact us. For example, increases in minimum wage laws and the DOL’s proposed regulations expanding the scope of non-exempt employees under the Fair Labor Standards Act to increase the entitlement to overtime pay could significantly increase the cost of labor in the workforce, which would increase the operating costs of our hotel properties and may have a material adverse effect on us.

We are subject to risks associated with our ongoing need for renovations and capital improvements as well as financing these expenditures.

In order to remain competitive, our hotels have an ongoing need for renovations and other capital improvements, including replacements, from time to time, of furniture, fixtures and equipment. These capital improvements may give rise to the following risks:

- construction cost overruns and delays;
- a possible shortage of liquidity to fund capital improvements and the related possibility that financing for these capital improvements may not be available to us on affordable terms;
- the renovation investment failing to produce the returns on investment that we expect;
- disruptions in the operations of the hotel as well as in demand for the hotel while capital improvements are underway; and
- disputes with franchisors or hotel managers regarding compliance with relevant management or franchise agreements.

We may have insufficient liquidity to fund capital expenditures and, consequently, we may need to rely upon the availability of debt or equity capital to fund our investments and capital improvements. These sources of funds may not be available on reasonable terms and conditions or at all.

Risks of operating hotels under franchise licenses, which may be terminated or not renewed, may impact our ability to make distributions to stockholders.

The continuation of our franchise licenses is subject to specified operating standards and other terms and conditions. All of the franchisors of our hotels periodically inspect our hotels to confirm adherence to their operating standards. The failure to maintain such standards or to adhere to such other terms and conditions could result in the loss or cancellation of the applicable franchise license. It is possible that a franchisor could condition the continuation of a franchise license on the completion of capital improvements that we determine are too expensive or otherwise not economically feasible in light of general economic conditions, the operating results or prospects of the affected hotel. In that event, we may elect to allow the franchise license to lapse or be terminated.

There can be no assurance that a franchisor will renew a franchise license at each option period. If a franchisor terminates a franchise license, we may be unable to obtain a suitable replacement franchise, or to successfully operate the hotel independent of a franchise license. The loss of a franchise license could have a material adverse effect upon the operations or the underlying value of the related hotel because of the loss of associated name recognition, marketing support and centralized reservation systems provided by the franchisor. Our loss of a franchise license for one or more of the hotels could have a material adverse effect on our revenues and our amounts available for distribution to shareholders.

Increasing interest rates could materially impact the operating results of our hotel properties.

A substantial portion of our hotel properties are financed with floating-rate debt. If interest rates rise, the costs of our existing floating rate borrowings and any new borrowings that we incur would increase. These increased costs could reduce the profitability of our hotel properties or impair our ability to meet our debt obligations, which in turn may have a material adverse effect on our cash flow, results of operations and overall financial position. An increase in interest rates also could limit our ability to refinance existing debt upon maturity or cause us to pay higher rates upon refinancing, as well as decrease the amount that third parties are willing to pay for our hotels, thereby limiting our ability to promptly reposition our portfolio in response to changes in economic or other conditions.

We have obtained, and we may in the future obtain, one or more forms of interest rate protection, including swap agreements, interest rate cap contracts or similar agreements, that involve additional risks, including the risks that counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes, that the amount of income we earn from hedging transactions may be limited by federal tax provisions governing REITs, and that these arrangements may cause us to pay higher interest rates on our debt obligations than otherwise would be the case. Moreover, no amount of hedging activity can fully insulate us from the risks associated with changes in interest rates. Failure to hedge effectively against interest rate risk, if we choose to engage in such activities, could adversely affect our results of operations and financial condition.

Risks Related to Our Other Equity and Debt Business

Our commercial real estate equity, debt and mortgage loans underlying our commercial real estate securities investments are subject to the risks typically associated with commercial real estate ("CRE").

Our CRE equity, debt and securities investments are subject to the risks typically associated with real estate, including:

- local, state, national or international economic conditions;
- real estate conditions, such as an oversupply of or a reduction in demand for real estate space in an area;
- lack of liquidity inherent in the nature of the asset;
- tenant/operator mix and the success of the tenant/operator business;
- the ability and willingness of tenants/operators/managers to maintain the financial strength and liquidity to satisfy their obligations to us and to third parties;
- reliance on tenants/operators/managers to operate their business in a sufficient manner and in compliance with their contractual arrangements with us;
- ability and cost to replace a tenant/operator/manager upon default;
- property management decisions;
- property operating costs, including insurance premiums, real estate taxes and maintenance costs;

- the perceptions of the quality, convenience, attractiveness and safety of the properties;
- branding, marketing and operational strategies;
- competition from comparable properties;
- the occupancy rate of, and the rental rates charged at, the properties;
- the ability to collect on a timely basis all rent;
- the effects of any bankruptcies or insolvencies;
- the expense of leasing, renovation or construction, including escalations in such expenses;
- changes in interest rates and in the availability, cost and terms of mortgage financing;
- unknown liens being placed on the properties;
- bad acts of third parties;
- the ability to refinance mortgage notes payable related to the real estate on favorable terms, if at all;
- changes in governmental rules, regulations and fiscal policies;
- tax implications;
- changes in laws, including laws that increase operating expenses or limit rents that may be charged;
- the impact of present or future environmental legislation and compliance with environmental laws, including costs of remediation and liabilities associated with environmental conditions affecting properties;
- cost of compliance with the Americans with Disabilities Act of 1990;
- adverse changes in governmental rules and fiscal policies;
- social unrest and civil disturbances;
- acts of nature, including earthquakes, hurricanes and other natural disasters;
- terrorism;
- the potential for uninsured or underinsured property losses;
- adverse changes in state and local laws, including zoning laws; and
- other factors which are beyond our control.

The value of each property is affected significantly by its ability to generate cash flow and net income, which in turn depends on the amount of rental or other income that can be generated net of expenses required to be incurred with respect to the property. Many expenses associated with properties (such as operating expenses and capital expenses) cannot be reduced when there is a reduction in income from the properties. These factors may have a material adverse effect on the value and the return that we can realize from our assets, as well as ability of our borrowers to pay their loans and the ability of the borrowers on the underlying loans securing our securities to pay their loans.

Our existing mezzanine loan assets and those that we may originate or acquire in the future are subject to greater risks of loss than senior loans secured by income-producing properties.

We currently own interests in mezzanine loans and may, subject to maintaining our qualification as a REIT, originate or acquire additional mezzanine loans (or interests in mezzanine loans). Mezzanine loans take the form of subordinated loans secured by junior participations in mortgages or second mortgages on the underlying property, or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. These types of assets involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property, because the loan may be foreclosed on by the senior lender. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal. If a borrower defaults on our mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt is paid in full. Where debt senior to our loan exists, the presence of intercreditor arrangements between the holder of the senior mortgage loan and us, as the mezzanine lender, may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies and control decisions made in bankruptcy proceedings relating to borrowers. As a result, we may not recover some or all of our investment, which could result in losses. In addition, even if we are able to foreclose on the underlying collateral following a default on a mezzanine loan, we would replace the defaulting borrower and, to the extent income generated on the underlying property is insufficient to meet outstanding debt obligations on the property, we may need to commit substantial additional capital to stabilize the property and prevent additional defaults to lenders with remaining liens on the property. Significant losses related to our current or future mezzanine loans could have a material adverse effect on our results of operations and our ability to make distributions to our stockholders.

Regulatory Risks

Extensive regulation in the United States and abroad affects our activities, increases the cost of doing business and creates the potential for significant liabilities and that could adversely affect our business and results of operations.

Our business is subject to extensive regulation, including periodic examinations by governmental agencies and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and foreign government agencies and self-regulatory organizations and state securities commissions in the United States, are empowered to grant, and in specific circumstances to cancel, permissions to carry on particular activities, and to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses and memberships. For example, in recent years the SEC and several states have initiated investigations alleging that certain private equity firms and hedge funds, or agents acting on their behalf, have paid money to current or former government officials or their associates in exchange for improperly soliciting contracts with the state pension funds (i.e., “ pay to play” practices). Such “pay to play” practices are subject to extensive federal and state regulation, and any failure on our part to comply with rules surrounding “pay to play” practices could expose us to significant penalties and reputational damage. Even if an investigation or proceeding does not result in a sanction or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the costs incurred in responding to such matters could be material and the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm our reputation and cause us to lose existing investors or fail to gain new investors or discourage others from doing business with us.

In addition, we regularly rely on exemptions from various requirements of the Securities Act, the Exchange Act, the 1940 Act, the Commodity Exchange Act and ERISA in conducting our investment activities in the United States. Similarly, in conducting our investment activities outside the United States, we rely on available exemptions from the regulatory regimes of various foreign jurisdictions. These exemptions from regulation within the United States and abroad are sometimes highly complex and may, in certain circumstances, depend on compliance by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to regulatory action or third party claims and our business could be materially and adversely affected. Moreover, the requirements imposed by our regulators are designed primarily to ensure the integrity of the financial markets and to protect investors in our funds and are not designed to protect our stockholders. Consequently, these regulations often serve to limit our activities and impose burdensome compliance requirements.

It is difficult to determine the full extent of the impact on us of any new laws, regulations or initiatives that may be proposed or whether any of the proposals will become law. Any changes in the regulatory framework applicable to our business, including the changes as a result of, among others, the Dodd-Frank Wall Street Reform and Consumer Protection Act, may impose additional costs on us, require the attention of our senior management or result in limitations on the manner in which we conduct our business. Furthermore, we may become subject to additional regulatory and compliance burdens as we expand our product offerings and investment platform, including raising additional funds. Moreover, as calls for additional regulation have increased as a result of heightened regulatory focus in the financial industry, there may be a related increase in regulatory investigations of the trading and other investment activities of alternative asset management funds, including our managed companies. Compliance with any new laws or regulations could make compliance more difficult and expensive, affect the manner in which we conduct our business and adversely affect our profitability.

Failure to maintain our exemption from registration under the 1940 Act could require us to register as an investment company or substantially change the way we conduct our business, either of which may have an adverse effect on us and the market price for shares of our Class A common stock.

We intend to conduct our operations so that we are not required to register as an investment company under the 1940 Act. Maintenance of the applicable exemptions requires that we subject our business to certain limitations on investment and activities.

Continuing qualification for exemption from registration under the 1940 Act will limit our ability to make certain investments. For example, for our subsidiaries that rely on Section 3(c)(5)(C) of the 1940 Act, the requirements to maintain the exemption will limit their ability to invest directly in mortgage-backed securities that represent less than the entire ownership in a pool of mortgage loans, debt and equity tranches of securitizations and certain asset-backed securities and real estate companies or assets not related to real estate.

We classify our investments for purposes of testing for these exemptions based in large measure on no-action letters issued by the Staff of the SEC and other SEC interpretive guidance. These positions were based upon facts that may be different from ours, and many of these no-action positions were issued more than twenty years ago. To the extent that the Staff of the Division of Investment Management of the SEC provides more specific guidance regarding any of the matters bearing upon any exemption on which we may rely, we may be required to adjust our holdings and strategies accordingly. Additional guidance from the Staff of the Division of Investment Management of the SEC could provide us with additional flexibility, or it could further inhibit our ability to pursue strategies we have chosen. For example, on August 31, 2011, the SEC issued a concept release (Release No. 29778, File No. S7-34-11, Companies Engaged in the Business of Acquiring Mortgages and Mortgage Related Instruments), pursuant to which it is reviewing whether certain companies that invest in mortgage-backed securities should continue to be allowed to rely on the exclusion from registration under Section 3(c)(5)(C) of the 1940 Act. If the SEC takes action with respect to this exclusion, these changes could result in our CDOs and other subsidiaries being no longer able to rely on the exclusion from registration under Section 3(c)(5)(C) of the 1940 Act. In such a case, we would either need to conform its activities to one or more other exemptions from the 1940 Act or lose our status as exempt from registration under the 1940 Act, either of which could result in an adverse effect on us.

If we fail to maintain our exemption from registration as an investment company under the 1940 Act, either because of changes in SEC guidance or otherwise, we could be required to, among other things: (i) substantially change the manner in which we conduct our operations to avoid being required to register as an investment company under the 1940Act; or (ii) register as an investment company. Either of (i) or (ii) could have an adverse effect on us and the market price for shares of our Class A common stock. If we are required to register as an investment company under the 1940Act, we would become subject to substantial regulation with respect to our capital structure (including our ability to use leverage), management, operations, transactions with affiliated persons (as defined in the 1940 Act), portfolio composition, including restrictions with respect to diversification and industry concentration and other matters.

Regulation of a subsidiary of our company under the Investment Advisers Act subjects us to the anti-fraud provisions of the Investment Advisers Act and to fiduciary duties derived from these provisions.

We have subsidiaries that are registered with the SEC as investment advisers under the Investment Advisers Act. As a result, we are subject to the anti-fraud provisions of the Investment Advisers Act and to fiduciary duties derived from these provisions that apply to our relationships with our managed companies. These provisions and duties impose restrictions and obligations on us with respect to our dealings with our managed companies' investors and our investments, including, for example, restrictions on agency, cross and principal transactions. We or our registered investment adviser subsidiaries will be subject to periodic SEC examinations and other requirements under the Investment Advisers Act and related regulations primarily intended to benefit advisory clients. These additional requirements relate to, among other things, maintaining an effective and comprehensive compliance program, recordkeeping and reporting requirements and disclosure requirements. The Investment Advisers Act generally grants the SEC broad administrative powers, including the power to limit or restrict an investment adviser from conducting advisory activities in the event it fails to comply with federal securities laws. Additional sanctions that may be imposed for failure to comply with applicable requirements under the Investment Advisers Act include the prohibition of individuals from associating with an investment adviser, the revocation of registrations and other censures and fines.

Risks Related to Taxation

Our qualification as a REIT involves complying with highly technical and complex provisions of the Code.

We elected to be taxed as a REIT under the U.S. federal income tax laws commencing with our taxable year ended December 31, 2017. Our qualification as a REIT involves the application of highly technical and complex provisions of the Code for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. New legislation, court decisions or administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for us to qualify as a REIT.

Our qualification as a REIT depends on our satisfaction of certain gross asset, gross income, organizational, distribution, stockholder ownership and other requirements on a continuing basis:

- With respect to the gross asset test, our compliance depends upon our analysis of the characterization and valuation of our assets, some of which are not susceptible to a precise determination, and for which we have not and will not obtain independent appraisals. Moreover, we invest in certain assets with respect to which the rules applicable to REITs are particularly difficult to interpret or to apply, including, but not limited to, the rules applicable to financing arrangements that are structured as sale and repurchase agreements; mezzanine loans; and investments in real estate mortgage loans that are acquired at a discount, subject to work-outs or modifications, or reasonably expected to be in default at the time of acquisition. If the IRS challenged our treatment of these assets as real estate assets for purposes of the REIT asset tests, and if such a challenge were sustained, we could fail to meet the asset tests applicable to REITs and thus fail to qualify as a REIT.

- The fact that we own direct or indirect interests in a number of entities that have elected (or intend to elect with the filing of their tax return) to be taxed as REITs under the U.S. federal income tax laws, each a Subsidiary REIT, further complicates the application of the REIT requirements for us. Each Subsidiary REIT is subject to the various REIT qualification requirements that are applicable to us. If a Subsidiary REIT were to fail to qualify as a REIT, then (i) that Subsidiary REIT would become subject to regular U.S. federal corporate income tax, (ii) our interest in such Subsidiary REIT would cease to be a qualifying asset for purposes of the REIT asset tests, and (iii) it is possible that we would fail certain of the REIT asset tests, in which event we also would fail to qualify as a REIT unless we could avail ourselves of certain relief provisions.

- Our ability to satisfy the distribution and other requirements to qualify as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own limited partner or non-managing member interests in partnerships and limited liability companies that are joint ventures or funds.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to U.S. federal income tax on our taxable income at regular corporate rates, and dividends paid to our stockholders would not be deductible by us in computing our taxable income. Any resulting corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of our Class A Common Stock. In addition, we would no longer be required to make distributions to stockholders. Unless we were entitled to relief under certain Code provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year in which we failed to qualify as a REIT.

We may incur adverse tax consequences if Colony or NRF were to have failed to qualify as a REIT for U.S. federal income tax purposes prior to the Mergers.

In connection with the closing of the Mergers, we received an opinion of counsel to each of Colony and NRF to the effect that it qualified as a REIT for U.S. federal income tax purposes under the Code through the time of the Mergers. Neither Colony nor NRF, however, requested a ruling from the Internal Revenue Service (the “IRS”) that it qualified as a REIT. If, notwithstanding these opinions, Colony’s or NRF’s REIT status for periods prior to the Mergers were successfully challenged, we would face serious adverse tax consequences that would substantially reduce our Core FFO and cash available for distribution, or CAD, including cash available to pay dividends to our stockholders, because:

- Colony or NRF, as applicable, would be subject to U.S. federal, state and local income tax on its net income at regular corporate rates for the years it did not qualify as a REIT (and, for such years, would not be allowed a deduction for dividends paid to stockholders in computing its taxable income) and we would succeed to the liability for such taxes;

- if we were considered to be a “successor” of such entity, we would not be eligible to elect REIT status until the fifth taxable year following the year during which such entity was disqualified, unless it were entitled to relief under applicable statutory provisions;

- even if we were eligible to elect REIT status, we would be subject to tax (at the highest corporate rate in effect at the date of the sale) on the built-in gain on each asset of Colony or NRF, as applicable, existing at the time of the Mergers if we were to dispose of such asset for up to five years following the Mergers; and

- we would succeed to any earnings and profits accumulated by Colony or NRF, as applicable, for tax periods that such entity did not qualify as a REIT and we would have to pay a special dividend and/or employ applicable deficiency dividend procedures (including interest payments to the IRS) to eliminate such earnings and profits to maintain our REIT qualification.

As a result of these factors, Colony’s or NRF’s failure to qualify as a REIT prior to the Mergers could impair our ability to expand our business and raise capital and could materially adversely affect the value of our common stock . In addition, even if they qualified as REITs for the duration of their existence, if there is an adjustment to Colony’s or NRF’s taxable income or dividends-paid deductions for periods prior to the Mergers, we could be required to elect to use the deficiency dividend procedure to maintain Colony’s or NRF’s, as applicable, REIT status for periods prior to the Mergers. That deficiency dividend procedure could require us to make significant distributions to our stockholders and to pay significant interest to the IRS.

Dividends payable by REITs do not qualify for the preferential tax rates available for some dividends.

The maximum rate applicable to "qualified dividend income" paid by non-REIT "C" corporations to U.S. stockholders that are individuals, trusts and estates generally is 20%. Dividends payable by REITs to those U.S. stockholders, however, generally are not eligible for the current reduced rate, except to the extent that certain holding requirements have been met and a REIT's dividends are attributable to dividends received by a REIT from taxable corporations (such as a taxable REIT subsidiary, or TRS), to income that was subject to tax at the REIT/corporate level, or to dividends properly designated by the REIT as "capital gains dividends." Effective for taxable years beginning after December 31, 2017, and before January 1, 2026, those U.S. stockholders may deduct 20% of their dividends from REITs (excluding qualified dividend income and capital gains dividends). For those U.S. stockholders in the top marginal tax bracket of 37%, the deduction for REIT dividends yields an effective income tax rate of 29.6% on REIT dividends, which is higher than the 20% tax rate on qualified dividend income paid by non-REIT “C” corporations but still lower than the effective rate that applied prior to 2018, which is the first year that this special deduction for REIT dividends is available. Although the reduced rates applicable to dividend income from non-REIT "C" corporations do not adversely affect the taxation of REITs or dividends payable by REITs, it could cause investors who are non-corporate taxpayers to perceive investments in REITs to be relatively less attractive than investments in the shares of non-REIT "C" corporations that pay dividends, which could adversely affect the value of our Common Stock.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our “REIT taxable income” (subject to certain adjustments and excluding any net capital gain), in order to qualify as a REIT, and any REIT taxable income that we do not distribute will be subject to U.S. corporate income tax at regular rates. In addition, from time to time, we may generate taxable income greater than our income for financial reporting purposes prepared in accordance with GAAP, or differences in timing between the recognition of taxable income and the actual receipt of cash may occur. For example,

- we may be required to accrue income from mortgage loans, mortgage-backed securities, or MBS, and other types of debt securities or interests in debt securities before we receive any payments of interest or principal on such assets;

- we may acquire distressed debt investments that are subsequently modified by agreement with the borrower, which could cause us to have to recognize gain in certain circumstances;

- we may recognize substantial amounts of "cancellation of debt" income for U.S. federal income tax purposes (but not for GAAP purposes) due to discount repurchases of our liabilities, which could cause our REIT taxable income to exceed our GAAP income;

- we or our TRSs may recognize taxable “phantom income” as a result of modifications, pursuant to agreements with borrowers, of debt instruments that we acquire if the amendments to the outstanding debt are “significant modifications” under the applicable Treasury regulations. In addition, our TRSs may be treated as a “dealer” for U.S. federal income tax purposes, in which case the TRS would be required to mark-to-market its assets at the end of each taxable year and recognize taxable gain or loss on those assets even though there has been no actual sale of those assets;

- we may deduct our capital losses only to the extent of our capital gains and not against our ordinary income, in computing our REIT taxable income for a given taxable year;

- certain of our assets and liabilities are marked-to-market for GAAP purposes but not for tax purposes, which could result in losses for GAAP purposes that are not recognized in computing our REIT taxable income; and under the “Tax Cut and Jobs Act of 2017” (the “TCJA”), we generally must accrue income for U.S. federal income tax purposes no later than when such income is taken into account as revenue in our financial statements, which could create additional differences between REIT taxable income and the receipt of cash attributable to such income.

As a result of both the requirement to distribute 90% of our REIT taxable income each year (and to pay tax on any REIT taxable income that we do not distribute) and the fact that our taxable income may well exceed our cash income due to the factors mentioned above as well as other factors, we may find it difficult to meet the REIT distribution requirements in certain circumstances while also having adequate cash resources to execute our business plan. In particular, where we experience differences in timing between the recognition of taxable income and the actual receipt of cash, the requirement to distribute a substantial portion of our taxable income could cause us to: (i) sell assets in adverse market conditions,

(ii) borrow on unfavorable terms, (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt or (iv) make a taxable distribution of our shares of Common Stock as part of a distribution in which stockholders may elect to receive shares of Common Stock or (subject to a limit measured as a percentage of the total distribution) cash, in order to comply with REIT requirements. These alternatives could increase our costs, reduce our equity, and/or result in stockholders being taxed on distributions of shares of stock without receiving cash sufficient to pay the resulting taxes. Thus, compliance with the REIT distribution requirements may hinder our ability to grow, which could adversely affect the value of our Common Stock.

We might elect to distribute our common stock in a taxable distribution in order to satisfy the REIT distribution requirements, in which case stockholders may sell shares of our common stock to pay tax on such distributions, placing downward pressure on the market price of our common stock.

In order to reduce the amount of cash that we are required to distribute to stockholders, we might elect to make taxable distributions that are payable partly in cash and partly in shares of our common stock. If we made a taxable dividend payable in cash and shares of our common stock, taxable stockholders receiving such distributions will be taxed on the full amount of the distribution that otherwise would be a dividend for tax purposes, even though part is paid in stock. If we made a taxable dividend payable in cash and our common stock and a significant number of stockholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock.

Even if we continue to qualify as a REIT, we may face other tax liabilities that reduce our cash available for distribution to stockholders.

Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes, such as mortgage recording taxes. We also are subject to U.S. federal and state income tax (and any applicable non-U.S. taxes) on the net income earned by our TRSs. Due to the nature of the assets in which we invest, we expect our TRSs will have a material amount of assets and net taxable income. In addition, we have substantial operations and assets outside of the U.S. that are subject to tax in those countries - those taxes, unless incurred by a TRS, are not likely to generate an offsetting credit for taxes in the U.S.. In addition, if we have net income from “prohibited transactions,” that income will be subject to a 100% tax. In general, “prohibited transactions” are sales or other dispositions of property, other than foreclosure property, but including mortgage loans, held primarily for sale to customers in the ordinary course of business. We might be subject to this tax if we were to dispose of or securitize loans in a manner that was treated as a sale of the loans for U.S. federal income tax purposes that is subject to the prohibited transactions tax. In order to avoid the prohibited transactions tax, we may choose not to engage in certain sales of loans at the REIT-level, and may limit the structures we utilize for our securitization transactions, even though such sales or structures might otherwise be beneficial to us. Finally, we could, in certain circumstances, be required to pay an excise or penalty tax (which could be significant in amount) in order to utilize one or more relief provisions under the Code to maintain our qualification as a REIT. Any of these taxes would decrease cash available for distribution to our stockholders.

Complying with REIT requirements may force us to forgo and/or liquidate otherwise attractive investment opportunities.

To qualify as a REIT, we must ensure that we meet the REIT gross income tests annually and that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified REIT real estate assets, including certain mortgage loans and certain kinds of MBS. The remainder of our investment in securities (other than qualified 75% asset test assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than qualified 75% asset test assets) can consist of the securities of any one issuer, and no more than 20% of the value of our total assets can be represented by stock or securities of one or more TRSs. Debt instruments issued by “publicly offered REITs,” to the extent not secured by real property or interests in real property, qualify for the 75% asset test but the value of such debt instruments cannot exceed 25% of the value of our total assets. Finally, in connection with the Mergers and the prior combination of Colony’s business, we were treated as having acquired substantial amounts of goodwill that may not qualify for the 75% asset test assets. The compliance with these limitations, particularly given the nature of some of our investments and the goodwill that we have that is not a qualifying real estate asset, may hinder our ability to make, and, in certain cases, maintain ownership of certain attractive investments that might not qualify for the 75% asset test. If we fail to comply with the REIT asset tests requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate from our portfolio, or contribute to a TRS, otherwise attractive investments in order to maintain our qualification as a REIT. These actions could have the effect of reducing our income, increasing our income tax liability, and reducing amounts available for distribution to our stockholders. In addition, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, and may be unable to pursue investments (or, in some cases, forego the sale of such investments) that would be otherwise advantageous to us in order to satisfy the source-of-income or asset-diversification requirements for qualifying as a REIT.

The “taxable mortgage pool” rules may increase the taxes that we or our stockholders may incur, and may limit the manner in which we effect future securitizations.

Securitizations by us or our subsidiaries could result in the creation of taxable mortgage pools for U.S. federal income tax purposes. As a result, we could have “excess inclusion income.” In general, dividend income that a tax-exempt entity receives from us should not constitute unrelated business taxable income, or UBTI, as defined in Section 512 of the Code. If, however, we realize excess inclusion income and allocate it to stockholders, then this income would be fully taxable as UBTI to a tax-exempt entity under Section 512 of the Code. A foreign stockholder would generally be subject to U.S. federal income tax withholding on this excess inclusion income without reduction pursuant to any otherwise applicable income tax treaty. U.S. stockholders would not be able to offset such income with their net operating losses.

Although the law is not entirely clear, the IRS has taken the position that we are subject to tax at the highest corporate rate on the portion of our excess inclusion income equal to the percentage of our stock held in record name by “disqualified organizations” (generally tax-exempt investors, such as certain state pension plans and charitable remainder trusts, that are not subject to the tax on unrelated business taxable income). To the extent that our stock owned by “disqualified organizations” is held in street name by a broker-dealer or other nominee, the broker-dealer or nominee would be liable for a tax at the highest corporate rate on the portion of our excess inclusion income allocable to the stock held on behalf of the “disqualified organizations.” A regulated investment company or other pass-through entity owning our stock may also be subject to tax at the highest corporate tax rate on any excess inclusion income allocated to their record name owners that are “disqualified organizations.”

Excess inclusion income could result if a REIT held a residual interest in a real estate mortgage investment conduit, or REMIC. In addition, excess inclusion income also may be generated if a REIT issues debt with two or more maturities and the terms of the payments of those debt instruments bear a relationship to the payments that the REIT received on mortgage loans or mortgage-backed securities securing those liabilities. If any portion of our dividends is attributable to excess inclusion income, then the tax liability of tax-exempt stockholders, non-U.S. stockholders, stockholders with net operating losses, regulated investment companies and other pass-through entities whose record name owners are disqualified organizations and brokers-dealers and other nominees who hold stock on behalf of disqualified organizations will very likely increase.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code limit our ability to hedge certain of our liabilities. Under these provisions, any income from a hedging transaction that we enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets, or to manage the risk of certain currency fluctuations, and that is properly identified under applicable Treasury Regulations, does not constitute “gross income” for purposes of the 75% or 95% gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of the REIT gross income tests. As a result of these rules, we intend to limit our use of advantageous hedging techniques that do not qualify for the exclusion from the REIT gross income tests or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRS will generally not provide any tax benefit, except for being carried forward against future taxable income in the TRS.

There is a risk of changes in the tax law applicable to REITs.

The IRS, the United States Treasury Department and Congress frequently review U.S. federal income tax legislation, regulations and other guidance. We cannot predict whether, when or to what extent new U.S. federal tax laws, regulations, interpretations or rulings will be adopted. Any legislative action may prospectively or retroactively modify our tax treatment and, therefore, may adversely affect our taxation or our stockholders. We urge you to consult with your tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our stock. Although REITs generally receive certain tax advantages compared to entities taxed as non-REIT “C” corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be treated for U.S. federal income tax purposes as a non-REIT “C” corporation.

The ability of our board of directors to revoke our REIT election without stockholder approval may cause adverse consequences to our stockholders.

Our Charter provides that the board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if the board determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to U.S. federal income tax on our net taxable income and we generally would no longer be required to distribute any of our net taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders.

Our ownership of assets and conduct of operations through our TRSs is limited and involves certain risks for us.

We use our TRSs to hold assets and earn income that would not be qualifying assets or income if held or earned directly by us. Apart from the fact that income from those TRSs may be subject to U.S. federal, foreign, state and local income tax on their taxable income and only their after-tax net income is available for distribution to us, our use of the TRS for this purpose is subject to certain costs, risks and limitations:

- No more than 20% of the value of our gross assets may consist of stock or securities of one or more TRSs.

- The TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm’s-length basis.

- Our leases of hotel and healthcare property leases with our TRSs must be respected as true leases for U.S. federal income tax purposes and must not be treated as service contracts, joint ventures or some other type of arrangement in order for us to qualify as a REIT.

- The hotel and healthcare property managers for the properties that we lease to our TRSs must qualify as “eligible independent contractors” under the rules applicable to REITs or we could fail to qualify as a REIT.

- We treat income that we earn from certain foreign TRSs, including issuers in CDO transactions, as qualifying dividend income for purposes of the REIT income tests, based on several private letter rulings that the IRS has issued to other taxpayers (which technically may be relied upon only by those taxpayers), but there can be no assurance that the IRS might not successfully challenge our treatment of such income as qualifying income, in which event we might not satisfy the REIT 95% gross income test, and we either could be subject to a penalty tax with respect to some or all of that income we could fail to continue to qualify as a REIT;.

- We generally structure our foreign TRSs with the intent that their income and operations will not be subject to U.S. federal, state and local income tax. If the IRS successfully challenged that tax treatment, it would reduce the amount that those foreign TRSs would have available to pay to their creditors and to distribute to us.

We are mindful of all of these limitations and analyze and structure the income and operations of our TRSs to mitigate these costs and risks to us to the extent practicable, but we may not always be successful in all cases.

We could fail to continue to qualify as a REIT and/or pay additional taxes if the IRS recharacterizes certain of our international investments.

We have made, and intend to continue to make additional property investments in international jurisdictions. Our equity in such investments is funded through the use of instruments that we believe should be treated as equity for U.S. tax purposes. If the IRS disagreed with such characterization and was successful in recharacterizing the nature of our investments in international jurisdictions, we could fail to satisfy one or more of the REIT asset and income tests. Additionally, if the IRS recharacterized the nature of our investments and we were to take action to prevent such REIT test failures, the actions we would take could expose us to increased taxes both internationally and in the United States.

We could be subject to increased taxes if the tax authorities in various international jurisdictions were to modify tax rules and regulations on which we have relied in structuring our international investments.

We currently receive favorable tax treatment in various international jurisdictions through tax rules, regulations, tax authority rulings, and international tax treaties. Should changes occur to these rules, regulations, rulings or treaties, we may no longer receive such benefits, and consequently, the amount of taxes we pay with respect to our international investments may increase.

We will be subject to corporate income tax on the sale of assets acquired from or previously held by a non-REIT “C” corporation within five years of our acquisition of those assets or our becoming a REIT.

If a REIT previously was a non-REIT “C” corporation, or it acquires any asset from a non-REIT “C” corporation, or a corporation that generally is subject to full corporate-level tax, in a merger or other transaction in which it acquires a basis in the asset that is determined by reference either to the non-REIT “C” corporation’s basis in the asset or to another asset, the REIT generally will pay tax at the highest regular corporate rate applicable if it recognizes gain on the sale or disposition of the asset during the five-year period after it becomes a REIT or it acquires the asset. Because NSAM previously was a non-REIT “C” corporation, this tax will generally apply to gain recognized with respect to assets that were held by NSAM as of the effective date of our REIT election (January 1, 2017) if such gain is recognized during the five-year period following such effective date or it may apply if we were to engage in an merger transaction with another non-REIT “C” corporation in the future. The amount of gain on which we would pay tax in the foregoing circumstances is the lesser of (i) the amount of gain that we recognize at the time of the sale or disposition; and (ii) the amount of gain that we would have recognized if we had sold the asset at the time we acquired it (or in the case of NSAM assets, on January 1, 2017).

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Investment Properties

Information regarding our investment properties at December 31, 2018 are included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Segments" and "Item 15. Exhibits and Financial Statement Schedules—Schedule III. Real Estate and Accumulated Depreciation" of this Annual Report.

Corporate Offices

We have 17 locations across ten countries. Our principal executive office is located at 515 South Flower Street, 44th Floor, Los Angeles, CA, 90071, with other key offices in New York, Paris and London. All of our office spaces are under operating leases. We believe our offices are suitable for conducting our business.

Item 3. Legal Proceedings.

The Company may be involved in litigations and claims in the ordinary course of business. As of December 31, 2018, the Company was not involved in any material legal proceedings.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our class A common stock is traded on the NYSE under the symbol "CLNY."

On February 25, 2019, there were 2,975 holders of our class A common stock and one holder of our class B common stock (which, in each case, does not reflect the beneficial ownership of shares held in nominee name).

Distributions

Holders of our common stock are entitled to receive distributions if and when the board of directors authorizes and declares distributions. The board of directors has not established any minimum distribution level. In order to maintain our qualification as a REIT, we intend to pay dividends to our stockholders that, on an annual basis, will represent at least 90% of our taxable income (which may not necessarily equal net income as calculated in accordance with GAAP), determined without regard to the deduction for dividends paid and excluding any net capital gains. No distributions can be paid on our class A and class B common stock unless we have paid all cumulative dividends on our Series B, Series E, Series G, Series H, Series I and Series J preferred stock. We cannot assure our stockholders that we will make any future distributions.

Dividends paid to stockholders, for income tax purposes, represent distributions of ordinary income, capital gains, return of capital or a combination thereof. The following table presents the income tax treatment of dividends per share of common and preferred stock. Dividends prior to the closing of the Merger on January 10, 2017 reflect Colony data, with dividends per share of common stock adjusted for the 1.4663 Colony exchange ratio.

		Preferred Stock [1]									
	Common Stock	Series A	Series B	Series C	Series D	Series E	Series F	Series G	Series H	Series I	Series J
2018 [2]											
Ordinary income	$ 0.05	NA	$ 0.97	NA	$ 0.63	$ 1.03	NA	$ 0.66	$ 0.63	$ 0.63	$ 0.63
Capital gains	0.06	NA	1.09	NA	0.71	1.16	NA	0.74	0.71	0.71	0.71
Return of capital [3]	0.22	NA	—	NA	—	—	NA	—	—	—	—
Total	$ 0.33	NA	$ 2.06	NA	$ 1.34	$ 2.19	NA	$ 1.40	$ 1.34	$ 1.34	$ 1.34
2017											
Ordinary income	$ 0.23	$ 0.28	$ 0.59	$ 0.43	$ 0.45	$ 0.47	$ 0.20	$ 0.40	$ 0.38	$ 0.23	$ 0.12
Capital gains	0.85	1.04	2.17	1.59	1.67	1.72	0.73	1.47	1.40	0.86	0.44
Total	$ 1.08	$ 1.32	$ 2.76	$ 2.02	$ 2.12	$ 2.19	$ 0.93	$ 1.87	$ 1.78	$ 1.09	$ 0.56
2016											
Ordinary income	$ 0.72	NA	NA	NA	NA	NA	$ 1.42	$ 1.26	$ 1.19	NA	NA
Capital gains	0.36	NA	NA	NA	NA	NA	0.70	0.62	0.59	NA	NA
Total	$ 1.08	NA	NA	NA	NA	NA	$ 2.12	$ 1.88	$ 1.78	NA	NA

[1] Upon consummation of the Merger, the Series A, B, C, D and E preferred stock of NRF and the Series A, B and C preferred stock of Colony were converted into Series A, B, C, D, E, F, G and H preferred stock of the Company, respectively. During the year ended December 31, 2017, we issued Series I and J preferred stock, as well as redeemed all of Series A, C and F preferred stock and a portion of Series B preferred stock. During the year ended December 31, 2018, we redeemed all of Series D preferred stock.

[2] For the Company's common stock, distributions declared on November 5, 2018, payable on January 15, 2019 to stockholders of record on December 31, 2018 are considered a 2019 distribution for federal income tax purposes. For each of the Series G, H, I and J preferred stock, distributions declared on November 5, 2018, payable on January 15, 2019 to stockholders of record on January 10, 2019 are considered a 2019 distribution for federal income tax purposes.

[3] Represents dividends paid in excess of our current and accumulated earnings and profit ("E&P") which is a tax-based measure calculated by making adjustments to taxable income for items that are treated differently for E&P purposes. A return of capital reduces the basis of a stockholder's investment in our common stock to the extent of such basis and is treated as capital gain thereafter.

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

Redemption of Membership Units in OP ("OP Units")—Holders of OP Units have the right to require the OP to redeem all of a portion of their OP Units for cash or, at our option, shares of our class A common stock on a one-for-one basis. In November and December 2018, in satisfaction of redemption requests by certain OP Unit holders, we issued an aggregate of 10,627 shares of our class A common stock to 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

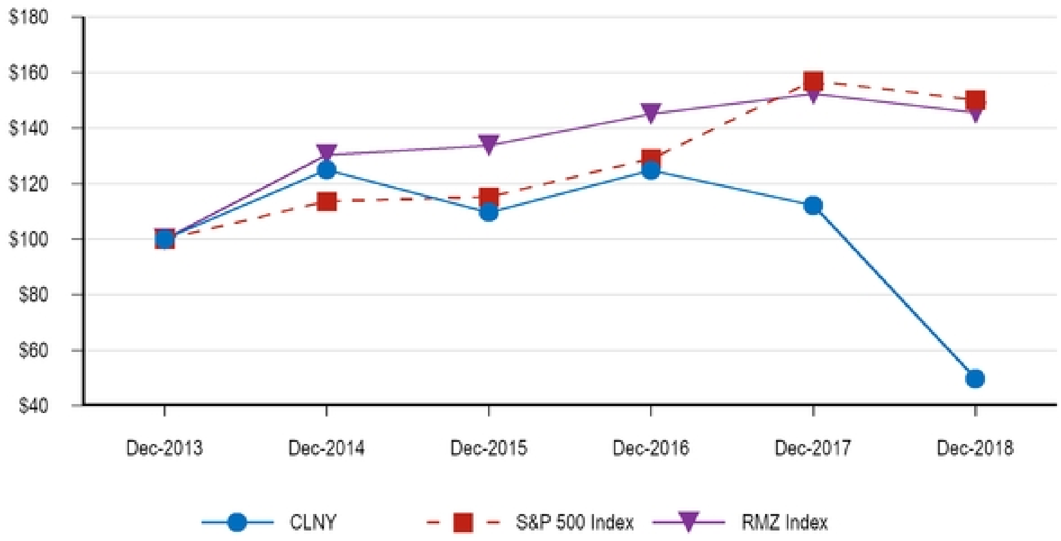
On May 23, 2018, the Company's board of directors authorized a common stock repurchase program pursuant to which the Company may repurchase up to $300 million of its outstanding shares of class A common stock over a one-year period, either in the open market or through privately negotiated transactions. The May 2018 repurchase program is in addition to the $300 million share repurchase program the Company announced in February 2018, which program was completed in May 2018.

The following table presents information related to our purchases of the Company's class A common stock during the quarter ended December 31, 2018:

Period	Total Number of Shares Purchased	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
October 1, 2018 to October 31, 2018	—	N/A	N/A	$ 281,519,402
November 1, 2018 to November 30, 2018	—	N/A	N/A	281,519,402
December 1, 2018 to December 31, 2018	6,604,432	$ 4.79	6,604,432	249,904,312
Total	6,604,432	$ 4.79	6,604,432	249,904,312

Stock Performance Graph

The following graph compares the cumulative total return on our class A common stock with the cumulative total returns on the Standard & Poor’s 500 Composite Stock Price Index (the “S&P 500 Index”) and the MSCI US REIT Index, comprising equity REITs ("RMZ Index") from December 31, 2013 to December 31, 2018, with stock prices prior to the closing of the Merger representing Colony share prices adjusted for the 1.4663 exchange ratio. The graph assumes an investment of $100 in our common stock and each of the indices on December 31, 2013 and the reinvestment of all dividends. The cumulative total return on our class A common stock as presented is not necessarily indicative of future performance of our class A common stock.



Item 6. Selected Financial Data.

The selected financial data set forth below are derived from our audited consolidated financial statements, other than selected quarterly financial information, which are unaudited, and should be read in conjunction with the consolidated financial statements and accompanying notes included in "Item 15. Exhibits and Financial Statement Schedules" and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Annual Report.

The selected historical financial data below as of and for periods on or prior to January 10, 2017 represents the pre-Merger financial information of Colony on a stand-alone basis. The financial information of NSAM and NRF are incorporated into the Company effective January 11, 2017.

Additionally, the historical per share data for periods on or prior to January 10, 2017 have been adjusted to give effect to the exchange ratio of one share of Colony common stock for 1.4663 shares of the Company's common stock.

Selected Annual Financial Information

(In thousands, except per share data)	Year Ended December 31,				
	2018	2017	2016	2015	2014
Statements of Operations Data:					
Total revenues	$ 2,665,276	$ 2,796,734	$ 838,857	$ 794,371	$ 226,820
Income (loss) from continuing operations	(495,073)	(78,168)	290,726	256,036	159,711
Net income (loss)	(495,175)	(64,613)	290,726	256,036	159,711
Net income (loss) attributable to Colony Capital, Inc.	(519,607)	(197,891)	115,318	149,980	123,149
Net income (loss) attributable to common stockholders	(632,709)	(333,093)	67,159	107,411	98,279
Per Share Data:					
Income (loss) from continuing operations per share					
Basic	$ (1.28)	$ (0.66)	$ 0.39	$ 0.65	$ 0.69
Diluted	$ (1.28)	$ (0.66)	$ 0.39	$ 0.65	$ 0.69
Net income (loss) attributable to common stockholders per share					
Basic	$ (1.28)	$ (0.64)	$ 0.39	$ 0.65	$ 0.69
Diluted	$ (1.28)	$ (0.64)	$ 0.39	$ 0.65	$ 0.69
Dividends per common share (1)	$ 0.44	$ 1.08	$ 1.08	$ 1.04	$ 0.98
Balance Sheet Data—At Year End:					
Total assets	$ 22,215,249	$ 24,785,650	$ 9,760,992	$ 10,039,310	$ 5,825,449
Total debt (2)	10,039,957	11,024,715	3,715,618	4,178,803	2,701,764
Total liabilities	11,059,494	12,402,114	4,144,065	4,623,070	2,889,656
Total stockholders' equity	7,006,052	8,407,925	2,773,799	2,846,916	2,417,480
Total equity	11,146,370	12,349,392	5,616,927	5,416,240	2,935,793

(1) Dividends for 2017 include a $0.04444 per share dividend paid to Colony stockholders of common stock on a pre-exchange basis, or $0.03 per share after giving effect to the Colony exchange ratio, representing a pro rata dividend for the pre-Merger period from January 1, 2017 through January 10, 2017.

(2) Includes debt associated with assets held for sale.

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Selected Quarterly Financial Information (Unaudited)

For the three months ended (In thousands, except per share data)	2018 Dec-31	2018 Sep-30	2018 Jun-30	2018 Mar-31	2017 Dec-31	2017 Sep-30	2017 Jun-30	2017 Mar-31
Statements of Operations Data:								
Total revenues	$ 634,244	$ 674,769	$ 689,599	$ 666,664	$ 720,344	$ 789,853	$ 679,372	$ 607,165
Income (loss) from continuing operations [(1)]	(407,695)	(17,414)	(42,689)	(27,275)	(294,098)	71,108	105,192	39,630
Net income (loss) [(1)]	(407,695)	(17,414)	(42,908)	(27,158)	(294,584)	72,589	105,192	52,190
Net income (loss) attributable to Colony Capital, Inc.	(370,077)	(42,790)	(65,413)	(41,327)	(335,738)	33,908	78,342	25,597
Net income (loss) attributable to common stockholders	(397,214)	(69,975)	(92,806)	(72,714)	(368,082)	1,650	38,555	(5,216)
Per Share Data:								
Income (loss) from continuing operations per share:								
Basic	$ (0.82)	$ (0.15)	$ (0.19)	$ (0.14)	$ (0.69)	$ 0.00	$ 0.07	$ (0.03)
Diluted	$ (0.82)	$ (0.15)	$ (0.19)	$ (0.14)	$ (0.69)	$ 0.00	$ 0.07	$ (0.03)
Net income (loss) attributable to common stockholders per share:								
Basic	$ (0.82)	$ (0.15)	$ (0.19)	$ (0.14)	$ (0.69)	$ 0.00	$ 0.07	$ (0.01)
Diluted	$ (0.82)	$ (0.15)	$ (0.19)	$ (0.14)	$ (0.69)	$ 0.00	$ 0.07	$ (0.01)
Dividends per common share [(2)]	$ 0.11	$ 0.11	$ 0.11	$ 0.11	$ 0.27	$ 0.27	$ 0.27	$ 0.27

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(1) Income (loss) from continuing operations and net income (loss) for the quarters ended September 30, June 30 and March 31, 2018 reflect the reclassification of $3.5 million, $1.1 million and $0.9 million, respectively, from net income attributable to noncontrolling interests to carried interest compensation expense. See Note 2 to our consolidated financial statements in Item 15 of this Annual Report.

(2) Dividends in the first quarter of 2017 consisted of (i) $0.04444 per share of common stock on a pre-exchange basis, or $0.03 per share after giving effect to the Colony exchange ratio, that was paid to Colony stockholders and represented a pro rata dividend for the pre-Merger period from January 1, 2017 through January 10, 2017; and (ii) $0.24 per share of common stock paid to Company. stockholders for the period from January 11, 2017 through March 31, 2017.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto included in "Item 15. Exhibits and Financial Statement Schedules" of this Annual Report.

Recent Developments

During the year ended December 31, 2018 and through February 2019, significant developments affecting our business and results of operations included the following:

Acquisitions, Dispositions and Fundraising

- Consummated the Combination on January 31, 2018 to create Colony Credit, a prominent publicly-listed commercial real estate credit REIT.
- Syndicated 30% of our portfolio of distressed CRE loans in Ireland to a third party investor for $67 million.
- Acquired a commercial real estate portfolio of 220 assets across France, primarily office and light industrial, in a sale-leaseback transaction alongside our sponsored credit fund for $479 million, financed with $344 million of debt at closing.
- Sold a net lease property in Norway and industrial properties in Spain for total proceeds of approximately $332 million, resulting in aggregate gains on sale of real estate of $89 million.
- Closed on a co-sponsored digital real estate infrastructure vehicle in partnership with Digital Bridge. Total callable commitments of the vehicle is $4 billion, inclusive of our capital commitments which is capped at $250 million.
- Participated in the acquisition of an interest in a multinational European hospitality group, AccorInvest, the property arm of AccorHotels, alongside a consortium of global institutional investors, in which we co-invested $58 million in our sponsored fund, together with $760 million of third party capital raised and managed by us.
- Continued fundraising in our open-end industrial fund with $385 million of additional capital raised in 2018, bringing total third party capital raised to date in our industrial platform to $1.5 billion.
- In January 2019, entered into a definitive agreement to acquire, together with the management team of Abraaj, the private equity platform of the Abraaj Group in Latin America, with the transaction expected to close during the first quarter of 2019, subject to certain approvals.
- In February 2019, acquired 54 buildings in our industrial segment (of which four buildings are under construction and expected to close over the next six months) at a purchase price of $1.16 billion, part of which includes the initiation of a new bulk industrial strategy that is expected to be complementary to, and synergistic with, our existing light industrial platform.

Financing and Capital Transactions

- Repurchased 61.4 million shares of our class A common stock for $350 million.
- Redeemed all outstanding shares of our Series D preferred stock for $200 million.

- Extended scheduled maturities on $319 million of debt principal in our healthcare segment to December 2019 and May 2020.
- Refinanced $628 million of debt financing in our hospitality portfolio, extending their scheduled maturities to 2020 and 2021.
- In the industrial segment, closed on a $500 million floating rate unsecured term debt and a $235 million first mortgage debt, and replaced our existing credit facility with an upsized $600 million facility in connection with the acquisition of a $1.16 billion portfolio in February 2019.

Corporate Governance Enhancements

In February 2019, the Company announced the implementation of a series of changes designed to enhance its corporate governance, and entered into a cooperation agreement with Blackwells Capital LLC, a stockholder of the Company. In connection with the cooperation agreement the Company's board of directors appointed two new independent directors to the board, and further agreed with Blackwells to mutually agree on one additional independent director to be appointed to the board. In addition, in accordance with the cooperation agreement, the Company's board of directors formed a Strategic Asset Review Committee composed solely of independent directors to review, evaluate and make recommendations to the board on issues relating to the Company's assets and business configuration.

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 Capital, Inc.		
Year Ended December 31,	2018	2017	2016	2018	2017	2016	2018	2017	2016
Healthcare	$ 592,455	$ 613,169	$ —	$ (283,516)	$ (64,767)	$ —	$ (199,277)	$ (51,428)	$ —
Industrial	290,956	243,172	196,357	26,749	37,497	(3,003)	4,246	12,537	(911)
Hospitality	849,513	815,831	—	(90,581)	(9,863)	—	(82,798)	(9,199)	—
CLNC	—	—	—	(65,366)	—	—	(61,457)	—	—
Other Equity and Debt	739,167	873,046	569,780	268,768	568,747	431,903	143,065	426,052	226,202
Investment Management	183,946	244,654	68,331	(128,255)	(170,168)	21,229	(120,286)	(182,038)	17,903
Amounts not allocated to segments	9,239	6,862	4,389	(222,974)	(426,059)	(159,403)	(203,100)	(393,815)	(127,876)
	$ 2,665,276	$ 2,796,734	$ 838,857	$ (495,175)	$ (64,613)	$ 290,726	$ (519,607)	$ (197,891)	$ 115,318

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
December 31, 2018								
Real estate, net	$ 4,995,298	$ 2,793,004	$ 3,668,824	$ —	$ 2,161,888	$ —	$ —	$ 13,619,014
Loans receivable, net	48,330	—	—	—	1,597,214	13,673	—	1,659,217
Equity investments	—	—	—	1,037,754	1,210,536	194,304	3,742	2,446,336
Debt securities, at fair value	—	—	—	—	96,833	—	—	96,833
Debt, net	3,213,992	1,064,585	2,603,599	—	2,309,347	—	848,434	10,039,957
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	—	—	—	3,135,450	17,671	—	3,223,762
Equity investments	—	—	—	—	1,479,455	207,642	3,742	1,690,839
Debt securities, at fair value	—	—	—	—	348,342	—	—	348,342
Debt, net	3,242,837	1,001,458	2,560,485	—	3,126,428	—	896,602	10,827,810

Comparison of the Year Ended December 31, 2018 to the Year Ended December 31, 2017

As a result of the Merger, the historical financial information presented 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 the Company effective from January 11, 2017. Additionally, as a result of the Combination which closed on January 31, 2018, the historical financial information in 2018 includes one month of operating results from the CLNY Contributed Portfolio prior to their contribution to Colony Credit; thereafter, 2018 reflects our share of results from our equity method investment in Colony Credit. Consequently, our results for 2018 are not directly comparable to 2017.

Consolidated Statements of Operations

(In thousands)	Year Ended December 31, 2018	2017	Change
Revenues			
Property operating income	$ 2,247,740	$ 2,113,837	$ 133,903
Interest income	215,367	416,625	(201,258)
Fee income	151,821	220,789	(68,968)
Other income	50,348	45,483	4,865
Total revenues	2,665,276	2,796,734	(131,458)
Expenses			
Property operating expense	1,233,659	1,113,509	120,150
Interest expense	595,551	574,822	20,729
Investment and servicing expense	67,420	67,597	(177)
Transaction costs	7,266	95,859	(88,593)
Placement fees	7,849	2,474	5,375
Depreciation and amortization	572,406	617,779	(45,373)
Provision for loan loss	43,034	19,741	23,293
Impairment loss	588,223	420,360	167,863
Compensation expense			
Cash and equity-based compensation	225,038	346,885	(121,847)
Carried interest and incentive fee compensation	12,181	—	12,181
Administrative expenses	97,000	110,982	(13,982)
Total expenses	3,449,627	3,370,008	79,619
Other income			
Gain on sale of real estate	167,231	137,370	29,861
Other gain (loss), net	51,706	(25,814)	77,520
Equity method earnings (losses)	(9,401)	285,151	(294,552)
Equity method earnings—carried interest	19,961	—	19,961
Loss before income taxes	(554,854)	(176,567)	(378,287)
Income tax benefit	59,781	98,399	(38,618)
Loss from continuing operations	(495,073)	(78,168)	(416,905)
Income (loss) from discontinued operations	(102)	13,555	(13,657)
Net loss	(495,175)	(64,613)	(430,562)
Net income (loss) attributable to noncontrolling interests:			
Redeemable noncontrolling interests	(3,708)	23,543	(27,251)
Investment entities	67,994	129,996	(62,002)
Operating Company	(39,854)	(20,261)	(19,593)
Net loss attributable to Colony Capital, Inc.	(519,607)	(197,891)	(321,716)
Preferred stock redemption	(3,995)	4,530	(8,525)
Preferred stock dividends	117,097	130,672	(13,575)
Net loss attributable to common stockholders	$ (632,709)	$ (333,093)	(299,616)

Property Operating Income and Property Operating Expenses

(In thousands)	Year Ended December 31, 2018	2017	Change
Property operating income:			
Healthcare	$ 586,855	$ 606,992	$ (20,137)
Industrial	287,181	240,782	46,399
Hospitality	848,760	815,413	33,347
Other Equity and Debt	524,944	450,650	74,294
	$ 2,247,740	$ 2,113,837	133,903
Property operating expenses:			
Healthcare	$ 271,166	$ 274,528	$ (3,362)
Industrial	83,003	67,196	15,807
Hospitality	563,453	537,884	25,569
Other Equity and Debt	316,037	233,901	82,136
	$ 1,233,659	$ 1,113,509	120,150

Healthcare—Property operating income and expenses for the year ended December 31, 2018 and 2017 are not directly comparable as 2017 results exclude 10 days of pre-Merger results. After giving effect to the 10-day pre-Merger period in 2017, property operating income and expenses decreased $35.8 million and $10.7 million, respectively, in 2018 compared to 2017. These decreases were primarily due to three skilled nursing facilities that were converted into net lease properties in November 2017 (which resulted in income recorded net of certain operating expenses), as well as sales of our non-core healthcare properties. Additionally, property operating income was also reduced by the accelerated amortization of above-market leases following lease modifications in 2018, as well as rent concessions granted in 2018, both of which were partially offset by termination fees from an early lease termination in 2018.

Industrial—Property operating income and expenses increased from 2017 to 2018 as a result of continued growth in our industrial portfolio. At December 31, 2018 and December 31, 2017, our industrial portfolio consisted of 400 and 369 buildings, respectively, with a net addition of 31 buildings and approximately 5.2 million rentable square feet.

Comparing our industrial portfolio on a same store basis for 2018 and 2017, the increase in property operating income reflects generally higher rental rates on new and renewal leases as well as higher tenant reimbursements. Average occupancy, however, decreased to 94.3% in 2018 from 95.2% in 2017, partially due to delays in tenant build-outs which in turn delayed lease commencements. Same store property operating expenses also increased during this period, primarily due to higher real estate taxes, repair and maintenance costs as well as utility costs, which are, for the most part, recoverable from our tenants.

($ in thousands)	Year Ended December 31, 2018	2017	% change
Industrial:[(1)]			
Same store property operating income	$ 189,278	$ 182,128	3.9%
Same store property operating expenses	55,583	50,610	9.8%

(1) The same store portfolio is defined once a year at the beginning of the current calendar year and includes buildings that were owned, stabilized and held-for-use throughout the entirety of both the current and prior years. Stabilized properties are properties held for more than one year or that are greater than 90% leased. Properties acquired, disposed or held-for-sale after the same store portfolio is determined are excluded. Our same store portfolio consisted of 257 buildings.

Hospitality—Property operating income and expenses in 2018 and 2017 are not directly comparable as 2017 results exclude 10 days of pre-Merger results. After giving effect to the 10-day pre-Merger period in 2017, property operating income and expenses increased $16.8 million and $13.0 million, respectively. The overall increase can be attributed to a 2.1% higher revenue per available room ("RevPAR"), which in turn was driven by higher occupancy, increasing from 74.1% in 2017 to 75.0% in 2018, supported by strong corporate, group and special event demand as well as post-renovation demand. In terms of property operating expenses, the increase was driven largely by higher labor costs, some of which was related to a franchisor's new food and beverage wage rate program, and to a lesser extent, by a combination of higher operating expenses which are tied to revenues, property taxes as well as property operations and maintenance.

Other Equity and Debt—Property operating income and expenses increased by $74.3 million and $82.1 million, respectively, in 2018 compared to 2017. The increases are primarily attributable to the THL Hotel Portfolio that was acquired through a consensual foreclosure in July 2017, which contributed an additional $150.9 million hotel operating income and $103.8 million of hotel operating expenses in 2018; and to a lesser extent, new real estate acquisitions in 2018. These increases were partially offset by decreases resulting from continued sales of our non-core properties, deconsolidation of a real estate investment following a third party syndication in September 2017, lease termination fee earned in 2017, as well as our contribution of $219.7 million of real estate to Colony Credit on January 31, 2018 which had resulted in decreases of $21.9 million in property operating income and $7.2 million in property operating expenses.

Interest Income

Interest income decreased $201.3 million in 2018 compared to 2017. The decrease can be attributed to our contribution of $1.3 billion of loans to Colony Credit on January 31, 2018 which reduced interest income by $130.7 million, $30.2 million decrease in interest income from sale and deconsolidation of our securitization trusts in the second quarter of 2018, consensual foreclosure of the THL Hotel Portfolio loan in July 2017 which had previously contributed interest income of $18.8 million, as well as decreases due to continuing loan repayments, payoffs and sales. These decreases more than offset new loan originations and additional drawdowns in 2018.

Fee Income

Fee income is earned from the following sources:

	Year Ended December 31,		
(In thousands)	2018	2017	Change
Institutional funds	$ 56,002	$ 60,988	$ (4,986)
Non-traded REITs	29,597	88,081	(58,484)
Public companies (Colony Credit, NRE)	65,258	14,003	51,255
Broker-dealer, Townsend funds and other clients	964	57,717	(56,753)
	$ 151,821	$ 220,789	(68,968)

Fee income decreased $69.0 million in 2018 compared to 2017, resulting from:

- sale of the Townsend investment management business in December 2017, which had contributed $55.4 million of fee income in 2017;
- $18.2 million decrease in fee income from NorthStar Healthcare Income, Inc. ("NorthStar Healthcare") following an amendment to its advisory agreement effective in 2018 that changed its management fee basis from 1% of gross assets to 1.5% of net asset value ("NAV") and no longer provides for acquisition fees, coupled with a decrease in its annual NAV basis effective December 2018; and
- net decrease of $5.0 million in our institutional funds business as continued realization of investments by liquidating funds more than offset fees from new capital raised.

The decreases were partially offset by:

- higher fees from NRE, specifically $6.4 million increase in base management fees as a result of a higher NAV in 2018 as well as $5.4 million of incentive fees earned in 2018; and
- an approximately $2.6 million net increase in fee income from Colony Credit, which replaced fees from non-traded REITs, NorthStar I and NorthStar II, and has a larger fee base as we converted our on-balance sheet equity into fee generating assets under management through contribution of the CLNY Contributed Portfolio to Colony Credit.

Other Income

Other income increased $4.9 million in 2018 compared to 2017, attributable primarily to (i) amounts grossed up in other income and equity-based compensation expense beginning in 2018 related to equity awards granted by Colony Credit and NRE to the Company and certain of its employees, and to a lesser extent, (ii) higher dividend income from a sponsored private fund that was consolidated in the third quarter of 2017, (iii) higher property management fee income with the growth of our industrial portfolio, and (iv) higher CDO advisory fees following a deconsolidation of a CDO securitization trust, all of which were partially offset by (v) lower recovery income from our loan portfolios which continue to resolve over time, and (vi) lower cost reimbursement income from our sponsored retail companies, in particular following the Combination.

Interest Expense

(In thousands)	Year Ended December 31, 2018	2017	Change
Investment-level financing:			
Healthcare	$ 194,898	$ 185,256	$ 9,642
Industrial	42,713	38,566	4,147
Hospitality	153,395	134,729	18,666
Other Equity and Debt	150,032	161,993	(11,961)
Corporate-level debt	54,513	54,278	235
	$ 595,551	$ 574,822	20,729

The $20.7 million net increase in interest expense in 2018 compared to 2017 can be attributed to the following:

Healthcare—Interest expense in 2018 and 2017 are not directly comparable as 2017 excludes 10 days of pre-Merger interest expense. After giving effect to the 10-day pre-Merger period in 2017, there was a marginal increase in interest expense of approximately $3.9 million in 2018. This can be attributed to the impact of higher LIBOR on variable rate debt and additional cost incurred in 2018 related to a debt defeasance, prepayment of debt as well as extinguishment of debt, all of which were largely offset by debt payoffs from sales of our non-core healthcare properties and continued debt paydowns over time.

Industrial—Net increase of $4.1 million in interest expense resulted from additional debt obtained to fund new acquisitions, notwithstanding capitalization of approximately $0.6 million of interest financing development activities in 2018, as well as higher unused fees on our line of credit following an increase in capacity in 2018. Both of these were partially offset by additional interest expense incurred in 2017 through accelerated amortization of deferred financing costs when we refinanced our variable rate acquisition debt.

Hospitality—Interest expense in 2018 and 2017 are not directly comparable as 2017 excludes 10 days of pre-Merger interest expense. After giving effect to the 10-day pre-Merger period in 2017, interest expense increased $15.6 million in 2018. This resulted primarily from the impact of higher LIBOR on variable rate debt, additional debt obtained in 2018, and higher deferred financing cost expensed in 2018, all of which were partially offset by lower debt discount expensed in 2018 as the discount is expensed over a longer period following an extension of debt maturity.

Other Equity and Debt—Interest expense decrease approximately $12.0 million, driven by: (i) $25.2 million decrease in interest expense related to approximately $380 million of debt contributed to Colony Credit in January 2018, (ii) $11.7 million decrease in interest expense from the sale and deconsolidation of our securitization trusts in the second quarter of 2018, (iii) $4.1 million decrease in interest expense from deconsolidation of a real estate investment following a third party syndication in September 2017, and (iv) the effect of debt payoffs from continued sales and resolutions of our non-core investments. These decreases were partially offset by an increase of $36.2 million in interest expense due to debt assumed in the consensual foreclosure of the THL Hotel Portfolio in July 2017.

Corporate-level debt—The marginal increase in interest expense in 2018 reflects largely the effect of higher LIBOR on our junior subordinated debt, partially offset by lower utilization of our credit line.

Investment and Servicing Expense

There was a marginal $0.2 million net decrease in investment and servicing costs in 2018 compared to 2017. While higher expenses were incurred in 2018 through write-offs of cost reimbursement, organization and offering costs receivables related to certain retail companies as well as a full year of servicing and management fees in 2018 on the THL Hotel Portfolio that was foreclosed in July 2017, there was lower servicing fees on our loan portfolios due to resolutions. Additionally, 2017 included a non-employee RSU award that was fully vested in September 2017, expenses associated with the Townsend business that was sold in December 2017 and the broker-dealer business that was contributed to the Colony S2K joint venture in April 2018, as well as fees incurred in connection with debt refinancing and restructuring.

Transaction Costs

Significant transaction costs totaling $95.9 million were incurred in 2017, of which $86.2 million was related to the Merger, consisting primarily of professional fees for legal, financial advisory, accounting and consulting services, including $66.8 million of investment banking fees. We also incurred transaction costs in connection with the acquisition of the CPI group, foreclosure of the THL Hotel Portfolio and acquisition of a distressed loan portfolio in Ireland in 2017. In contrast, transaction costs of $7.3 million in 2018 consisted primarily of $3.3 million incurred related to our pending acquisition of the Latin American investment management business of The Abraaj Group.

Placement Fees

Placement fees were $7.8 million in 2018 and $2.5 million in the prior year. The higher fees in 2018 are attributed to the fundraising for our co-investment vehicle in AccorInvest while fees incurred in 2017 were in connection with fundraising for our open-end industrial fund and our distressed credit fund.

Depreciation and Amortization

The net decrease of $45.4 million in depreciation and amortization in 2018 compared to 2017 can be attributed to the following: (i) contribution of real estate to Colony 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; (ii) deconsolidation of a real estate investment following a third party syndication in September 2017; and (iii) lower overall amortization on our investment management intangible assets following the sale of Townsend as well as write-off of management contracts, NorthStar trade name and customer relationships. These decreases were partially offset by (iv) higher expenses in 2018 on assets acquired through the Merger as 2017 results exclude 10 days of pre-Merger activities; (v) acquisition of the THL Hotel Portfolio in July 2017, and (vi) continued growth in our industrial portfolio.

Provision for Loan Losses

	Year Ended December 31,		
(In thousands)	2018	2017	Change
Non-PCI loans	$ 22,557	$ 7,534	$ 15,023
PCI loans	20,477	12,207	8,270
Total provision for loan losses	$ 43,034	$ 19,741	23,293

Provision for loan losses was $23.3 million higher in 2018 compared to 2017, driven primarily by non-PCI loans in maturity default in 2018, losses on loan sales, including the sale of our interest in a securitization trust that resulted in a deconsolidation of the trust in 2018, as well as loan losses estimated based upon recoverability of underlying collateral value. Additionally, there was higher recovery in provision on purchased credit-impaired ("PCI") loans in 2017 of $6.3 million compared to $4.1 million in 2018.

Of the total provision for loan losses, $17.1 million and $10.9 million in 2018 and 2017, respectively, were attributed to noncontrolling interests in investment entities.

Impairment Loss

	Year Ended December 31,		
(In thousands)	2018	2017	Change
Healthcare	$ 217,524	$ 14,375	$ 203,149
Industrial	948	44	904
Hospitality	72,469	—	72,469
Other Equity and Debt	79,432	30,867	48,565
Investment Management	217,850	375,074	(157,224)
	$ 588,223	$ 420,360	167,863

Healthcare—In the fourth quarter of 2018, we reassessed the hold period on our healthcare properties, taking into consideration our ability to refinance the related debt with upcoming maturities. We applied a probability-weighted approach to different hold periods for each property depending upon our expected ability to refinance the related debt and determined that certain properties were impaired due to a shortened expected hold period. Aggregate impairment was measured at $212.0 million. Remaining impairment in 2018 relates to properties with hurricane-related damage that were initially written down in 2017. In 2017, impairment also included write-downs on properties that were sold or held for sale and RIDEA properties that were converted into net lease arrangements.

Industrial—Impairment in both 2018 and 2017 relate to properties sold or held for sale.

Hospitality—Impairment of $62.1 million was recorded in September 2018 on certain hotels for which we adopted a sales strategy in the third quarter of 2018. Prior to the third quarter of 2018, we held a long-term hold strategy. In the fourth quarter of 2018, a majority of these hotels were transferred from held-for-investment to held-for-sale. Remaining $10.3 million impairment was recorded on one hotel impacted by competition from new supply in the market in mid-2018.

Other Equity and Debt—Impairment was higher at $79.4 million in 2018 compared to $30.9 million in 2017. The increase resulted from a $29.5 million impairment on a portfolio of multi-tenant offices that are held for sale, $13.3 million impairment on the THL Hotel Portfolio based upon their selling prices and additional write-downs on European properties as they were sold or classified as held for sale.

Investment Management—Impairment was taken on various investment management intangible assets in both years. The impairment loss in 2017 is attributed primarily to the $316.0 million write-down in goodwill in 2017. Goodwill was not further impaired in 2018. On the other hand, higher impairments were taken on management contract intangibles in 2018, specifically a $139.0 million write-off of intangible assets related to the NorthStar I and NorthStar II management contracts that were terminated upon closing of the Combination. In 2017, the significant management contract impairment of $55.3 million resulted from an amendment to the NorthStar Healthcare advisory agreement. Other notable impairments in 2018 included write-offs of the NorthStar trade name of $59.5 million and retail customer relationship intangible of $10.1 million.

Of the $588.2 million and $420.4 million of total impairment in 2018 and 2017, respectively, $96.2 million and $23.2 million were attributable to noncontrolling interests in investment entities, respectively.

Compensation Expense

The following table provides the components of compensation expense.

	Year Ended December 31,		
(In thousands)	2018	2017	Change
Cash compensation and benefits	$ 149,165	$ 167,606	$ (18,441)
Carried interest and incentive fee compensation	12,181	—	12,181
Equity-based compensation	43,473	33,095	10,378
	204,819	200,701	4,118
Merger-related compensation expense			
Equity-based compensation for replacement awards to former NSAM executives	3,297	116,725	(113,428)
Severance and other employee transition	9,877	29,459	(19,582)
	13,174	146,184	(133,010)
Restructuring-related compensation expense			
Acceleration of equity-based compensation	4,734	—	4,734
Severance	14,492	—	14,492
	19,226	—	19,226
Total compensation expense	$ 237,219	$ 346,885	(109,666)

Compensation expense for 2017 included $133.0 million of incremental Merger-related costs, pertaining primarily to replacement equity awards issued to certain NSAM executives which vested one year from the Closing Date. On the other hand, 2018 included $19.2 million of compensation costs related to the Company's corporate restructuring, specifically severance costs and acceleration of equity-based compensation.

Excluding the effects of above items, compensation expense increased $4.1 million in 2018 compared to 2017. This was driven by $12.2 million of carried interest and incentive fee compensation accrued in 2018, of which $2.7 million relates to NRE incentive fees that were recognized during the fourth quarter of 2018, while the remaining amount relates to unrealized carried interest on certain of our sponsored private funds. All such amounts are generally not paid to management or other employees until the related carried interest and incentive fees are distributed by the investment vehicles to the Company. There was also $10.4 million of higher equity-based compensation in 2018 from new equity grants, which included an $8.7 million gross-up of equity-based compensation related to equity awards granted by Colony Credit and NRE to the Company and its employees. The overall increase in 2018 was largely offset by decreases in compensation costs in 2018 in connection with the Townsend business that was sold in December 2017 and the broker-dealer business that was contributed to Colony S2K in April 2018, notwithstanding significant severance costs incurred in 2018 in connection with the Colony S2K transaction.

Administrative Expenses

Administrative expenses were $97.0 million in 2018, a $14.0 million decrease from 2017, largely due to a decrease in expenses incurred in connection with integrating the operations of the combined entities following the Merger, including lower overall rent expense, lower administrative expenses related to the Townsend business that was sold in December 2017 and the broker-dealer business which was contributed to Colony S2K in April 2018.

Gain on Sale of Real Estate

(In thousands)	Year Ended December 31, 2018	2017	Change
Industrial	$ 7,633	$ 24,612	$ (16,979)
Other Equity and Debt	159,598	112,758	46,840
	$ 167,231	$ 137,370	29,861

Industrial—The $7.6 million gain in 2018 was realized from sales of nine buildings. In 2017, the $24.6 million gain was generated predominantly from sales of two industrial portfolios totaling 26 buildings in the Chicago and Atlanta markets, which contributed gains of $17.1 million in aggregate.

Other Equity and Debt—We recognized gains totaling $159.6 million in 2018 and $112.8 million in 2017, of which $142.5 million and $99.8 million, respectively, resulted from sales of our European properties, the largest being $60.3 million from the sale of two Spanish industrial portfolios in November 2018, $28.6 million from the sale of a net lease office property in Norway in August 2018 and $68.1 million from the sale of two net lease properties in Switzerland in July 2017. Other notable gains include $11.2 million from a U.S. multifamily property and $6.0 million from a U.S. net lease property in the second quarters of 2018 and 2017, respectively.

Gain on sale of $73.8 million and $38.2 million in 2018 and 2017, respectively, were attributable to noncontrolling interests in investment entities.

Equity Method Earnings (Losses)

(In thousands)	Year Ended December 31, 2018	2017	Change
CLNC	$ (65,366)	$ —	$ (65,366)
Other Equity and Debt	99,400	265,079	(165,679)
Investment Management	(23,474)	20,072	(43,546)
	$ 10,560	$ 285,151	(274,591)

CLNC—Our share of net loss in Colony Credit for 2018 was $65.4 million. The net loss was driven by a variety of factors, including: (i) significant provision for loan loss recorded on several loans, including four New York hospitality loans, four loans cross-collateralized by a variety of property types, which were foreclosed on in early 2019 with insufficient collateral value to cover the loan carrying value, and three loans collateralized by retail properties; (ii) property impairments due, in part, to a recent reduction in estimated holding period and increased vacancy; (iii) fair value loss on secondary private equity fund investments; and (iv) significant transaction costs incurred in connection with the closing of the Combination.

Other Equity and Debt—Equity method earnings in 2017 included a $191.2 million gain from the sale of our 14% interest in Starwood Waypoint Homes. Excluding this gain, earnings from investments in unconsolidated ventures was $25.5 million higher in 2018, attributable primarily to (i) new or additional fundings made on our preferred equity and ADC loan investments, (ii) increase in fair value of our AccorInvest and digital infrastructure investments held through our sponsored or co-sponsored funds, and (iii) higher net income from our interest in NRE resulting from a significant gain on sale of real estate by NRE. These increases were partially offset by (iv) reduction in earnings resulting from the contribution of certain investments to Colony Credit in January 2018, and (v) net loss from our private equity fund investments compared to net gain in the prior year.

Investment Management—We recorded losses of $43.4 million in 2018 and earnings of $20.1 million in 2017. The losses primarily resulted from $55.5 million of impairment on investments in two third party asset managers. This was partially offset by $20.0 million of carried interest allocation from our sponsored private funds, with carried interest calculated based on fair value of underlying investments of the funds, which as of December 31, 2018, was unrealized. 2018 also included $6.1 million of income, primarily management fees, from our joint venture with Digital Bridge that co-manages our digital infrastructure vehicle.

Equity method earnings of $29.5 million and $27.1 million in 2018 and 2017, respectively, were attributed to noncontrolling interests in investment entities.

Other Gain (Loss), Net

We recognized a gain of $51.7 million in 2018 and loss of $25.8 million in 2017, resulting primarily from the following:

- $34.0 million gain in 2018 compared to a $13.0 million loss in 2017 on a non-designated out-of-money interest rate swap assumed through the Merger due to rising interest rates. The swap was intended to hedge future refinancing risk on certain NRF mortgage debt;
- $10.9 million gain from deconsolidation of consolidated N-Star CDOs in 2018;
- $10.7 million gain from sale of CRE securities in 2018;
- Lower impairment on CRE securities of $8.2 million in 2018 compared to $33.0 million in 2017;
- $4.6 million loss upon write-off of CRE securities in 2017;
- $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 CLNY Investment Entities, retained through the Company's interest in Colony Credit (refer to Note 4 of the consolidated financial statements); and
- $4.0 million gain from sale of loans in 2018.

The above factors were partially offset by:

- Lower unrealized fair value gain recorded on the contingent consideration liability in connection with Colony's management internalization of $1.7 million in 2018 compared to $20.6 million in 2017, with the liability settled in 2018 (refer to Note 14 of the consolidated financial statements); and
- $5.1 million loss in 2018 compared to $6.8 million gain in 2017 on remeasurement of a foreign currency loan receivable in our healthcare segment.

Income Tax Benefit

We recorded income tax benefit of $59.8 million in 2018 and $98.4 million in 2017.

The higher income tax benefit in 2017 was driven by deferred tax benefit recognized upon amortization of our investment management contract intangible assets and current tax benefit recorded in connection with severance costs. Additionally, 2017 also included a provisional net deferred tax benefit of $24.9 million as a result of the Tax Cuts and Jobs Act enacted in December 2017, where we remeasured certain deferred tax assets and liabilities based upon the rates at which they are expected to reverse in the future, which is generally 21% for U.S. federal corporate income tax purposes.

In 2018, the income tax benefit resulted primarily from the write-off of deferred tax liabilities in connection with the write-off of the management contract intangible assets for NorthStar I and NorthStar II as the contracts were terminated upon closing of the Combination and for NorthStar RXR/NY Metro upon termination of its offering period. We also recognized foreign income tax expense in connection with the sale of certain European real estate which partially offset some of the income tax benefit recorded during the year.

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 loss from discontinued operations in 2018 from operations of hotels held for sale in the THL Hotel Portfolio acquired in July 2017, while the $13.6 million net income from discontinued operations in 2017 was derived predominantly from operations of our manufactured housing portfolio during the approximately two month period prior to its disposition in March 2017.

Preferred Stock Redemption

In 2018, approximately $4.0 million was recorded to decrease net loss attributable to common stockholders, representing the excess of carrying value over the redemption price of $25.00 per share of Series D preferred stock which was redeemed in full during 2018. This was because the Series D preferred stock carrying value included a premium that was recognized based upon its trading price at the closing of the Merger.

By comparison, a $4.5 million charge against net income available to common stockholders was recorded in 2017, representing the excess of the redemption price at $25.00 per share over the carrying value of our Series A, Series B, Series C and Series F preferred stock which were redeemed in full or in part during 2017.

Comparison of the Year Ended December 31, 2017 to the Year Ended December 31, 2016

As a result of the Merger, comparisons between 2017 and 2016 financial information of the Company may not be meaningful. The historical financial information included in this Annual Report as of any date, or for any periods, on or prior to January 10, 2017, represents the pre-Merger financial information of Colony on a stand-alone basis. The results of operations of NSAM and NRF are incorporated into the Company's results effective from January 11, 2017. Following the Merger, the healthcare and hotel real estate portfolios acquired from NRF formed the Company's new healthcare and hospitality segments, respectively, while the investment management business acquired from NSAM has expanded Colony's existing investment management segment.

Consolidated Statements of Operations

	Year Ended December 31,		
(In thousands)	2017	2016	Change
Revenues			
Property operating income	$ 2,113,837	$ 371,082	$ 1,742,755
Interest income	416,625	385,851	30,774
Fee income	220,789	67,731	153,058
Other income	45,483	14,193	31,290
Total revenues	2,796,734	838,857	1,957,877
Expenses			
Property operating expense	1,113,509	118,461	995,048
Interest expense	574,822	170,083	404,739
Investment and servicing expense	67,597	23,666	43,931
Transaction costs	95,859	40,605	55,254
Placement fees	2,474	900	1,574
Depreciation and amortization	617,779	171,682	446,097
Provision for loan loss	19,741	35,005	(15,264)
Impairment loss	420,360	11,717	408,643
Cash and equity-based compensation	346,885	111,838	235,047
Administrative expenses	110,982	50,799	60,183
Total expenses	3,370,008	734,756	2,635,252
Other income			
Gain on sale of real estate	137,370	73,616	63,754
Other gain (loss), net	(25,814)	18,416	(44,230)
Equity method earnings	285,151	99,375	185,776
Income (loss) before income taxes	(176,567)	295,508	(472,075)
Income tax benefit (expense)	98,399	(4,782)	103,181
Income (loss) from continuing operations	(78,168)	290,726	(368,894)
Income from discontinued operations	13,555	—	13,555
Net income (loss)	(64,613)	290,726	(355,339)
Net income (loss) attributable to noncontrolling interests:			
Redeemable noncontrolling interests	23,543	—	23,543
Investment entities	129,996	163,084	(33,088)
Operating Company	(20,261)	12,324	(32,585)
Net income (loss) attributable to Colony Capital, Inc.	(197,891)	115,318	(313,209)
Preferred stock redemption	4,530	—	4,530
Preferred stock dividends	130,672	48,159	82,513
Net income (loss) attributable to common stockholders	$ (333,093)	$ 67,159	$ (400,252)

Property Operating Income and Expenses

(In thousands)	Year Ended December 31, 2017	2016	Change
Property operating income:			
Healthcare	$ 606,992	$ —	$ 606,992
Industrial	240,782	194,670	46,112
Hospitality	815,413	—	815,413
Other Equity and Debt	450,650	176,412	274,238
	$ 2,113,837	$ 371,082	1,742,755
Property operating expenses:			
Healthcare	$ 274,528	$ —	$ 274,528
Industrial	67,196	55,924	11,272
Hospitality	537,884	—	537,884
Other Equity and Debt	233,901	62,537	171,364
	$ 1,113,509	$ 118,461	995,048

Healthcare—Subsequent to the Merger, we earn resident fee income and rental income from our healthcare portfolio as well as hotel operating income from our hotel portfolio acquired from NRF, and incur corresponding operating expenses. We also acquired other properties through the Merger, mainly net lease, multifamily and multi-tenant offices, included in our other equity and debt segment. These acquired assets, in aggregate, generated property operating income of approximately $1,478 million and incurred property operating expenses of $834.5 million in 2017.

Industrial—Increases in total property operating income and expenses in our industrial portfolio reflect the continued growth of our portfolio. As of December 31, 2017 and 2016, our industrial portfolio consisted of 369 and 346 buildings, respectively, with a net addition of 23 buildings and 5.7 million rentable square feet in 2017.

Comparing our industrial portfolio on a same store basis between 2017 and 2016, the increase in property operating income reflects an increase in average occupancy from 93.2% to 93.9%, and generally higher rental rates on new and renewal leases. Same store property operating expenses also increased during this period, primarily due to higher real estate taxes, partially offset by lower repair and maintenance costs.

($ in thousands)	Year Ended December 31, 2017	2016	% change
Industrial: [1]			
Same store property operating income	$ 178,815	$ 173,505	3.1%
Same store property operating expenses	51,132	49,253	3.8%

[1] Our same store portfolio consisted of the same 284 buildings that were owned during 2017 and 2016.

Other Equity and Debt—Excluding properties acquired through the Merger, property operating income and property operating expenses related to our remaining other equity and debt portfolio increased $219.0 million and $149.2 million, respectively, in 2017. The increases were driven by $194.1 million of hotel operating income and $137.9 million of hotel operating expenses from the THL Hotel Portfolio which we acquired through a consensual foreclosure in July 2017.

Interest Income

Interest income increased by $30.8 million in 2017 compared to 2016. The increase can be attributed to interest earning assets acquired through the Merger, which contributed $89.1 million of interest income from CRE debt securities and loans receivable. Excluding interest earning assets from the Merger, the remaining interest income decreased $58.3 million between 2017 and 2016 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:

(In thousands)	Year Ended December 31, 2017	2016	Change
Institutional funds	$ 60,988	$ 67,731	$ (6,743)
Non-traded REITs	88,081	—	88,081
Public company (NRE)	14,003	—	14,003
Broker-dealer, Townsend private funds and other clients	57,717	—	57,717
	$ 220,789	$ 67,731	153,058

For the period following the Merger, we earned $104.4 million of additional fee income from the businesses acquired from NSAM, primarily management fees from non-traded REITs and NRE, as well as $55.4 million of management fees, incentive income and advisory fees from Townsend private funds and clients. We sold our interest in Townsend on December 29, 2017.

Fee income from Colony private funds decreased $6.7 million in 2017 compared to 2016 as additional fee income from private funds that we sponsor, predominantly from our distressed credit and industrial funds, was more than offset by fee concessions and continued realization of investments by various legacy private funds that we manage.

Other Income

The majority of other income in 2017 consisted of: (i) $25.6 million of cost reimbursements, of which $19.5 million was from managing the operations of the retail companies, and (ii) $8.2 million of expense recoveries from borrowers and other recoveries from loan resolutions. In 2016, other income was made up of $4.3 million of cost reimbursements, with the remainder attributed primarily to recoveries related to our loan investments.

Interest Expense

(In thousands)	Year Ended December 31, 2017	2016	Change
Investment-level financing:			
Healthcare	$ 185,256	$ —	$ 185,256
Industrial	38,566	44,834	(6,268)
Hospitality	134,729	—	134,729
Other Equity and Debt	161,993	80,503	81,490
Corporate-level debt	54,278	44,746	9,532
	$ 574,822	$ 170,083	404,739

The significant net increase in interest expense in 2017 compared to 2016 was a result of the following:

- $354.7 million of interest expense on $6.5 billion of investment-level non-recourse debt assumed in the Merger, financing NRF assets in the healthcare, hospitality as well as other equity and debt segments;
- $6.3 million decrease in interest expense in our industrial segment due to (i) lower average debt balance in 2017 as we utilized more third party capital to fund the growth in our industrial portfolio in 2017, and (ii) lower financing costs on new fixed rate debt relative to our variable rate acquisition debt which was paid off in 2017;
- $46.7 million net increase in interest expense on legacy Colony debt in the other equity and debt segment resulting from debt assumed through the acquisition of CPI and THL Hotel Portfolio as well as additional investment-level financing. These increases were partially offset by decreases in interest expense due to debt paydowns, primarily from loan resolutions and sales of real estate investments, particularly in our non-core hotel portfolio; and
- $9.5 million net increase in interest expense on corporate-level debt driven by interest expense incurred in 2017 on NRF exchangeable notes and junior subordinated debt assumed in the Merger, partially offset by a decrease in interest expense on our corporate credit facility. There was lower utilization of our credit line in 2017 as we applied some of the net proceeds from the sale of our manufactured housing portfolio for working capital purposes.

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 $43.9 million increase in costs between 2017 and 2016 can be attributed predominantly to expenses incurred in relation to assets and service arrangements acquired from NRF and NSAM.

Transaction Costs

In 2017, transaction costs of $86.2 million were incurred in connection with the Merger. These costs consisted primarily of 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. Approximately $66.8 million of transaction costs represent fees paid to investment bankers that were contingent upon consummation of the Merger. Excluding Merger-related costs, remaining $9.6 million of transaction costs were related mainly to new acquisitions, restructuring of investments and the Combination transaction to form Colony NorthStar Credit, a new publicly-traded commercial real estate credit REIT.

In 2016, transaction costs included primarily (i) $19.4 million related to the Merger; and (ii) $12.4 million on the settlement of a foreign administrative tax assessment pertaining to an investment held by a legacy fund that has been liquidated. Remaining transaction costs pertained to acquisition and restructuring of investments in our other equity and debt segment.

Depreciation and Amortization

The significant increase in 2017 was driven by the real estate and related intangible assets as well as the investment management intangible assets acquired from NRF and NSAM, respectively, which contributed $394.3 million of depreciation and amortization expense in aggregate. Excluding assets acquired in the Merger, the remaining real estate and intangible assets recorded a $51.8 million increase in depreciation and amortization, resulting largely from acquisitions of CPI and THL Hotel Portfolio as well as continued growth in our industrial portfolio. This increase was partially offset by decreases in depreciation and amortization as a result of real estate classified as held for sale or sold in 2017, mainly in our non-core hotel and European portfolios.

Provision for Loan Losses

	Year Ended December 31,		
(In thousands)	2017	2016	Change
Non-PCI loans	$ 7,534	$ 5,815	$ 1,719
PCI loans	12,207	29,190	(16,983)
Total provision for loan losses [1]	$ 19,741	$ 35,005	(15,264)

[1] Excludes immaterial provision on interest receivable in 2016.

Provision for loan losses in both years primarily reflected a decrease in expected cash flows on PCI loans. In 2017, this was net of a $6.3 million reversal of provision following higher recoveries, mainly upon the bulk sale of a portfolio of PCI loans. Our PCI loan portfolio has continued to resolve over time and outstanding loan balances have correspondingly declined.

Provision for loan losses on non-PCI loans in 2017 related primarily to a development loan due to revised cash flow projections, decline in collateral value on a loan in the healthcare segment, as well as certain defaulted loans and securitized loans that were subsequently resolved. In 2016, provision for loan losses on non-PCI loans were driven primarily by a decrease in underlying collateral values and losses on a troubled debt restructure ("TDR") loan.

Of the total provision for loan losses, $10.9 million in 2017 and $21.2 million in 2016 were attributed to noncontrolling interests in investment entities.

Impairment Loss

(In thousands)	Year Ended December 31, 2017	2016	Change
Healthcare	$ 14,375	$ —	$ 14,375
Industrial	44	407	(363)
Other Equity and Debt	30,867	10,990	19,877
Investment Management	375,074	320	374,754
	$ 420,360	$ 11,717	408,643

Healthcare—Impairment loss of approximately $9.8 million was recorded on six properties that were sold or held for sale in 2017 based upon their contracted sales prices, consisting of a medical office building, hospitals and skilled nursing facilities. Remaining impairment loss was incurred upon the conversion of three RIDEA properties into net lease arrangements as well as due to property damage resulting from hurricanes Harvey and Irma, net of insurance recoveries.

Industrial—Impairment loss in the industrial segment in both years reflect selling costs on properties sold.

Other Equity and Debt—Impairment in 2017 was $19.9 million higher than 2016, attributable mainly to: (i) a $15.7 million increase in impairment on our European real estate due to a reduction in estimated holding period, tenant vacancy and exposure to the retail and leisure markets in the United Kingdom or otherwise decreases in value of properties sold or held for sale; and (ii) $4.0 million of higher impairment on our remaining non-core limited service hotels which were fully disposed of in 2017.

Investment Management—The impairment recognized in 2017 consisted of the following:

- $316.0 million write-down in goodwill, which represents the excess in carrying value of our investment management reporting unit, including its assigned goodwill, over its estimated fair value (refer to Note 8 to the consolidated financial statements); and
- write-down of management contract intangibles for non-traded REITs that were acquired through the Merger, specifically $55.3 million for NorthStar Healthcare based upon an amendment to its advisory agreement as part of our efforts to preserve liquidity in NorthStar Healthcare and $3.7 million for NorthStar/RXR NY Metro Real Estate Inc ("NorthStar/RXR NY Metro") based upon revised capital raising projections. Effective January 1, 2018, the base management fee for NorthStar Healthcare changed from 1% of gross assets to 1.5% of its most recently published net asset value, and we will no longer earn an acquisition fee for new investments (refer to Note 19 to the consolidated financial statements).

In 2016, the management contract intangible for a Colony private fund that was in liquidation was written down by $0.3 million due to a change in its fee basis.

Of the total impairment loss, $23.2 million in 2017 and $8.5 million in 2016 were attributed to noncontrolling interests in investment entities.

Compensation Expense

In addition to a significantly larger workforce following the Merger, 2017 also included Merger-related compensation expense as well as $4.8 million of equity-based compensation that accelerated upon vesting of the Townsend equity awards following the sale of Townsend. The table below provides the components of compensation expense:

(In thousands)	Year Ended December 31, 2017	2016	Change
Cash compensation and benefits	$ 167,606	$ 98,200	$ 69,406
Equity-based compensation	33,095	13,638	19,457
	200,701	111,838	88,863
Merger-related compensation expense:			
Equity-based compensation for replacement awards to NSAM executives subject to one year vesting	116,725	—	116,725
Severance and other employee transition	29,459	—	29,459
	146,184	—	146,184
Total compensation expense	$ 346,885	$ 111,838	235,047

Administrative Expenses

In addition to operating a much larger organization following the Merger, we also incurred $15.4 million of administrative costs in 2017 in connection with integrating the operations of the combined entities, including but not limited to system integration, combination or renegotiation of office lease, legal costs as well as other professional fees paid to third party advisors and consultants. We believe that such costs would not be expected to recur and do not represent the ongoing costs of our fully integrated combined organization.

Gain on Sale of Real Estate

	Year Ended December 31,		
(In thousands)	2017	2016	Change
Industrial	$ 24,612	$ 2,888	$ 21,724
Other Equity and Debt	112,758	70,728	42,030
	$ 137,370	$ 73,616	63,754

Industrial—There were more dispositions in 2017, with the higher gain in 2017 driven by the sale of two industrial portfolios totaling 26 buildings in the Chicago and Atlanta markets, which contributed gains of $17.1 million in aggregate.

Other Equity and Debt—We recorded significant gains from a single sale transaction in each of 2017 and 2016, consisting of $68.1 million gain from the sale of two net lease properties in Switzerland in 2017 and $49.3 million gain from the sale of a foreclosed property in Germany in 2016. Excluding these two dispositions, the higher gain in 2017 is driven primarily by a $26.7 million increase in gains from sales of our various European properties, particularly in the United Kingdom. This was partially offset by lower gains in 2017 from real estate sales in the U.S. as we had sold and realized gains on the bulk of our non-core limited service hotel portfolio in 2016.

Gain on sale of $38.2 million in 2017 and $48.1 million in 2016 were attributed to noncontrolling interests in investment entities.

Equity Method Earnings

The significant increase in equity method earnings in 2017 of $185.8 million from 2016 was driven by a $191.2 million gain from the sale of all of our 14% interest in SFR and $24.7 million of net earnings from equity method investments acquired through the Merger. This increase was partially offset by a $45.0 million gain from the redemption of a preferred equity investment and $13.9 million gain from the sale of a hotel property by an investee in 2016.

Equity method earnings of $27.1 million in 2017 and $26.6 million in 2016 were attributed to noncontrolling interests in investment entities.

Other Gain (Loss), Net

The net loss of $25.8 million in 2017 resulted primarily from the net impact of the following:

- $13.0 million unrealized loss on an undesignated out-of-the-money interest rate swap assumed through the Merger; and
- $37.6 million loss due to other-than-temporary impairment and write-off of basis in commercial mortgage-backed securities held by consolidated N-Star collateralized debt obligations ("CDOs") and N-Star CDO bonds, as the underlying securitization tranches continue to wind up. These N-Star CDOs refer to NRF sponsored CDOs collateralized by CRE debt and securities as well as third party sponsored CRE CDOs acquired by NRF;

which were partially offset by:

- $20.6 million 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 3 of the consolidated financial statements); and
- $6.7 million gain on remeasurement of a foreign currency loan receivable in our healthcare segment.

In 2016, the net gain of $18.4 million can be attributed primarily to an $11.7 million decrease in fair value of the contingent consideration liability in connection with Colony's management internalization in 2015, and $5.4 million related to the dedesignation of a net investment hedge.

Income Tax Expense

We recorded an income tax benefit of $98.4 million in 2017 compared to an income tax expense of $4.8 million in 2016.

2017 included significant deferred tax benefit recognized upon amortization of our investment management intangible assets acquired through the Merger and current tax benefit recorded in connection with severance costs incurred, which more than offset income tax expense on the operations of our TRS and foreign taxable entities. Additionally, the Tax Cuts and Jobs Act that was enacted in December 2017 provided for a reduction in the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018. Accordingly, we remeasured certain of our existing deferred tax assets and liabilities based upon the rates at which they are expected to reverse in the future, which is generally 21% for U.S. federal corporate income tax purposes, resulting in the recognition of a provisional net deferred tax benefit of $24.9 million in 2017.

In 2016, deferred tax benefit was recognized related to the amortization of investment management intangible assets that were acquired in connection with Colony's management internalization in 2015. However, this was more than offset by income tax expense incurred on gains from sale of real estate, in particular, the sale of a property in Germany, as well as on net operating income from our real estate investments in the United Kingdom.

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 in 2017. Net income from discontinued operations in 2017 included (i) $12.6 million from the operations of our manufactured housing portfolio that was acquired through the Merger, during the approximately two month period prior to its disposition in March 2017; and (ii) $0.9 million from the operations of hotels held for sale in the THL Hotel Portfolio acquired in July 2017.

Preferred Stock Redemption

A $4.5 million charge against net income available to common stockholders was recorded in 2017, representing the excess of the redemption price of $25.00 per share over the respective carrying values of our Series A, B, C and F preferred stock at the time of redemption.

Segments

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

Healthcare

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

At December 31, 2018, our interest in our healthcare segment was 71%.

Portfolio Overview

Our healthcare portfolio is located across 33 states domestically and 11% of our portfolio (based upon property count) is in the United Kingdom.

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

(In thousands)	December 31, 2018	December 31, 2017
Real estate		
Held for investment	$ 4,995,298	$ 5,298,168
Held for sale	—	42,289
Debt	3,213,992	3,242,837

The following table presents selected operating metrics of our healthcare segment as of and for the years ended December 31, 2018 and 2017:

	Number of Buildings	Capacity	Average Occupancy[(1)]	Average Remaining Lease Term (Years)
2018				
Senior housing—operating	108	6,388 units	86.8%	N/A
Medical office buildings	108	3.8 million sq. ft.	82.3%	4.5
Net lease—senior housing	84	4,231 units	82.1%	11.7
Net lease—skilled nursing facilities	99	11,829 beds	82.4%	5.9
Net lease—hospitals	14	872 beds	58.1%	9.7
Total	413			
2017				
Senior housing—operating	109	6,436 units	87.4%	N/A
Medical office buildings	109	3.9 million sq. ft.	82.9%	4.7
Net lease—senior housing	83	4,135 units	82.9%	12.0
Net lease—skilled nursing facilities	102	12,300 beds	82.1%	6.9
Net lease—hospitals	14	872 beds	58.4%	11.4
Total	417			

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

Revenue mix of our healthcare portfolio weighted by net operating income ("NOI") for the twelve months ended September 30, 2018 (as our operators report on a quarter lag) was as follows:

Payor Sources	Revenue Mix % [(1)]
Private Pay	58%
Medicaid	32%
Medicare	10%
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.

Acquisition and Dispositions

In September 2018, we exercised a purchase option on our development loan facility to a healthcare operator to acquire a 78-bed, 90% occupied, senior housing facility in the United Kingdom that is net leased, at a purchase price of $24.4 million, equivalent to the outstanding principal balance of our development loan.

For the year ended December 31, 2018, we sold three skilled nursing facilities under net leases totaling 471 beds for aggregate gross proceeds of $14.1 million and one operating senior housing with 25 units for gross sales proceeds of $1.6 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.

Financing

At December 31, 2018, our healthcare portfolio is financed by $3.24 billion of outstanding debt principal, of which $2.13 billion is fixed and $1.11 billion is variable rate debt, bearing a combined weighted average interest rate of 5.31%.

In May 2018, we extended the maturity on $46.5 million of debt principal from May 2019 to May 2020 with a one-year extension option. In November 2018, we extended the maturity on $272.7 million of debt financing our healthcare portfolio in the United Kingdom from December 2018 to December 2019.

Additionally, in November 2018, the Company refinanced a select portfolio of medical office buildings with $140.0 million of variable rate debt, maturing in November 2020, with five one-year extension options. Proceeds from the refinancing was applied mainly to repay in full a $100.5 million floating rate component of a $1.85 billion non-recourse mortgage debt on certain properties in our U.S. healthcare portfolio. The remaining $1.7 billion fixed rate component of the debt is scheduled to mature in December 2019. We are currently evaluating our options in connection with the scheduled maturity on the fixed rate component. In the fourth quarter of 2018, we impaired the real estate collateralizing the debt by $109.1 million based on a reassessment of the expected hold period, taking into consideration the upcoming debt maturity (see Note 14). In pursuing the options available to us in connection with the scheduled debt maturity, we will continue to re-evaluate certain assumptions, including with respect to the holding period of the real estate collateralizing the debt, which could result in further impairment of the underlying real estate in a future period. At December 31, 2018, carrying value of the real estate collateralizing the remaining debt maturing in December 2019 was $2.5 billion.

Performance

Results of operations of our healthcare segment were as follows:

	Year Ended December 31,	
(In thousands)	**2018**	**2017**
Total revenues	$ 592,455	$ 613,169
Net loss attributable to Colony Capital, Inc.	(199,277)	(51,428)

The significantly higher net loss in 2018 was driven by $212.0 million of impairment recognized in the fourth quarter of 2018, as we reassessed the hold period on our healthcare properties, taking into consideration our ability to refinance the related debt with upcoming maturities, some of which is as discussed above. We applied a probability-weighted approach to different hold periods for each property depending upon our ability to refinance the related debt and determined that certain properties were impaired under a shortened hold period. Impairment was recorded predominantly within our portfolio of medical office buildings, as well as skilled nursing facilities and senior housing that are both under net leases. As the impairment assessment involved subjectivity and judgment, actual results may differ if changes occur in the assumptions used and/or in market conditions and accordingly, negative changes to these variables would result in further impairment charge in the future.

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

	Year Ended December 31,	
(In thousands)	**2018**	**2017**
Total revenues	$ 592,455	$ 613,169
Straight-line rent revenue and amortization of above- and below-market lease intangibles	(15,225)	(34,229)
Property operating expenses [(1)]	(271,166)	(274,528)
NOI—Healthcare	$ 306,064	$ 304,412

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

	Year Ended December 31,		
($ in thousands)	**2018**	**2017**	**Change**
Senior housing—operating	$ 66,343	$ 70,224	$ (3,881)
Medical office buildings	56,288	53,550	2,738
Net lease—senior housing	60,627	56,732	3,895
Net lease—skilled nursing facilities	103,225	103,051	174
Net lease—hospitals	19,581	20,855	(1,274)
Total NOI—Healthcare	$ 306,064	$ 304,412	1,652

NOI for 2018 and 2017 are not directly comparable as 2017 excluded 10 days of activities pre-Merger. After giving effect to the 10-day pre-Merger period in 2017, NOI decreased $6.6 million as a result of sales of our non-core healthcare properties, lower contractual rents and rental concessions granted in 2018, all of which were partially offset by additional income from early lease termination fees in 2018.

Industrial

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

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.

Capitalization

At December 31, 2018, we owned 35.3% of our industrial platform based upon net asset value through our capital contributions of $749.2 million. Our ownership interest decreased from 41.5% at December 31, 2017 as we continued to expand our industrial platform through third party capital, with $385.3 million of additional capital closed in 2018, bringing total third party capital to $1.5 billion at December 31, 2018.

Portfolio Overview

Our industrial portfolio is well-diversified with 48.5 million square feet and over 950 tenants across 20 major U.S. markets, with significant concentrations (by total square feet) in Atlanta (16%) and Dallas (15%).

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

(In thousands)	December 31, 2018	December 31, 2017
Real estate		
Held for investment	$ 2,793,004	$ 2,451,091
Held for sale	131,400	8,048
Debt	1,064,585	1,001,458

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)
December 31, 2018	400	48,526	94.5%	3.8
December 31, 2017	369	43,325	95.1%	3.7

- At December 31, 2018, 78% of our tenants (based upon leased square feet) were international and national companies, with the top ten tenants making up 8.3% of our portfolio based upon annualized base rent.
- Total portfolio leased percentage declined from 95% at December 31, 2017 to 94.5% at December 31, 2018, driven in part by vacancy in new acquisitions. Notwithstanding, the market for light industrial space continues to experience capacity constraints and is driving rental rate growth and strong tenant demand, with initial rental rates on new and renewed leases commencing in 2018 (excluding leases less than 12 months) experiencing a 5% growth compared to prior ending rents (on a cash basis).
- At December 31, 2018, no more than 17% of existing leases by square footage was 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]	40	5,893	83%	$ 569,442	NA	NA
Dispositions	9	692	NA	NA	$ 45,663	$ 7,633

[1] Purchase price includes capitalized transaction costs for asset acquisitions.
[2] Includes acquisition of $13.1 million of land for co-development with operating partners.

- As of December 31, 2018, we funded $6.1 million with remaining unfunded purchase commitment of $1.3 billion for the acquisition of 61 buildings aggregating to approximately 13.7 million square feet, of which four buildings totaling 1.1 million square feet are under construction.

In January 2019, we closed on the acquisition of three buildings totaling approximately 0.7 million square feet that were on average 97% leased at the time of closing.

In February 2019, we acquired 54 buildings for a purchase price of $1.16 billion (of which four buildings are under construction and expected to close over the next six months). The portfolio is located across 10 markets, totaling approximately 11.9 million square feet and averaged 71% leased at the time of purchase. Forty-eight buildings, including those under construction, are light industrial, which were acquired by our existing light industrial platform. The remaining six bulk industrial buildings were acquired through a newly formed joint venture partnership in which we have a 51% interest and a third-party institutional investor has a 49% interest. Our initiation of a new bulk industrial strategy is expected to be complementary to, and synergistic with, our existing light industrial platform.

- At December 31, 2018, 42 buildings with total carrying value of $131.4 million were held for sale. There was no debt financing on these held for sale properties. Disposition of 41 buildings closed in February 2019.

Financing

In May 2018, we increased the capacity on our industrial credit facility from $200 million to $400 million. At December 31, 2018, we have outstanding debt at total carrying value of $1.06 billion, bearing a weighted average interest rate of 3.84%, almost all of which are fixed rate debt, with a weighted average remaining maturity of 10.6 years.

In connection with our acquisition of the $1.16 billion portfolio in February 2019, we closed on a $500 million floating rate unsecured term debt and replaced our existing $400 million credit facility with a $600 million facility that was $142 million drawn at closing. The combined financing is secured by the light industrial portfolio and is non-recourse to the Company. Separately, we also closed on a $235 million first mortgage debt secured by the bulk industrial portfolio.

Performance

Results of operations of our industrial segment were as follows:

	Year Ended December 31,		
(In thousands)	**2018**	**2017**	**2016**
Total revenues	$ 290,956	$ 243,172	$ 196,357
Net income attributable to Colony Capital, Inc.	4,246	12,537	(911)

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

	Year Ended December 31,			Change	
(In thousands)	**2018**	**2017**	**2016**	**2018 vs. 2017**	**2017 vs. 2016**
Total revenues	$ 290,956	$ 243,172	$ 196,357		
Straight-line rent revenue and amortization of above- and below-market lease intangibles	(11,076)	(6,665)	(3,798)		
Interest income	(779)	(391)	(2)		
Other income	—	(121)	—		
Property operating expenses	(83,003)	(67,196)	(55,924)		
Transaction, investment and servicing costs	—	(101)	—		
Compensation and administrative expense [1]	(2,112)	(1,753)	(1,873)		
NOI—Industrial	$ 193,986	$ 166,945	$ 134,760	$ 27,041	$ 32,185

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

The increase in NOI from 2016 through 2018 reflect the continued growth of our portfolio, with net increase in rentable square feet of 5.7 million in 2017 and 5.2 million in 2018, taking into account both acquisitions and dispositions during these periods. Additionally, tenant demand has been strong, coupled with higher tenant reimbursements and higher rental rates for both new leases and renewals. Average occupancy increased from 93.3% in 2016 to 94.1% in 2017 but decreased to 92.9% in 2018. The decrease in average occupancy in 2018 was driven by vacancy in newly acquired properties, lag in timing between leasing and occupancy for new leases, as well as delays in tenant build-outs which further delayed lease commencements. Notwithstanding, overall increases in rental income more than offset higher property operating expenses, primarily higher real estate taxes, repairs and maintenance and utility costs, all of which are, for the most part, recoverable from our tenants.

Hospitality

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

At December 31, 2018, we owned 94% of our hospitality segment.

Financing

At December 31, 2018, our hotel portfolio was financed by $2.6 billion of outstanding debt, predominantly variable rate debt, bearing a weighted average interest rate of 5.71%.

Financing activities in 2018 through February 2019 included the following:

- In July 2018, refinanced $512 million of existing debt principal, encumbering 40 assets, with $550 million of new debt principal, encumbering 30 assets, at the prevailing market rate and extended debt maturity to July 2020, with five one-year extension options. Additional debt proceeds from the refinancing are earmarked for capital expenditures;
- In August 2018, extended maturities on $336 million of debt principal to August 2019, of which $115.5 million was subsequently refinanced in February 2019, further extending its maturity to March 2021, with three one-year extension options.

Portfolio Overview

Our hotel portfolio is located across 26 states in the U.S., with concentrations (based on EBITDA) in California (22.5%), Texas (12.6%) and New Jersey (12.0%).

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

(In thousands)	December 31, 2018	December 31, 2017
Real estate		
Held for investment	$ 3,668,824	$ 3,881,857
Held for sale	69,699	—
Debt	2,603,599	2,560,485

A majority of our portfolio is affiliated with top hotel brands. Composition of our hotel portfolio by brand at December 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:

Type	December 31, Number of Hotel Properties	Number of Rooms	Year Ended December 31, Average Occupancy	ADR [1]	RevPAR [2]
2018					
Select service	97	13,194	72.6%	$ 124	$ 90
Extended stay	66	7,936	79.5%	133	106
Full service	4	962	71.7%	163	117
Total	167	22,092	75.0%	129	97
2017					
Select service	97	13,193	71.5%	$ 123	$ 88
Extended stay	66	7,936	78.7%	133	105
Full service	4	962	71.9%	159	114
Total	167	22,091	74.1%	128	95

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

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

Performance

Results of operations of our hospitality segment were as follows.

(In thousands)	Year Ended December 31, 2018	2017
Total revenues	$ 849,513	$ 815,831
Net loss attributable to Colony Capital, Inc.	(82,798)	(9,199)

Net loss in 2018 was driven by $72.5 million of impairment, recorded primarily in September 2018 on certain hotels for which we adopted a sales strategy in the third quarter of 2018. Prior to the third quarter of 2018, we held a long-term hold strategy. A majority of these hotels were transferred from held-for-investment to held-for-sale in the fourth quarter of 2018.

EBITDA for our hospitality segment, in total and by type, was as follows. EBITDA is discussed further and reconciled to the most directly comparable GAAP figure in "*—Non-GAAP Supplemental Financial Measures.*"

(In thousands)	Year Ended December 31, 2018	2017
Total revenues	$ 849,513	$ 815,831
Straight-line rent revenue and amortization of above- and below-market lease intangibles	(25)	(74)
Other income	(556)	—
Property operating expenses [1]	(563,453)	(537,884)
EBITDA	$ 285,479	$ 277,873

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

($ in thousands)	Year Ended December 31, 2018	2017	Change
Select service	$ 153,849	$ 149,311	$ 4,538
Extended stay	116,920	116,597	323
Full service	14,710	11,965	2,745
Total EBITDA	$ 285,479	$ 277,873	7,606

EBITDA for the years ended December 31, 2018 and 2017 are not directly comparable as 2017 excluded 10 days of pre-Merger activities. After giving effect to the 10-day pre-Merger period in 2017, EBITDA increased $3.6 million as RevPAR was 2.1% higher, driven by an increase in occupancy from 74.1% to 75.0%. This can be attributed to strong corporate, group and special event demand as well as post-renovation demand, which more than offset corresponding increase in expenses, primarily labor costs, taxes, property operations and maintenance.

Colony Credit

At December 31, 2018, we have a 36.6% interest (on a fully diluted basis) in Colony Credit with a carrying value of $1.0 billion. Our share of net loss in Colony Credit for 2018 was $65.4 million. The net loss was driven by a variety of factors, including: (i) significant provision for loan loss recorded on several loans, including four New York hospitality loans, four loans cross-collateralized by a variety of property types, which were foreclosed on in early 2019 with insufficient collateral value to cover the loan carrying value, and three loans collateralized by retail properties; (ii) property impairments due, in part, to a recent reduction in estimated holding period and increased vacancy; (iii) fair value loss on secondary private equity fund investments; and (iv) significant transaction costs incurred in connection with the closing of the Combination.

Our interest in Colony Credit was measured based upon our proportionate share of Colony Credit's fair value at the closing date of the Combination. Colony Credit’s class A common stock had traded between $15.56 and $23.23 per share in 2018, and closed at $15.79 per share on December 31, 2018. At December 31, 2018, the carrying value of our investment in Colony Credit was $21.65 per share. As of December 31, 2018, we determined that our investment in Colony Credit was not other-than-temporarily impaired as we believe that the carrying value of our investment in Colony Credit is recoverable in the near term. If Colony Credit's common stock continues to trade below our carrying value for a prolonged period of time, an other-than-temporary impairment may be recognized in the future.

Other Equity and Debt

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

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

	Year Ended December 31,		
(In thousands)	**2018**	**2017**	**2016**
Total revenues	$ 739,167	$ 873,046	$ 569,780
Net income attributable to Colony Capital, Inc.	143,065	426,052	226,202

Significant investments and corresponding debt in our other equity and debt portfolio were as follows.

(In thousands)	**December 31, 2018**	**December 31, 2017**
Real estate		
Held for investment	$ 2,161,888	$ 2,833,142
Held for sale	651,303	670,349
Equity investments		
NRE	87,696	73,578
Third party private equity funds acquired through the Merger, at fair value	5,908	204,774
Limited partnership interests in our sponsored and co-sponsored funds	90,062	108,976
Other [(1)]	1,026,870	1,056,527
Loans receivable	1,597,214	3,135,450
CRE debt securities, at fair value	64,127	323,243
Debt [(2)]	2,309,347	3,126,428

(1) Significant investments include acquisition, development and construction loans ($481.5 million) and preferred equity investments ($219.9 million).

(2) Includes debt carrying value of $409.0 million financing real estate held for sale.

Significant activities in our other equity and debt segment in 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 Credit. The CLNY Contributed Portfolio included certain of our commercial real estate loans, net lease properties, limited partnership interests in third-party sponsored private funds that were based in the U.S. and consistent with Colony Credit's strategy at the time of the Combination. In consideration for our contribution, we received common shares in Colony 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 December 31, 2018, we hold a 36.6% interest (on a fully diluted basis) in Colony Credit.

- Syndicated 30% of equity in our portfolio of distressed CRE loans in Ireland to a third party investor for $67.0 million.
- Syndicated to two third-party investors 30% of equity in our subordinated loan financing a mixed use development in Southern California for $94.7 million.
- Participated in the acquisition of an interest in AccorInvest, the property arm of AccorHotels, alongside a consortium of global institutional investors, in which we co-invested $58 million in our sponsored fund, together with third party capital raised by us.
- Together with our sponsored credit fund, acquired a commercial real estate portfolio of 220 assets across France, primarily office and light industrial, in a sale-leaseback transaction for $478.8 million, financed with $344.1 million of debt at closing.
- In addition to the contribution of our interests in three of our sponsored securitization trusts to Colony Credit in January 2018, in the second quarter of 2018, we fully disposed of our interests in two of our sponsored securitization trusts, including a consolidated NRF collateralized debt obligation ("N-Star CDO"), to third parties, resulting in a deconsolidation of these securitization trusts; while the underlying assets of the remaining consolidated N-Star CDO was liquidated. As a result, we no longer have any consolidated securitization trusts.
- Sold the majority of our investments in third party private equity funds acquired through the Merger for gross proceeds of $132.6 million.
- Sold a net lease property in Norway and industrial properties in Spain for total proceeds of $332.3 million, resulting in aggregate gains on sale of real estate of $88.9 million.
- At December 31, 2018, we had on deposit $25.1 million, with remaining unfunded purchase commitment of $0.3 billion, for the acquisition of a distressed hotel operator and its portfolio of six hotels in France alongside our sponsored credit fund. Acquisition of the six hotels closed in February 2019.
- We continue to monetize other non-strategic assets, primarily our loan portfolios and our real estate in Europe, in our efforts to streamline our business and redeploy capital to more strategic areas.

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 strategy.

Significant Developments in the Investment Management Segment

Colony Credit—Upon closing of the Combination on January 31, 2018, our management contracts with NorthStar I and NorthStar II were terminated. Concurrently, we entered into a management agreement with Colony Credit, which provides for a base management fee of 1.5% per annum of Colony 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—In partnership with Digital Bridge, we closed on a new co-sponsored digital real estate infrastructure vehicle in February 2018. Total callable commitments of the vehicle was approximately $4.0 billion, inclusive of our capital commitments which are capped at $250 million in aggregate as both limited partner and co-general partner. Fee income and carried interest will be shared with our co-sponsor, Digital Bridge.

AccorInvest Fund—We have raised $760 million of third party capital in a new sponsored fund, which we closed in May 2018, alongside our invested capital in the fund as general partner and limited partner, to participate in the acquisition of AccorInvest, the property arm of AccorHotels.

NorthStar Realty Europe—In November, 2018, we reached an agreement with NRE to terminate NRE's management agreement upon a sale of NRE or, if no sale is consummated, upon internalization of the management of NRE. In connection with such termination, we will receive a termination payment of $70 million, less incentive fees. The strategic review committee of NRE's board of directors is in the process of evaluating strategic alternatives to maximize NRE's shareholder value, which includes the potential sale of NRE.

NorthStar RXR/NY Metro—In October 2018, NorthStar/RXR NY Metro was liquidated, as approved by its board of directors and shareholders. We wrote off our $1.5 million investment in NorthStar/RXR NY Metro in the third quarter of 2018 as we effectively forfeited our shareholding upon liquidation, along with our co-sponsor, RXR Realty.

Retail Distribution Business—In April 2018, we combined NorthStar Securities, our captive broker-dealer platform that raises capital in the retail market, with a third party joint venture partner, S2K, to form Colony S2K. Colony S2K will distribute both current and future investment products sponsored by us and S2K as well as third party sponsored products.

REIT Index—We have partnered with Barclays Bank PLC ("Barclays") to structure the Colony Capital Fundamental U.S. Real Estate Index ("REIT Index"), which is a rules-based (smart-beta) strategy that invests in common stock of REITs. The REIT Index implements fundamental real estate investing principles drawn from our 27 years of managing real estate investments for institutional investors, with a focus on risk mitigation to drive long term outperformance in commercial real estate. Barclays owns the licensing rights to the REIT Index and Barclays Index Administration acts as sponsor and administrator of the REIT Index. DoubleLine Capital has licensed the REIT Index to launch the DoubleLine Colony Real Estate and Income Fund in December 2018, an open-end mutual fund that provides exposure to the REIT Index and invests in a fixed income portfolio managed by DoubleLine Capital.

Colony HB2 Energy—In October 2018, we formed Colony HB2 Energy, a new energy focused investment management platform in partnership with HB2 and its seasoned management team. Colony HB2 Energy intends to sponsor and manage third-party capital across a series of investment solutions providing investors more efficient forms of exposure to the upstream and midstream oil and gas industry.

Abraaj Group—In January 2019, we entered into a definitive agreement to acquire, together with the existing management team of Abraaj, the private equity platform of The Abraaj Group in Latin America, which will be rebranded as Colony Latam Partners. The transaction is expected to close during the first quarter of 2019, subject to certain approvals. The platform’s core strategy is focused on growth equity investments in middle-market companies in Mexico, Colombia, Peru and Chile.

Performance

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

	Year Ended December 31,		
(In thousands)	**2018**	**2017**	**2016**
Total revenues [1]	$ 183,946	$ 244,654	$ 68,331
Net income (loss) attributable to Colony Capital, Inc.	(120,286)	(182,038)	17,903

[1] Includes $15.4 million and $19.5 million of cost reimbursement income from Colony Credit, NRE and retail companies for the year ended December 31, 2018 and 2017, which are recorded gross as income and expense in the results of operations.

Net loss recognized in 2018 was driven by impairments of intangible assets and equity method investments. Impairments consisted primarily of a $139.0 million write-off of the NorthStar I and NorthStar II management contract intangible upon closing of the Combination, $59.5 million write-off of the NorthStar trade name, $7.0 million impairment on the NorthStar Healthcare management contract intangible resulting from a decrease in expected fees, $10.1 million write-off of the retail customer relationship intangible based on a reassessment of future retail fund raising and $55.5 million impairment on investments in two third-party asset managers based on estimated future net cash flows or enterprise value of these investees. In addition to $151.8 million of fee income, which included $5.4 million of incentive fees from NRE, these losses were also partially offset by $20.0 million of carried interest allocation from certain of our sponsored private funds, as well as $6.1 million of income, primarily management fees, from our joint venture with Digital Bridge that manages our digital infrastructure vehicle.

Balance sheet investments of $194.3 million in our Investment Management segment generally consist of our general partner and co-general partner interests in investment vehicles we sponsor or co-sponsor, which as of December 31, 2018, included $21.7 million of unrealized carried interest allocation, as well as interests in other asset managers.

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

In the year ended December 31, 2018, we raised $5.5 billion of third party capital commitments (including our pro rata share from equity method investments in third party asset managers of $0.4 billion), driven primarily by capital commitments of $3.7 billion from our co-sponsored digital real estate infrastructure vehicle, approximately $0.8 billion from our co-investment vehicle in AccorInvest and approximately $0.4 billion from ongoing fundraising in our industrial platform.

Below is a summary of our third party AUM and fee earning equity under management ("FEEUM"):

			AUM [(1)] (In billions)		FEEUM [(2)] (In billions)	
Type	Products	Description	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Institutional funds	Credit funds, opportunistic funds, value-add funds, Colony industrial open end fund and other co-investment vehicles	Earns base and asset management fees from all managed funds; potential for carried interest on sponsored funds	$ 9.5	$ 9.9	$ 6.4	$ 5.8
Retail Companies	NorthStar Healthcare	Earns base management fees and potential for carried interest	3.5	3.7	1.4	1.7
	CC Real Estate Income Fund [(3)] (formerly NorthStar Real Estate Capital Income Fund)					
Public companies	NorthStar Realty Europe Corp.	NYSE-listed European equity REIT	1.7	2.2	1.0	1.0
	Colony Credit Real Estate, Inc.[(4)]	NYSE-listed credit REIT	3.5	3.2	3.1	3.3
		Earns base management fees and potential for incentive fees				
Non-wholly owned real estate investment management platform	Joint venture investments in co-sponsored investment vehicles and third party asset managers	Earns share of earnings from equity method investments				
		Digital Colony, 50% interest in co-sponsored digital infrastructure vehicle	1.9	—	1.9	—
		Others include investments in RXR Realty (27% interest in a real estate investor, developer and asset manager) and AHI (43% interest in a healthcare asset manager and sponsor of non-traded vehicles)	8.3	7.9	3.8	3.6
			$ 28.4	**$ 26.9**	**$ 17.6**	**$ 15.4**

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

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

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

(4) Represents third party ownership share of CLNC's pro rata share of total assets, excluding consolidated securitization trusts. AUM and FEEUM at December 31, 2017 were adjusted to include CLNC based on its gross asset value at September 30, 2017.

The Company's third party FEEUM at December 31, 2018 increased $2.2 billion from December 31, 2017 as new fee-bearing capital was raised in 2018, primarily through our co-sponsored digital real estate infrastructure vehicle, our sponsored co-investment vehicle in AccorInvest as well as our industrial platform, partially offset by a decrease in NAV of NorthStar Healthcare and continued realization of investments by liquidating private funds.

Non-GAAP Supplemental Financial Measures

The Company reports funds from operations ("FFO") as an overall non-GAAP supplemental financial measure. The Company also reports NOI for the healthcare and industrial segments and EBITDA for the hospitality segment, which are supplemental non-GAAP financial measures widely used in the equity REIT industry. FFO, 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.

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Net income (loss) attributable to common stockholders	$ (632,709)	$ (333,093)	$ 67,159
Adjustments for FFO attributable to common interests in Operating Company and common stockholders:			
Net income (loss) attributable to noncontrolling common interests in Operating Company	(39,854)	(20,261)	12,324
Real estate depreciation and amortization	581,264	560,922	181,015
Impairment of real estate	382,290	49,933	11,491
Gain on sales of real estate	(190,376)	(134,979)	(92,088)
Less: Adjustments attributable to noncontrolling interests in investment entities[1]	(202,405)	(148,329)	(21,439)
FFO attributable to common interests in Operating Company and common stockholders	$ (101,790)	$ (25,807)	$ 158,462

[1] For the year ended December 31, 2018, adjustments attributable to noncontrolling interests in investment entities include $180.7 million of real estate depreciation and amortization, $96.2 million of impairment of real estate, offset by $74.5 million of gain on sales of real estate. For the year ended December 31, 2017, adjustments attributable to noncontrolling interests in investment entities include $162.7 million of real estate depreciation and amortization, $23.4 million of impairment of real estate, offset by $37.8 million of gain on sales of real estate. For the year ended December 31, 2016, adjustments attributable to noncontrolling interests in investment entities include $64.8 million of real estate depreciation and amortization, $8.7 million of impairment of real estate, offset by $50.5 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 (loss) 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 upon different useful life estimates depending on the age of the properties, as well as adjust for the effects of real estate impairment and gains or losses on sales of depreciated properties, which eliminate differences arising from investment and disposition decisions. This allows for comparability of operating performance of our properties period over period and also against the results of other equity REITs in the same sectors.

Additionally, by excluding corporate level expenses or benefits such as interest expense, any gain or loss on early extinguishment of debt and income taxes, which are incurred by the parent entity and are not directly linked to the operating performance of our properties, NOI 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		Hospitality	
	Year Ended December 31,		Year Ended December 31,	
(In thousands)	2018	2017	2018	2017
Loss from continuing operations	$ (283,516)	$ (64,767)	$ (90,581)	$ (9,863)
Adjustments:				
Straight-line rent revenue and amortization of above- and below-market lease intangibles	(15,225)	(34,229)	(25)	(74)
Other income	—	—	(556)	—
Interest expense	194,898	185,256	153,395	134,729
Transaction, investment and servicing costs	9,017	11,941	8,410	9,152
Depreciation and amortization	164,389	183,897	144,528	133,269
Provision for loan losses	213	1,588	—	—
Impairment loss	217,524	14,375	72,469	—
Compensation and administrative expense	8,970	7,011	7,665	7,370
Other (gain) loss, net	4,803	(6,299)	49	511
Income tax (benefit) expense	4,991	5,639	(9,875)	2,779
NOI—Healthcare / EBITDA—Hospitality	$ 306,064	$ 304,412	$ 285,479	$ 277,873

	Industrial		
	Year Ended December 31,		
(In thousands)	2018	2017	2016
Income (loss) from continuing operations	$ 26,749	$ 37,497	$ (3,003)
Adjustments:			
Straight-line rent revenue and amortization of above- and below-market lease intangibles	(11,076)	(6,665)	(3,798)
Interest income	(779)	(391)	(2)
Other income	—	(121)	—
Interest expense	42,713	38,566	44,834
Transaction, investment and servicing costs	307	41	1,088
Depreciation and amortization	129,104	109,265	88,854
Impairment loss	948	44	407
Compensation and administrative expense	13,613	11,069	8,682
Gain on sale of real estate	(7,633)	(24,612)	(2,888)
Income tax expense	40	2,252	586
NOI—Industrial	$ 193,986	$ 166,945	$ 134,760

Liquidity and Capital Resources

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

Our current primary liquidity needs are to fund:

- our general partner commitments to our future investment vehicles and co-investment commitments to other investment vehicles;
- acquisitions of our target assets for our balance sheet and third party capital and related ongoing commitments;
- principal and interest payments on our borrowings, including interest obligation on our corporate level debt;
- our operations, including compensation, administrative and overhead costs;
- capital expenditures for our real estate investments;
- distributions to our stockholders;
- acquisitions of common stock under our common stock repurchase program and potentially other corporate securities;
- income tax liabilities of taxable REIT subsidiaries and of the Company subject to limitations as a REIT;
- potential margin calls and/or out-of-the-money expiration of $2 billion notional interest rate swap in December 2019; and
- the repayment or refinancing of $1.7 billion of fixed rate debt financing our U.S. healthcare portfolio that is scheduled to mature in December 2019 for which we are currently evaluating our options in connection with the scheduled maturity.

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 29, 2018	April 16, 2018	$ 0.11
May 8, 2018	June 29, 2018	July 16, 2018	0.11
August 2, 2018	September 28, 2018	October 15, 2018	0.11
November 5, 2018	December 31, 2018	January 15, 2019	0.11

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

Description	Dividend Rate Per Annum	Shares Outstanding September 30, 2018 (In thousands)	Quarterly Cash Distributions	
			Total (In thousands)	Per Share
Series B	8.25%	6,114	$ 3,153	$ 0.5156250
Series E	8.75%	10,000	5,469	0.5468750
Series G	7.5%	3,450	1,617	0.4687500
Series H	7.125%	11,500	5,121	0.4453125
Series I	7.15%	13,800	6,167	0.4468750
Series J	7.125%	12,600	5,611	0.4453125
		57,464	$ 27,138	

In May 2018, the Company issued a notice of redemption for all outstanding Series D preferred stock, with the redemption settled in July 2018.

Common Stock Repurchases

On May 23, 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. The May 2018 repurchase program is in addition to the $300 million share repurchase program the Company announced in February 2018, which program was completed in May 2018. During the year ended December 31, 2018, the Company repurchased 61,417,755 shares of its class A common stock, at an aggregate cost of approximately $350.1 million (excluding commissions), or a weighted-average price of $5.70 per share. As of February 25, 2019, $246.7 million remained outstanding under the May 2018 stock repurchase program.

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 equity investments, including our GP Co-Investments. Such income is partially offset by interest expense associated with borrowings against our investments.

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

Investment-Level Financing

We have various forms of investment-level financing, as described in Note 12 to the consolidated financial statements. We currently have $1.7 billion of fixed rate debt financing our U.S. healthcare portfolio that is scheduled to mature in December 2019 for which we are currently evaluating our options in connection with the scheduled maturity.

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 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 credit facility is scheduled to mature in January 2021, with two 6-month extension options.

The maximum amount available at any time is limited by a borrowing base of certain investment assets. As of February 25, 2019, the borrowing base valuation was sufficient to permit borrowings of up to the full $1.0 billion commitment, of which the full amount was available to be drawn.

The Credit Agreement contains various affirmative and negative covenants, including financial covenants that require the Company to maintain minimum tangible net worth, liquidity levels and financial ratios, as defined in the Credit Agreement. We were in compliance with the financial covenants as of December 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 year ended December 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

As a result of the Merger, comparisons of the year over year cash flows may not be meaningful. The periods as of and on or prior to January 10, 2017 represent the pre-Merger cash flows of Colony, while the cash flows of NSAM and NRF are incorporated into the Company effective from January 11, 2017.

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

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Net cash provided by (used in):			
Operating activities	$ 506,965	$ 582,546	405,172
Investing activities	(268,213)	1,666,387	215,457
Financing activities	(788,404)	(1,364,381)	(491,251)

Operating Activities

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

Our operating activities generated cash of $507.0 million in 2018, $582.5 million in 2017 and $405.2 million in 2016. Our operating activities in these periods, however, are not directly comparable as 2016 and the first ten days of 2017 include only the pre-Merger activities of Colony and do not incorporate the operating results of NSAM and NRF. Additionally, 2017 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.

Our investing activities generated net cash outflows in 2018 and net cash inflows in both 2017 and 2016.

In 2018, there was a net cash outflow of $268.2 million from investing activities. This was driven primarily by net cash outflows of $485.1 million related to our real estate investments as acquisitions and capital expenditures aggregating $1.35 billion exceeded proceeds from sales totaling $864.3 million. Other net cash outflows included a contribution of $141.2 million of cash and restricted cash to Colony Credit as part of the Combination transaction, and $548.2 million of new equity investments or additional contributions to existing investments. On the other hand, our loan and securities portfolio generated net cash inflows of $291.9 million, which included $142.3 million from sale of our equity interests in two securitization trusts. We also received $231.0 million from sales of our equity investments, which included $132.6 million from sale of our interests in certain third-party private equity funds, and $433.1 million of return of capital from our equity investments, of which $142.3 million was from our initial investment in a digital real estate infrastructure joint venture as we raised third party capital through a co-sponsored investment vehicle.

Investing activities in 2017 generated significant net cash inflows of $1.7 billion, resulting from our initiative to monetize non-core investments during the year. This included net proceeds of $500.5 million from sale of our interest in Starwood Waypoint Homes, $454.6 million from sale of the Townsend investment management business, sale of various non-core real estate investments totaling $1.6 billion, of which $664.4 million was from the sale of our manufactured housing portfolio acquired in the Merger. Our loan and securities portfolio also generated net cash inflow of $435.7 million, with receipts aggregating $1.4 billion, primarily from loan repayments, exceeding cash outlays totaling $983.3 million, which included $590.5 million for the acquisition of a distressed loan portfolio in Ireland. These cash inflows were partially offset by real estate acquisitions and capital expenditures of $1.3 billion, as well as net cash outflow of $297.5 million for additional contributions and/or new equity investments, net of distributions received from these investments.

Additionally, although the Merger was completed in an all-stock exchange in 2017, 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. 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 in 2017.

2016 reflects the pre-Merger investing activities of Colony and is not directly comparable to 2017 and 2018. In 2016, investing activities generated net cash inflows of $215.5 million. Our loan investments generated net cash inflows of $508.0 million, with receipts from repayments and sales totaling $1.1 billion exceeding cash outlays for disbursements and acquisitions of $585.3 million. Our real estate investing activities resulted in minimal net cash outflow in aggregate with acquisitions and capital expenditures totaling $501.2 million, while inflows through sales was $390.9 million.

Financing Activities

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

Net cash used in financing activities in 2018 was $788.4 million. In 2018, common stock repurchases and preferred stock redemptions of $543.1 million were funded through our investing and operating activities. Dividend payments to common stockholders of $310.5 million in 2018 was lower than in 2017 following additional common stock repurchases and a reduction in dividend rates in 2018, while dividend payment to preferred stockholders was $120.7 million. In terms of debt financing activities, repayments and payment of financing costs exceeded borrowings by $273.6 million. These cash outlays were partially offset by net cash inflow of $501.0 million from noncontrolling interests as contributions exceeded distributions.

Net cash used in financing activities in 2017 was $1.36 billion. In 2017, $638.1 million of additional capital was raised from the issuance of our new Series I and Series J preferred stock, which was used to fund our $936.0 million common stock repurchase and preferred stock redemptions. Other uses of cash include dividend payments to common and preferred stockholders of $612.3 million and net cash outlay of $629.2 million related to debt financing activities as repayments exceeded borrowings. In terms of debt financing activities, repayments and payment of financing costs exceeded borrowings by $273.6 million. These cash outlays were partially offset by net cash inflow of $202.8 million from noncontrolling interests as contributions exceeded distributions, including $330 million contribution from sale of a minority interest in our healthcare platform.

Net cash used in financing activities in 2016 is not comparable to 2018 and 2017 as it reflects the pre-Merger financing activities of Colony. The net cash outflow of $491.3 million was driven by $443.7 million of repayments on investment level debt and corporate debt exceeding additional borrowings during the year as well as dividend payments of $229.5 million to common and preferred stockholders, partially offset by $191.4 million of net cash inflow from noncontrolling interests.

Contractual Obligations, Commitments and Contingencies

The following table sets forth our known contractual obligations, commitments and contingencies on an undiscounted basis at December 31, 2018 and the future periods in which we expect to settle such obligations, commitments and contingencies. Amounts in the table do not reflect repayments or draws on our line of credit or new financing obtained subsequent to December 31, 2018 and exclude obligations that are not fixed and determinable such as amounts due under our derivative contracts.

		Payments Due by Period			
(In thousands)	Total	2019	2020-2021	2022-2023	2024 and Thereafter
Corporate credit facility [1]	$ 10,772	$ 3,549	$ 7,116	$ 107	$ —
Convertible and exchangeable senior notes [2]	700,730	26,683	440,124	214,101	19,822
Secured debt [3]	11,071,278	2,917,548	2,186,111	3,335,532	2,632,087
Junior subordinated notes	543,417	15,094	30,229	30,188	467,906
Ground lease obligations [4]	117,015	5,236	10,805	11,698	89,276
Office lease obligations [5]	71,266	9,380	17,624	14,647	29,615
	12,514,478	$ 2,977,490	$ 2,692,009	$ 3,606,273	$ 3,238,706
Contingent consideration—THL Hotel Portfolio	8,903				
Lending commitments [6]	77,831				
Investment commitments [7]	627,963				
Total	$ 13,229,175				

(1) There were no borrowings outstanding at December 31, 2018. Amounts represent the unused commitment fee of 0.35% per annum through the initial maturity date of January 2021. Future obligations under the credit facility could differ materially if we borrow on the credit facility in the future. See *"—Liquidity and Capital Resources."*

(2) The convertible and exchangeable senior notes mature on their respective due dates, unless redeemed, repurchased or exchanged in accordance with their terms prior to such date. Amounts reflect future principal and interest payments through contractual maturity dates of the respective notes. See Note 12 to the consolidated financial statements.

(3) Amounts include minimum principal or principal curtailment based upon cash flows from collateral loans after payment of certain loan servicing fees and monthly interest, as well as fixed or floating rate interest obligations and unused commitment fee on investment level credit facilities, through initial maturity dates of the respective secured debt or extended maturity dates to the extent criteria are met and the extension option is at the borrower's discretion. Financing on certain loan portfolios are based on the Company's expectation of cash flows from underlying loan collateral as principal repayments on the loan financing depend upon net cash flows from collateral assets and ratio of outstanding principal to collateral. Interest on floating rate debt was determined based on the applicable index at December 31, 2018. Includes investment-level debt with total principal of $425.9 million financing assets held for sale at December 31, 2018. See Note 12 to the consolidated financial statements.

(4) We assumed noncancelable operating ground leases as lessee or sublessee in connection with certain properties acquired. The amounts represent minimum future base rent commitments through current expiration dates of the respective leases, excluding any contingent rent payments, and exclude ground leases which require only nominal annual payments and those associated with real estate held for sale. Certain rents paid under ground leases are recoverable from tenants.

(5) We lease office space under noncancelable operating leases. The amounts reflect only minimum lease payments and do not project any potential escalation or other lease-related payments.

(6) Future lending commitments may be subject to certain conditions that borrowers must meet to qualify for such fundings. Commitment amount assumes future draw requests meet the terms to qualify for such fundings. Amount presented reflects only our share of investment commitments, excluding commitments attributable to noncontrolling interests. Potential future commitments that we have approved but are not yet legally binding at December 31, 2018 are not included. See Note 6 to the consolidated financial statements.

(7) Amounts are in connection with our investments in unconsolidated ventures, including ADC arrangements accounted for as equity method investments, property acquisitions as well as commitments to third party-sponsored funds and Company-sponsored funds that are not consolidated. Potential future commitments that we have approved but are not yet legally binding at December 31, 2018 are not included. See Notes 5 and 7 to the consolidated financial statements.

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 at December 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 2027 and 2032. In the event of default or termination of the franchise agreements, the Company is liable for liquidated damages not to exceed $81 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.

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.

Certain accounting policies are considered to be critical accounting policies. Critical accounting policies are those that are most important to the portrayal of our financial condition and results of operations and require management's subjective and complex judgments, and for which the impact of changes in estimates and assumptions could have a material effect on our financial statements. We believe that all of the decisions and assessments upon which our financial statements are based were reasonable at the time made, based upon information available to us at that time.

Our significant accounting policies are discussed in Note 2 to our consolidated financial statements included in Item 15 of this Annual Report. We highlight below accounting policies that we believe are critical based on the nature of our operations and/or require significant management judgment, estimates and assumptions.

- Impairments, including real estate, loans receivable, equity investments, debt securities, goodwill and intangible assets
- Principles of consolidation—VIE assessment
- Business combinations and asset acquisitions—evaluation of whether definition of a business is met; valuation of assets acquired, and where applicable, liabilities assumed and noncontrolling interests; purchase price allocation
- Fair value measurements
- Revenue and equity method earnings, including carried interest
- Income taxes—assessment of deferred taxes and uncertain tax positions

Impairments

Real Estate—The Company evaluates its real estate held for investment for impairment periodically or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company evaluates real estate for impairment generally on an individual property basis. If an impairment indicator exists, the Company evaluates the undiscounted future net cash flows that are expected to be generated by the property, including any estimated proceeds from the eventual disposition of the property. If multiple outcomes are under consideration, the Company may apply a probability-weighted approach to the impairment analysis. Based upon the analysis, if the carrying value of a property exceeds its undiscounted future net cash flows, an impairment loss is recognized for the excess of the carrying value of the property over the estimated fair value of the property. In evaluating and/or measuring impairment, the Company considers, among other things, current and estimated future cash flows associated with each property, market information for each sub-market, including, where applicable, competition levels, foreclosure levels, leasing trends, occupancy trends, lease or room rates, and the market prices of similar properties recently sold or currently being offered for sale, and other quantitative and qualitative factors. Another key consideration in this assessment is the Company's assumptions about the highest and best use of its real estate investments and its intent and ability to hold them for a reasonable period that would allow for the recovery of their carrying values. If such assumptions change and the Company shortens its expected hold period, this may result in the recognition of impairment losses.

Real estate held for sale is stated at the lower of its carrying amount or estimated fair value less disposal cost, with any write-down to fair value less disposal cost recorded as an impairment loss. For any increase in fair value less disposal cost subsequent to classification as held for sale, the impairment loss may be reversed, but only up to the amount of cumulative loss previously recognized.

See Note 14 to the consolidated financial statements for a discussion of real estate impairment.

Loan Receivable—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. The Company does not utilize a statistical credit rating system to monitor and assess the credit risk and investment quality of its acquired or originated loans. Given the diversity of the Company's portfolio, management believes there is no consistent method of assigning a numerical rating to a particular loan that captures all of the various credit metrics and their relative importance. Therefore, the Company evaluates impairment and allowance for loan losses on an individual loan basis.

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

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. The Company evaluates estimated future cash flows expected to be collected on a quarterly basis, starting with the first full quarter after acquisition, or earlier if conditions indicating impairment are present. If the cash flows expected to be collected cannot be reasonably estimated, either at acquisition or in subsequent evaluation, the Company may consider placing such PCI loans on nonaccrual, with interest income recognized using the cost recovery method or on a cash basis. Subsequent decreases in cash flows expected to be collected are evaluated to determine whether a provision for loan loss should be established. If decreases in expected cash flows result in a decrease in the estimated fair value of the loan below its amortized cost, the Company records a provision for loan losses calculated as the difference between the loan's amortized cost and the revised cash flows, discounted at the loan's effective yield. Subsequent increases in cash flows expected to be collected are first applied to reverse any previously recorded allowance for loan losses, with any remaining increases recognized prospectively through an adjustment to yield over its remaining life. Factors that most significantly affect estimates of cash flows expected to be collected, and accordingly the accretable yield, include: (i) estimate of the remaining life of acquired loans which may change the amount of future interest income; (ii) changes to prepayment assumptions; (iii) changes to collateral value assumptions for loans expected to foreclose; and (iv) changes in interest rates on variable rate loans.

Equity Investments—Evaluation of impairment applies to equity method investments and equity investments under the measurement alternative. If indicators of impairment exist, the Company will first estimate the fair value of its investment. In assessing fair value, the Company generally considers, among others, the estimated enterprise value of the investee or fair value of the investee's underlying net assets, including net cash flows to be generated by the investee as applicable, and for equity method investees with publicly traded equity, the traded price of the equity securities in an active market.

For investments under the measurement alternative, if carrying value of the investment exceeds its fair value, an impairment is deemed to have occurred.

For equity method investments, further consideration is made if a decrease in value of the investment is other-than-temporary to determine if impairment loss should be recognized. Assessment of other-than-temporary impairment ("OTTI") involves management judgment, including, but not limited to, consideration of the investee's financial condition, operating results, business prospects and creditworthiness, the Company's ability and intent to hold the investment until recovery of its carrying value, or a significant and prolonged decline in traded price of the investee's equity security. If management is unable to reasonably assert that an impairment is temporary or believes that the Company may not fully recover the carrying value of its investment, then the impairment is considered to be other-than-temporary. Investments that are other-than-temporarily impaired are written down to their estimated fair value.

Impairment loss is recorded in equity method earnings for equity method investments and in other gain (loss) for investments under the measurement alternative.

See Note 7 to the consolidated financial statements for a discussion of impairment to equity method investments. There was no impairment recorded on equity investments under the measurement alternative.

Debt Securities—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. Other-than-temporary impairment 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. For beneficial interests in debt securities that are not of high credit quality or that can be contractually settled such that the Company would not recover substantially all of its recorded investment, OTTI also exists when there has been an adverse change in cash flows expected to be collected from the last measurement date.

If the Company intends to sell the impaired debt security or more likely than not will be required to sell the impaired debt security before recovery of its amortized cost, the entire impairment amount is recognized in earnings. If the Company does not intend to sell the debt security and it is not more likely than not that the Company will be required to sell the debt security before recovery of its amortized cost, the Company further evaluates the debt security for impairment due to credit losses. In determining whether a credit loss exists, an assessment is made of the cash flows expected to be collected from the debt security. The credit component of OTTI is recognized in earnings within other gain (loss), while the remaining non-credit component is recognized in other comprehensive income. The amortized cost basis of the debt security is written down by the amount of impairment recognized in earnings and will not be adjusted for subsequent recoveries in fair value. The difference between the new amortized cost basis and the cash flows expected to be collected will be accreted as interest income.

Identifiable Intangibles—Identifiable intangible assets are reviewed periodically to determine if circumstances exist which may indicate a potential impairment. If such circumstances are considered to exist, the Company evaluates if carrying value of the intangible asset is recoverable based upon an undiscounted cash flow analysis. Impairment loss is recognized for the excess, if any, of carrying value over estimated fair value of the intangible asset. An impairment establishes a new basis for the intangible asset and any impairment loss recognized is not subject to subsequent reversal.

Impairment analysis on lease intangible assets is performed in connection with the impairment assessment of the related real estate. In evaluating investment management intangibles intangibles for impairment, such as management contracts and customer relationships, the Company considers various factors that may affect future fee income, including but not limited to, changes in fee basis, amendments to contractual fee terms, and projected capital raising for future vehicles.

Goodwill—Goodwill is tested for impairment at the reporting units to which it is assigned at least on an annual basis in the fourth quarter of each year, or more frequently if events or changes in circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value, including goodwill. The assessment of goodwill for impairment may initially be performed based on qualitative factors to determine if it is more likely than not that the fair value of the reporting unit to which the goodwill is assigned is less than its carrying value, including goodwill. If so, a quantitative assessment is performed to identify both the existence of impairment and the amount of impairment loss. The Company may bypass the qualitative assessment and proceed directly to performing a quantitative assessment to compare the fair value of a reporting unit with its carrying value, including goodwill. Impairment is measured as the excess in carrying value over fair value of the reporting unit, with the loss recognized limited to the amount of goodwill assigned to that reporting unit. An impairment establishes a new basis for goodwill and any impairment loss recognized is not subject to subsequent reversal. Goodwill impairment tests require judgment, including identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit.

See Note 9 to the consolidated financial statements for a discussion of our impairment assessment of investment management intangible assets and goodwill.

Principles of Consolidation

The Company consolidates entities in which it has a controlling financial interest by first considering if an entity meets the definition of a variable interest entity ("VIE") for which the Company is deemed to be the primary beneficiary, or if the Company has the power to control an entity through a majority of voting interest or through other arrangements.

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.

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.

See Note 15 to the consolidated financial statements for a discussion of our consolidation assessment of VIEs.

Business Combinations and Asset Acquisitions

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

Prior to the Company's adoption of the new definition of a business effective October 1, 2016, the concentration of acquired fair values in a single or group of similar identifiable assets did not preclude the acquisition of such assets from meeting the definition of a business. As a result, acquisition of real estate assets with existing in-place leases, other than sale-leaseback transactions, were generally recognized as business combinations.

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

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

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

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

See Note 3 to the consolidated financial statements for a discussion of our assessment of business combination transactions that closed during the periods presented.

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

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

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

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

Fair Value Measurement

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

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

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

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

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

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

See Note 14 to the consolidated financial statements for further description of fair value measurements, in particular Level 3 fair values.

Revenues

Significant revenue streams include property operating income and fee income, as follows:

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. When it is determined that the Company is the owner of tenant improvements, 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, rental income recognition commences when the tenant takes possession of the lease space.

Tenant Reimbursements—In net lease arrangements, 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. 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 is 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:

- Base management fees recognized over the life of the investment vehicle as services are provided for the administration of the vehicles, including management of their investments;
- One-time asset management fees received upon closing of each investment made by certain managed private funds recognized ratably over the life of each investment as services are rendered; and
- Incentive fees, which take the form of a contractual fee arrangement determined based on the performance of the investment vehicles subject to the achievement of minimum return hurdles, represent a form of variable consideration that is recognized when it is probable that a significant reversal of the cumulative revenue will not occur, which is generally at the end of the performance measurement period of the respective investment vehicles.

Equity Method Earnings

The Company's share of net income or loss from its equity method investee may differ from its stated ownership percentage interest in the entity if the governing documents prescribe a substantive non-proportionate earnings allocation formula or a preferred return to certain investors. Additionally, the Company may earn carried interest related to its general partner or equivalent interests in sponsored or co-sponsored investment vehicles, which represents a disproportionate allocation of returns based based on the performance of the investment vehicles subject to the achievement of minimum return hurdles. To the extent the investment vehicles qualify for investment company accounting, their underlying results and consequently, the calculation of carried interests, reflect changes in fair value of their investments each period. The amount of carried interest recognized based on the cumulative performance of each investment vehicle if it were liquidated as of the reporting date may be subject to reversal until such time the carried interest, if any, is realized. Realization of carried interest generally occurs upon disposition of all underlying investments of an investment vehicle, or in part with each disposition, pursuant to the governing documents of the investment vehicles.

Income Taxes

Deferred Income Taxes—The provision for income taxes includes current and deferred portions. The current income tax provision differs from the amount of income tax currently payable because of temporary differences in the recognition of certain income and expense items between financial reporting and income tax reporting. The Company uses the asset and liability method to provide for income taxes, which requires that the Company's income tax expense reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities for financial reporting versus income tax purposes. Accordingly, a deferred tax asset or liability for each temporary difference is determined based on enacted tax rates that the Company expects to be in effect when the underlying items of income and expense are realized and the differences reverse. A deferred tax asset is also recognized for net operating loss carryforwards and the income tax effect of accumulated other comprehensive income items of the TRS and foreign taxable entities. A valuation allowance for deferred tax assets is established if the Company believes it is more likely than not that all or some portion of the deferred tax assets will not be realized. Realization of deferred tax assets is dependent on the Company's TRS and foreign taxable entities generating sufficient taxable income in future periods or employing certain tax planning strategies to realize such deferred tax assets.

See Note 23 to the consolidated financial statements for further description of deferred income taxes and realizability of net deferred tax assets.

Recent Accounting Updates

The impact of accounting standards adopted in 2018 and the potential impact of accounting standards to be adopted in the future are described in Note 2 to our consolidated financial statements in Item 15 of this Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market risk includes the exposure to loss resulting from changes in interest rates, credit curve spreads, foreign currency exchange rates, commodity prices, equity prices and credit risk in our underlying investments.

Credit Risk

We are subject to the credit risk of the tenant/operators of our properties. We seek to undertake a rigorous credit evaluation of each tenant and operator prior to acquiring properties. This analysis includes an extensive due diligence investigation of the tenant/operator’s business as well as an assessment of the strategic importance of the underlying real estate to the tenant/operator’s core business operations. Where appropriate, we may seek to augment the tenant/operator’s commitment to the facility by structuring various credit enhancement mechanisms into their management assessments, where applicable, and underlying leases. These mechanisms could include security deposit requirements or guarantees from entities we deem creditworthy.

In addition, our investment in loans receivable is subject to a high degree of credit risk through exposure to loss from loan defaults. Default rates are subject to a wide variety of factors, including, but not limited to, borrower financial condition, property performance, property management, supply/demand factors, construction trends, consumer behavior, regional economics, interest rates, the strength of the U.S. economy and other factors beyond our control. All loans are subject to a certain probability of default. We manage credit risk through the underwriting process, acquiring our investments at the appropriate discount to face value, if any, and establishing loss assumptions. We also carefully monitor the performance of the loans, including those held through our joint venture investments, as well as external factors that may affect their value.

For more information, see Item 2 “*Management's Discussion and Analysis—Risk Management*.”

Interest Rate and Credit Curve Spread Risk

Interest rate risk relates to the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Credit curve spread risk is highly sensitive to the dynamics of the markets for loans and securities we hold. Excessive supply of these assets combined with reduced demand will cause the market to require a higher yield. This demand for higher yield will cause the market to use a higher spread over the U.S. Treasury securities yield curve, or other benchmark interest rates, to value these assets.

As U.S. Treasury securities are priced to a higher yield and/or the spread to U.S. Treasuries used to price the assets increases, the price at which we could sell some of our fixed rate financial assets may decline. Conversely, as U.S. Treasury securities are priced to a lower yield and/or the spread to U.S. Treasuries used to price the assets decreases, the value of our fixed rate financial assets may increase. Fluctuations in LIBOR may affect the amount of interest income we earn on our floating rate borrowings and interest expense we incur on borrowings indexed to LIBOR, including under credit facilities and investment-level financing.

In connection with the Merger, we assumed a $2 billion notional interest rate swap intended to hedge against future interest rate increases of certain healthcare mortgage debt at a break-even 10-year swap rate of 3.394%. This interest rate swap does not qualify for hedge accounting; therefore, unrealized gains (losses) resulting from fair value changes at the end of each reporting period are recognized in earnings. The swap is currently out of the money and may be subject to future margin calls if the liability is in excess of $160 million. The swap expires in December 2019 with a mandatory cash settlement at fair value (receivable to the Company if the 10-year swap rate is greater than 3.394% and a liability of the Company if the 10-year swap rate is lower than 3.394%) and can be terminated by the Company any time prior to expiration at termination value. As of February 25, 2019, the termination value of the liability was approximately $132.3 million, and 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 $170.4 million or unrealized loss of $191.0 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 held predominantly by our foreign subsidiaries and to a lesser extent, by U.S. subsidiaries. Changes in foreign currency rates can adversely affect the fair values and earnings of our non-U.S. holdings. We generally mitigate this foreign currency risk by utilizing currency instruments to hedge our net investments in our foreign subsidiaries. The types of hedging instruments that we may employ on our foreign subsidiary investments are forwards and costless collars (buying a protective put while writing an out-of the-money covered call with a strike price at which the premium received is equal to the premium of the protective put purchased) which involved no initial capital outlay. The puts are generally structured with strike prices up to 10% lower than our cost basis in such investments, thereby limiting any foreign exchange fluctuations to up to 10% of the original capital invested.

At December 31, 2018, we had approximately €614.0 million and £235.7 million or a total of $1.0 billion, in net investments in our European subsidiaries and a £37.9 million or $48.3 million loan receivable held by a U.S subsidiary. 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 in connection with our investment in our European subsidiaries, and a $0.5 million gain or loss in earnings in connection with the foreign denominated loan receivable held by a U.S subsidiary.

A summary of the foreign exchange contracts in place at December 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 December 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 8. Financial Statements.

The financial statements and the supplementary financial data required by this item appear in Item 6 and Item 15 of this Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. 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 December 31, 2018.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in 13a-15(f) and 15d-15(f) of the Exchange Act). Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on our financial statements.

Under the supervision and with the participation of our management, we evaluated the effectiveness of our internal control over financial reporting using the criteria set forth in the *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013 framework). Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2018.

Our internal control system was designed to provide reasonable assurance to management and our board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Ernst & Young LLP, our independent registered accounting firm, has audited our financial statements included in this Annual Report and has issued an attestation report on the effectiveness of our internal control over financial reporting, which is included in this Form 10-K.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Colony Capital, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Colony Capital, Inc.'s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Colony Capital, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2018 and the related notes and schedules, and our report dated March 1, 2019, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying management's annual report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Los Angeles, California
March 1, 2019

Item 9B. Other Information.

CEO Employment Agreement Amendment

In connection with the appointment of Thomas J. Barrack, Jr. as Chief Executive Officer of the Company (in addition to his role as Executive Chairman), the Company will amend its employment agreement with Mr. Barrack primarily to reflect his additional role and responsibilities. Except as described below, will otherwise remain substantially the same as Mr. Barrack's current employment agreement with the Company, dated as of December 23, 2014, and as amended as of June 2, 2016, as described more fully in the Company's definitive proxy statement on Schedule 14A filed with the Securities and Exchange Commission on April 3, 2018 (the "2018 Proxy Statement").

The amended employment agreement will provide for an extension of the initial term to the third anniversary of the effective date of the amended employment agreement (the "Effective Date"), subject to automatic renewals of additional successive one-year periods unless either party provides at least 180 days' advance notice of non-renewal.

In addition, the amended employment agreement will provide for the same compensation terms for Mr. Barrack as were in effect prior to the Effective Date, as disclosed in the 2018 Proxy Statement. Such compensation terms include that Mr. Barrack will receive an annual base salary of not less than $1,000,000 and will be eligible to receive an annual cash bonus with a target amount of no less than $4,000,000, which may be based on achievement of reasonable performance measures established by the Company's board of directors (the "Board") (or a committee thereof). In addition, Mr. Barrack will be eligible to receive annual grants of equity-based awards with a target value initially set at 350% of his base salary, subject to annual review by the Board (or a committee thereof). The amended employment agreement will also provide that, beginning in 2019, at least 50% of such grant will vest based on time-based vesting conditions in no more than three equal annual installments and up to 50% will vest subject to both time-based and performance-based vesting conditions over a vesting period no longer than three years. The portion of any such annual equity-based grant subject, in part, to performance-based vesting conditions will be structured to provide an additional opportunity to earn up to 200% of the target amount of such award in the event the performance thresholds established by the Board (or committee thereof) are met. Mr. Barrack will also continue to receive allocations in respect of carried interests in respect of funds managed by us that were granted to Mr. Barrack prior to the Effective Date, and will be eligible to be granted new allocations in respect of carried interests in respect of funds managed by the Company as is determined by the Board (or a committee thereof) from time to time in consultation with Mr. Barrack. In addition, the amended employment agreement will provide for a full vesting of all of Mr. Barrack's equity-based awards of the Company, carried interests and other like compensation that he holds, to the extent unvested upon a change in control (as such term is defined in the Company's 2014 Omnibus Stock Incentive Plan, a "Change in Control").

Consistent with his existing employment agreement, Mr. Barrack will also be eligible to participate in our benefit plans made available to our senior executive officers from time to time and to receive certain perquisites that he was entitled to immediately prior to the Effective Date, each as described in the agreement. In addition, the amended employment agreement will provide that, if Mr. Barrack's employment is terminated by us without "cause" (as defined in the agreement and including non-renewal of the agreement by us) or by Mr. Barrack for "good reason" (as defined in the agreement and described below), and Mr. Barrack executes a release of claims, he will be eligible to receive the severance payments and other items described in the 2018 Proxy Statement, including the continuation of certain benefits for 24 months following the date of termination and, for 18 months following the date of termination, the use of his office and the services of a personal assistant, in each case, commensurate with those provided prior to the date of termination and the continued use of the Company's corporate jet (if any) for personal use for which Mr. Barrack must reimburse the Company for the cost of any such use on the same terms as in effect prior to the date of termination.

In connection with entering into the amended employment agreement, the Company will grant Mr. Barrack a one-time equity grant in the amount of $7.0 million subject to both time- and performance-based vesting conditions over a three year period. The one-time equity grant will only provide the opportunity to earn up to 100% of the target amount of such award if and upon vesting at the end of the three year period.

In addition, the amended employment agreement, through an amendment to the restrictive covenant agreement that is included as an exhibit to the agreement, will provide that Mr. Barrack will not, subject to certain listed exceptions for permitted and personal activities, compete with us, or solicit our investors or customers or employees or those of our subsidiaries during his employment with us and for the one-year period following the termination of his employment with us unless his employment is terminated by us without cause (as defined in the agreement and including non-renewal of the agreement by us), by Mr. Barrack for "good reason" (as defined in the agreement and described above), or by us or Mr. Barrack following a Change in Control.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of certain material U.S. federal income tax considerations relating to our qualification and taxation as a real estate investment trust, which we refer to as a REIT, and the acquisition, holding, and disposition of our Class A common stock, preferred stock, and depositary shares (for purposes of this section only, collectively referred to as "stock"). As used in this section, references to the terms "Company," "we," "our," and "us" mean only Colony Capital, Inc. and not its subsidiaries or other lower-tier entities, except as otherwise indicated. This summary is based upon the Internal Revenue Code of 1986, as amended, which we refer to as the Code, the regulations promulgated by the U.S. Treasury Department, which we refer to as the Treasury Regulations, rulings and other administrative interpretations and practices of the Internal Revenue Service, which we refer to as the IRS (including administrative interpretations and practices expressed in private letter rulings which are binding on the IRS only with respect to the particular taxpayers who requested and received those rulings), and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. We have not sought and will not seek an advance ruling from the IRS regarding any matter discussed in this section. The summary is also based upon the assumption that we have operated and will operate the Company and its subsidiaries and affiliated entities in accordance with their applicable organizational documents. This summary is for general information only, and does not purport to discuss all aspects of U.S. federal income taxation that may be important to a particular investor in light of its investment or tax circumstances, or to investors subject to special tax rules, including:

- insurance companies;
- tax-exempt organizations (except to the extent discussed in "—Taxation of Tax—Exempt Stockholders" below);
- financial institutions or broker-dealers;
- non-U.S. individuals and foreign corporations (except to the extent discussed in "—Taxation of Non-U.S. Stockholders" below);
- U.S. expatriates;
- persons who mark-to-market our stock;
- subchapter S corporations;
- U.S. stockholders, as defined below, whose functional currency is not the U.S. dollar;
- regulated investment companies;
- REITs;
- trusts and estates;
- holders who receive our stock through the exercise of employee stock options or otherwise as compensation;
- persons holding our stock as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or other integrated investment;
- persons subject to the alternative minimum tax provisions of the Code;
- persons holding our stock through a partnership or similar pass-through entity; and
- persons holding a 10% or more (by vote or value) beneficial interest in our stock.

This summary assumes that stockholders hold shares of our stock as capital assets for U.S. federal income tax purposes, which generally means property held for investment.

The statements in this section are based on the current U.S. federal income tax laws, are for general information purposes only and are not tax advice. We cannot assure you that new laws, interpretations of law or court decisions, any of which may take effect retroactively, will not cause any statement in this section to be inaccurate.

THE U.S. FEDERAL INCOME TAX TREATMENT OF US AS A REIT AND OF YOU AS A HOLDER OF OUR STOCK DEPENDS IN SOME INSTANCES ON DETERMINATIONS OF FACT AND INTERPRETATIONS OF COMPLEX PROVISIONS OF U.S. FEDERAL INCOME TAX LAW FOR WHICH NO CLEAR PRECEDENT OR AUTHORITY MAY BE AVAILABLE. IN ADDITION, THE TAX CONSEQUENCES TO ANY PARTICULAR HOLDER OF OUR STOCK WILL DEPEND ON SUCH HOLDER'S PARTICULAR TAX CIRCUMSTANCES.

YOU SHOULD CONSULT YOUR TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES TO YOU OF THE OWNERSHIP AND SALE OF OUR STOCK AND OF ITS INTENDED ELECTION TO BE TAXED AS A REIT.

SPECIFICALLY, YOU SHOULD CONSULT YOUR TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF SUCH OWNERSHIP, SALE AND ELECTION, AND REGARDING POTENTIAL CHANGES IN APPLICABLE TAX LAWS.

Taxation of Colony Capital

We elected to be taxed as a REIT under the U.S. federal income tax laws commencing with our taxable year ended December 31, 2017. We believe that we are organized and have operated, and we intend to continue to operate, in a manner so as to qualify for taxation as a REIT under the Code. This section discusses the laws governing the U.S. federal income tax treatment of a REIT and its stockholders. These laws are highly technical and complex.

Qualification and taxation as a REIT depends on our ability to meet on a continuing basis, through actual operating results, distribution levels, and diversity of ownership by holders of our securities and asset ownership, and various other qualification requirements imposed upon REITs by the Code. In addition, our ability to qualify as a REIT may depend in part upon the operating results, organizational structure and entity classification for U.S. federal income tax purposes of certain entities in which we invest. Our ability to qualify as a REIT also requires that we satisfy certain asset tests, some of which depend upon the fair market values of assets that we own directly or indirectly. Such values may not be susceptible to a precise determination, whether for past, current, or future periods, and based upon the types of assets that we own and intend to own, such values can vary rapidly, significantly and unpredictably. Accordingly, no assurance can be given that the actual results of our operations for any taxable year will satisfy such requirements for qualification and taxation as a REIT. Similarly, the income we earn from our assets may not be earned when or in the proportions anticipated. For example, we may encounter situations in which a relatively small investment generates a higher than expected return in a particular year (or vice versa). A discussion of the tax consequences of the failure to qualify as a REIT and certain alternatives is included below in the section entitled "—Failure to Qualify."

As indicated above, our qualification and taxation as a REIT depends upon our ability to meet, on a continuing basis, various qualification requirements imposed upon REITs by the Code. The material qualification requirements are summarized below under "—Requirements for Qualification." While we intend to operate so that we qualify as a REIT, no assurance can be given that the IRS will not challenge our qualification, or that we have been or will be able to operate in accordance with the REIT requirements in the future. See "—Requirements for Qualification—Failure to Qualify."

New Tax Reform Legislation Enacted December 22, 2017

On December 22, 2017, the President signed into law H.R. 1, which generally took effect for taxable years beginning on or after January 1, 2018. This legislation made many changes to the U.S. federal income tax laws that significantly impact the taxation of individuals, corporations (both non-REIT C corporations as well as corporations that have elected to be taxed as REITs), and the taxation of taxpayers with overseas assets and operations. These changes are generally effective for taxable years beginning after December 31, 2017. However, a number of changes that reduce the tax rates applicable to non-corporate taxpayers (including a new 20% deduction for qualified REIT dividends that reduces the effective rate of regular income tax on such income), and also limit the ability of such taxpayers to claim certain deductions, will expire for taxable years beginning after 2025, unless Congress acts to extend them.

These changes impact us and our stockholders in various ways, some of which are adverse relative to prior law, and this summary of material U.S. federal income tax considerations incorporates these changes where material. To date, the IRS has issued only some guidance with respect to certain provisions of the new law. There are numerous interpretive issues and ambiguities that still require guidance and that are not clearly addressed in the legislative history that accompanied H.R. 1 and additional technical corrections legislation is still needed to clarify certain of the new provisions and give proper effect to Congressional intent. There can be no assurance, however, that technical clarifications or other legislative changes that may be needed to prevent unintended or unforeseen tax consequences will be enacted by Congress anytime soon.

Taxation of REITs in General

Provided that we qualify as a REIT, we will be entitled at the REIT level to a deduction from our taxable income for dividends that we pay and, therefore, will not be subject to U.S. federal corporate income tax at the REIT level on our taxable income that is currently distributed to holders of our securities. This treatment substantially eliminates the "double taxation" at the corporate and stockholder levels that generally results from an investment in a non-REIT C corporation. A non-REIT C corporation is a corporation that generally is required to pay tax at the corporate level. Double taxation means taxation once at the corporate level when income is earned and once again at the stockholder level when the income is distributed. In general, the income that we generate is taxed only at the stockholder level upon a distribution of dividends to our stockholders.

U.S. stockholders generally will be subject to taxation on dividends distributed by us (other than designated capital gain dividends and "qualified dividend income") at rates applicable to ordinary income, instead of at lower capital gain rates. For taxable years beginning after December 31, 2017, and before January 1, 2026, generally, U.S. stockholders that are individuals, trusts or estates may deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations. Capital gain dividends and qualified dividend income will continue to be subject to a maximum 20% rate. See "—Taxation of Taxable U.S. Stockholders of Colony Capital—Taxation of U.S. Stockholders on Distributions of Our Stock."

Any net operating losses, foreign tax credits and other tax attributes of a REIT generally do not pass through to holders of our securities, subject to special rules for certain items such as the capital gains that we recognize. See "—Taxation of Taxable U.S. Stockholders of Colony Capital."

Even if the Company qualifies for taxation as a REIT, the Company will be subject to U.S. federal tax in the following circumstances:

- the Company will pay U.S. federal income tax on any taxable income, including net capital gain, that it does not distribute to stockholders during, or within a specified time period after, the calendar year in which the income is earned.
- for our taxable year ended December 31, 2017, the Company may be subject to the "alternative minimum tax" on any items of tax preference that it does not distribute or allocate to stockholders.
- the Company will pay income tax at the highest corporate rate on:
- net income from the sale or other disposition of property acquired through foreclosure, or foreclosure property, that it holds primarily for sale to customers in the ordinary course of business; and
- other non-qualifying income from foreclosure property.
- the Company will pay a 100% tax on net income earned from sales or other dispositions of property, other than foreclosure property, by an entity other than a taxable REIT subsidiary, which we refer to as a TRS, if such property is held primarily for sale to customers in the ordinary course of business.
- if the Company fails to satisfy one or both of the 75% gross income test or the 95% gross income test, as described below in the section entitled "—Requirements for Qualification—Gross Income Tests," and nonetheless continues to qualify as a REIT because it meets other requirements, it will pay a 100% tax on: the greater of the amount by which it fails the 75% gross income test or the 95% gross income test, multiplied, in either case, by a fraction intended to reflect its profitability.
- if the Company fails any of the asset tests (other than a de minimis failure of the 5% asset test or the 10% vote or value test, as described below in the section entitled "—Requirements for Qualification—Asset Tests"), as long as the failure was due to reasonable cause and not to willful neglect, the Company files a description of each asset that caused such failure with the IRS, and the Company disposes of the assets or otherwise complies with the asset tests within six months after the last day of the quarter in which it identifies such failure, it will pay a tax equal to the greater of $50,000 or the highest U.S. federal income tax rate then applicable to U.S. corporations (currently 21%) on the net income from the non-qualifying assets during the period in which it failed to satisfy the asset tests in order to remain qualified as a REIT.
- if the Company fails to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, and such failure is due to reasonable cause and not to willful neglect, it will be required to pay a penalty of $50,000 for each such failure in order to remain qualified as a REIT.
- if the Company fails to distribute during a calendar year at least the sum of: (i) 85% of its REIT ordinary income for the year; (ii) 95% of its REIT capital gain net income for the year; and (iii) any undistributed taxable income required to be distributed from earlier periods, the Company will pay a 4% nondeductible excise tax on the excess of the required distribution over the amount it actually distributed, plus any retained amounts on which income tax has been paid at the corporate level.
- the Company may elect to retain and pay income tax on its net long-term capital gain. In that case, to the extent that the Company made a timely designation of such gain, a U.S. stockholder would be taxed on its proportionate share of the Company's undistributed long-term capital gain and would receive a credit or refund for its proportionate share of the tax the Company paid.
- the Company will be subject to a 100% excise tax on transactions with a TRS that are not conducted on an arm's-length basis.

- if the Company acquires any asset from a non-REIT C corporation in a merger or other transaction in which the Company acquires a basis in the asset that is determined by reference either to the non-REIT C corporation's basis in the asset or to another asset, the Company will pay tax at the highest regular corporate rate applicable if it recognizes gain on the sale or disposition of the asset during the five-year period after it acquires the asset, provided no election is made for the transaction to be taxable on a current basis. This tax will generally apply to gain recognized with respect to assets that the Company holds as of the effective date of its REIT election (January 1, 2017) if such gain is recognized during the five-year period following such effective date or it may apply if the Company were to engage in (or, potentially, become a successor to an entity that had engaged in) a tax-free spin-off transaction under Section 355 of the Code within 5 years of such effective date. The amount of gain on which the Company would pay tax in the foregoing circumstances is the lesser of:
- the amount of gain that the Company recognizes at the time of the sale or disposition (or would have recognized if, at the time of a spin-off transaction described above, the Company had disposed of the applicable asset); and
- the amount of gain that the Company would have recognized if it had sold the asset at the time the Company acquired it, assuming that the non-REIT C corporation will not elect in lieu of this treatment an immediate tax when the asset is acquired.
- the Company may be required to pay monetary penalties to the IRS in certain circumstances, including if it fails to meet recordkeeping requirements intended to monitor its compliance with rules relating to the composition of a REIT's stockholders, as described below in the section entitled "—Requirements for Qualification—Recordkeeping Requirements."
- the earnings of the Company's lower-tier entities that are subchapter C corporations, excluding any qualified REIT subsidiaries, which we refer to as QRSs, but including domestic TRSs, are subject to U.S. federal corporate income tax.
- if the Company owns a residual interest in a real estate mortgage investment conduit, which we refer to as a REMIC, it will be taxable at the highest corporate rate on the portion of any excess inclusion income that it derives from the REMIC residual interests equal to the percentage of our stock that is held in record name by "disqualified organizations." Although the law is unclear, IRS guidance indicates that similar rules may apply to a REIT that owns an equity interest in a taxable mortgage pool. To the extent that the Company owns a REMIC residual interest or a taxable mortgage pool through a TRS, it will not be subject to this tax. For a discussion of "excess inclusion income," refer below to the section entitled "—Requirements for Qualification—Taxable Mortgage Pools." A "disqualified organization" includes:
    - the United States;
    - any state or political subdivision of the United States;
    - any foreign government;
    - any international organization;
    - any agency or instrumentality of any of the foregoing;
    - any other tax-exempt organization, other than a farmer's cooperative described in Section 521 of the Code, that is exempt both from income taxation and from taxation under the unrelated business taxable income provisions of the Code; and
    - any rural electrical or telephone cooperative.

In addition, the Company and its subsidiaries may be subject to a variety of taxes, including payroll taxes and state, local and foreign income, property and other taxes on its assets and operations. The Company could also be subject to tax in situations and on transactions not presently contemplated. Moreover, as described further below, the Company's TRSs will be subject to U.S. federal, state and local corporate income tax on their taxable income. Due to the nature of the assets in which the Company invests, the Company's TRSs have, and the Company expects the TRSs will continue to have, a material amount of assets and net taxable income.

Requirements for Qualification

A REIT is a corporation, trust or association that meets each of the following requirements:

1. It is managed by one or more trustees or directors.
2. Its beneficial ownership is evidenced by transferable shares or by transferable certificates of beneficial interest.

3. It would be taxable as a domestic corporation but for the REIT provisions of the U.S. federal income tax laws.
4. It is neither a financial institution nor an insurance company subject to special provisions of the U.S. federal income tax laws.
5. At least 100 persons are beneficial owners of its shares or ownership certificates.
6. Not more than 50% in value of its outstanding shares or ownership certificates is owned, directly or indirectly, by five or fewer individuals, which the Code defines to include certain entities, during the last half of any taxable year.
7. It elects to be a REIT, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status.
8. It meets certain other qualification tests, described below, regarding the nature of its income and assets and the amount of its distributions to stockholders.
9. It uses a calendar year for U.S. federal income tax purposes.

The Company must meet requirements 1 through 4, 8 and 9 during its entire taxable year and must meet requirement 5 during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Requirements 5 and 6 began applying to the Company with its 2018 taxable year. If the Company complies with all the requirements for ascertaining the ownership of its outstanding shares in a taxable year and has no reason to know that it violated requirement 6, it will be deemed to have satisfied requirement 6 for that taxable year. For purposes of determining share ownership under requirement 6, an “individual” generally includes a supplemental unemployment compensation benefits plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes. An “individual,” however, generally does not include a trust that is a qualified employee pension or profit-sharing trust under the U.S. federal income tax laws, and beneficiaries of such a trust will be treated as holding our stock in proportion to their actuarial interests in the trust for purposes of requirement 6. The Company expects to issue sufficient stock with sufficient diversity of ownership to satisfy requirements 5 and 6. In addition, the Company’s charter restricts the ownership and transfer of our stock so that it should continue to satisfy these requirements. To monitor compliance with the stock ownership requirements, we are generally required to maintain records regarding the actual ownership of our stock. To do so, we must demand written statements each year from the record holders of significant percentages of our stock pursuant to which the record holders must disclose the actual owners of the stock (i.e., the persons required to include in gross income the dividends paid by us). We must maintain a list of those persons failing or refusing to comply with this demand as part of our records. We could be subject to monetary penalties if we fail to comply with these recordkeeping requirements. A stockholder that fails or refuses to comply with the demand is required by Treasury Regulations to submit a statement with its tax return disclosing the actual ownership of our stock and other information. For purposes of requirement 9, we have adopted December 31 as our year end, and thereby satisfy this requirement.

Relief from Violations; Reasonable Cause

The Internal Revenue Code provides relief from violations of the REIT gross income requirements, as described below under “—Requirements for Qualification—Gross Income Tests,” in cases where a violation is due to reasonable cause and not to willful neglect, and other requirements are met, including the payment of a penalty tax that is based upon the magnitude of the violation. In addition, certain provisions of the Internal Revenue Code extend similar relief in the case of certain violations of the REIT asset requirements (see “—Requirements for Qualification—Asset Tests” below) and other REIT requirements, again provided that the violation is due to reasonable cause and not willful neglect, and other conditions are met, including the payment of a penalty tax. If we did not have reasonable cause for a failure, we would fail to qualify as a REIT. Whether we would have reasonable cause for any such failure cannot be known with certainty because the determination of whether reasonable cause exists depends on the facts and circumstances at the time and we cannot provide any assurance that we in fact would have reasonable cause for a particular failure or that the IRS would not successfully challenge our view that a failure was due to reasonable cause. Moreover, we may be unable to actually rectify a failure and restore asset test compliance within the required timeframe due to the inability to transfer or otherwise dispose of assets, including as a result of restrictions on transfer imposed by our lenders or undertakings with our co-investors and/or the inability to acquire additional qualifying assets due to transaction risks, access to additional capital or other considerations. If we fail to satisfy any of the various REIT requirements, there can be no assurance that these relief provisions would be available to enable us to maintain our qualification as a REIT, and, if such relief provisions are available, the amount of any resultant penalty tax could be substantial.

Effect of Subsidiary Entities

Qualified REIT Subsidiaries. A corporation that is a QRS is not treated as a corporation separate from its parent REIT. All assets, liabilities and items of income, deduction and credit of a QRS are treated as assets, liabilities and items of income, deduction and credit of the REIT. A QRS is a corporation, other than a TRS, all the stock of which is owned by the REIT. Thus, in applying the requirements described herein, any QRS that the Company owns will be ignored, and all assets, liabilities and items of income, deduction and credit of such subsidiary will be treated as the Company's assets, liabilities and items of income, deduction and credit.

Other Disregarded Entities and Partnerships. An unincorporated domestic entity, such as a partnership or limited liability company, that has a single owner for U.S. federal income tax purposes generally is not treated as an entity separate from its owner for U.S. federal income tax purposes. An unincorporated domestic entity with two or more owners is generally treated as a partnership for U.S. federal income tax purposes. In the case of a REIT that is a partner in a partnership that has other partners, the REIT is treated as owning its proportionate share of the assets of the partnership and as earning its allocable share of the gross income of the partnership for purposes of the applicable REIT qualification tests. Thus, the Company's proportionate share of the assets, liabilities and items of income of Colony Capital Operating Company, LLC, which we refer to as the Operating Partnership, and any other partnership, joint venture or limited liability company that is treated as a partnership for U.S. federal income tax purposes in which it has acquired or will acquire an interest, directly or indirectly, or a subsidiary partnership, will be treated as its assets and gross income for purposes of applying the various REIT qualification requirements. For purposes of the 10% value test (described in the section entitled "—Asset Tests"), the Company's proportionate share is based on its proportionate interest in the equity interests and certain debt securities issued by the partnership. For all of the other asset and income tests, the Company's proportionate share is based on its proportionate interest in the capital of the partnership.

The Company holds and expects to acquire limited partner or non-managing member interests in partnerships and limited liability companies that are joint ventures or investment funds. If a partnership or limited liability company in which the Company owns a direct or indirect interest takes or expects to take actions that could jeopardize its qualification as a REIT or require it to pay tax, the Company may be forced to dispose of its interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action which could cause the Company to fail a REIT gross income or asset test, and that the Company would not become aware of such action in time to dispose of its interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, the Company could fail to qualify as a REIT unless it was able to qualify for a statutory REIT "savings" provision, which may require it to pay a significant penalty tax to maintain its REIT qualification.

Taxable REIT Subsidiaries. A REIT may own up to 100% of the stock of one or more TRSs. A TRS is a fully taxable corporation that may earn income that would not be qualifying income if earned directly by its parent REIT or through a disregarded or partnership subsidiary. The subsidiary corporation and the REIT must jointly elect to treat the subsidiary as a TRS. Any corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS.

A REIT is not treated as holding the assets of a TRS or as receiving any income that the TRS earns. Rather, the stock issued by the TRS is an asset in the hands of the parent REIT and the REIT recognizes as income the dividends, if any, that it receives from the TRS. This treatment can affect the income and asset test calculations that apply to the REIT. Because a parent REIT does not include the assets and income of such TRSs in determining the parent REIT's compliance with the REIT requirements, TRSs may be used by the parent REIT to undertake indirectly activities that the REIT rules might otherwise preclude it from doing directly or through pass-through subsidiaries (for example, activities that give rise to certain categories of income such as management fees).

However, an entity will not qualify as a TRS if it directly or indirectly operates or manages a lodging or health care facility or, generally, provides rights to any brand name under which any lodging or health care facility is operated, unless such rights are provided to an "eligible independent contractor" to operate or manage a lodging facility or a health care facility if such rights are held by the TRS as a franchisee, licensee or in a similar capacity and such lodging facility or health care facility is either owned by the TRS or leased to the TRS by its parent REIT. A TRS will not be considered to operate or manage a qualified lodging facility or a qualified health care property solely because the TRS directly or indirectly possesses a license, permit or similar instrument enabling it to do so. Additionally, a TRS will not be considered to operate or manage a qualified lodging facility or qualified health care property located outside of the United States, as long as an "eligible independent contractor" is responsible for the daily supervision and direction of such individuals on behalf of the TRS pursuant to a management agreement or similar service contract. An "eligible independent contractor" is, generally, with respect to any qualified lodging facility or qualified health care property, any independent contractor (as defined in Section 856(d)(3) of the Code) if, at the time such contractor enters into a management agreement or other similar service contract with the TRS to operate such qualified lodging facility or qualified health care property, such contractor (or any related person) is actively engaged in the trade or business of operating qualified lodging facilities or qualified health care properties, respectively, for any person who is not a related person with respect to the parent REIT or the TRS. The Company expects to acquire equity interests in health care properties and lodging facilities. The Company may lease qualified health care properties or qualified lodging facilities to a TRS of the Company, which TRS will, in turn, engage “eligible independent contractors” to operate such properties. We may also own health care properties or lodging facilities through a TRS, which would engage “eligible independent contractors” to operate such facilities. We have taken, and will continue to take, all steps reasonably practicable to ensure that no TRS will engage in “operating” or “managing” its health care properties or lodging facilities and that the management companies engaged to operate such health care properties or lodging facilities will qualify as “eligible independent contractors.”

Domestic TRSs are subject to U.S. federal income tax, and state and local income tax, where applicable, on their taxable income. To the extent that a domestic TRS is required to pay taxes, it will have less cash available for distribution to the Company. If dividends are paid to the Company by its domestic TRSs, then the dividends it pays to our stockholders who are taxed at individual rates, up to the amount of dividends it receives from its domestic TRSs, will generally be eligible to be taxed at the reduced 20% rate applicable to qualified dividend income.

The TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. Further, the rules impose a 100% excise tax on transactions between a TRS and its parent REIT or the REIT’s tenants that are not conducted on an arm’s-length basis. See “—New Interest Deduction Limitation Enacted by H.R. 1.”

We hold a significant amount of assets in one or more TRSs, and are subject to the limitation that securities in TRSs may not represent more than 20% (25% with respect our taxable year ended December 31, 2017) of the value of the Company’s total assets. There can be no assurance that we will be able to comply with the 20% or 25% limitations.

In general, the Company intends that any loans that are originated or acquired with an intention of selling such loans in a manner that might expose us to a 100% tax on “prohibited transactions” if originated or acquired by us directly, will instead be originated or acquired by a TRS. Refer to the section entitled “—Gross Income Tests—Prohibited Transactions.” It is possible that such a TRS through which sales of securities are made may be treated as a “dealer” for U.S. federal income tax purposes. As a dealer, a TRS would generally mark all the securities it holds on the last day of each taxable year to their market value, and will recognize ordinary income or loss on such securities with respect to such taxable year as if they had been sold for that value on that day. In addition, a TRS may further elect to be subject to the mark-to-market regime described above in the event that the TRS is properly classified as a “trader” as opposed to a “dealer” for U.S. federal income tax purposes.

We have made, and expect to continue to make, TRS elections with respect to certain foreign TRSs, including any issuers of collateralized debt obligations and other foreign TRSs. The Code and Treasury Regulations promulgated thereunder provide a specific exemption from U.S. federal income tax to non-U.S. corporations that restrict their activities in the United States to trading in stocks and securities (or any other activity closely related thereto) for their own account, whether such trading (or such other activity) is conducted by the corporation or its employees through a resident broker, commission agent, custodian or other agent. The Company’s foreign TRSs intend to rely on such exemption and do not intend to operate so as to be subject to U.S. federal income tax on their net income. Therefore, despite their status as TRSs, the Company’s foreign TRSs generally would not be subject to U.S. federal corporate income tax on their earnings. No assurance can be given, however, that the IRS will not challenge this treatment. If the IRS were to succeed in such a challenge, then it could greatly reduce the amounts that the Company’s foreign TRSs would have available to distribute to the Company and to pay to their creditors. Notwithstanding these rules, any gain recognized by a foreign corporation with respect to U.S. real property is subject to U.S. tax as if the foreign corporation were a U.S. taxpayer. It is not anticipated that our foreign TRSs will hold U.S. real property other than by foreclosure. Nevertheless, gain (if any) realized on foreclosed U.S. real property would be subject to U.S. tax.

Certain U.S. stockholders of certain non-U.S. corporations, such as the Company’s foreign TRSs, are required to include in their income currently their proportionate share of the earnings of such a corporation, whether or not such earnings are distributed. We generally will be required to include in income, on a current basis, the earnings of its foreign TRSs. For a discussion of the treatment of the income inclusions from the Company’s foreign TRSs under the gross income tests, refer to the section entitled “—Gross Income Tests.”

Subsidiary REITs. We own interests (directly or indirectly) in one or more entities that qualify as REITs. We believe that each such REIT has operated, and will continue to operate, in a manner to permit us to qualify for taxation as a REIT for U.S. federal income tax purposes and that stock in any such REIT will thus be a qualifying asset for purposes of the 75% asset test. However, if any such REIT fails to qualify as a REIT then (i) the entity would become subject to regular corporate income tax, as described herein (refer below to the section entitled “—Failure to Qualify”) and (ii) the Company’s equity interest in such entity would cease to be a qualifying real estate asset for purposes of the 75% asset test and, if our protective TRS elections were ineffective, would become subject to the 5% asset test and the 10% vote or value test generally applicable to the Company’s ownership in corporations other than REITs, QRSs or TRSs (refer below to the section entitled “—Asset Tests”). If such an entity failed to qualify as a REIT, it is possible that we would not meet the 75% asset test, the 5% asset test, and/or the 10% vote or value test with respect to its interest in such entity, in which event we would fail to qualify as a REIT, unless we qualify for certain relief provisions.

Taxable Mortgage Pools. An entity, or a portion of an entity, may be classified as a taxable mortgage pool, which we refer to as a TMP, under the Code if:

- substantially all of its assets consist of debt obligations or interests in debt obligations;
- more than 50% of those debt obligations are real estate mortgages or interests in real estate mortgages as of specified testing dates;
- the entity has issued debt obligations that have two or more maturities; and
- the payments required to be made by the entity on its debt obligations “bear a relationship” to the payments to be received by the entity on the debt obligations that it holds as assets.

Under the Treasury Regulations, if less than 80% of the assets of an entity (or a portion of an entity) consists of debt obligations, these debt obligations are considered not to comprise “substantially all” of its assets and therefore the entity would not be treated as a TMP. Financing arrangements entered into, directly or indirectly, by the Company may give rise to TMPs, with the consequences described in the next paragraph.

A TMP generally is treated as a corporation for U.S. federal income tax purposes. However, special rules apply to a REIT, a portion of a REIT, or a QRS that is a TMP. If a REIT owns directly, or indirectly through one or more QRSs or other entities that are disregarded as separate entities for U.S. federal income tax purposes, 100% of the equity interests in the TMP, the TMP will be a QRS and, therefore, ignored as an entity separate from the REIT for U.S. federal income tax purposes and would not generally affect the tax qualification of the REIT. It is possible that, based on future financing structures or investments, we would have a QRS that is a TMP or a subsidiary that is a REIT and a TMP or a separate corporation that is taxable as a corporation.

If the Company has an investment in an arrangement that is classified as a TMP, that TMP arrangement will be subject to tax as a separate corporation unless the Company owns 100% of the equity in such TMP arrangement so that it is treated as a QRS, as discussed above. Whether an arrangement is or is not a TMP may not be susceptible to precise determination. If an investment in which the Company owns an interest is characterized as a TMP and thus as a separate corporation, the Company will satisfy the 100% ownership requirement only so long as it owns all classes of securities that for tax purposes are characterized as equity, which is often an uncertain factual issue and in any event is unlikely in the Company’s case given that it expects to generally hold its assets through the Company’s Operating Partnership. Accordingly, if an investment in which the Company owns an interest is characterized as a TMP that does not qualify as a QRS, the Company may be unable to comply with the REIT asset tests that restrict its ability to own most corporations. In addition, a portion of the REIT’s income from a TMP arrangement that is not taxed as a separate corporation, which might be non-cash accrued income, could be treated as “excess inclusion income.” The manner in which excess inclusion income is calculated is not clear under current law. However, as required by IRS guidance, the Company intends to make such determinations based on what it believes to be a reasonable method. Under the IRS guidance, a REIT’s excess inclusion income, including any excess inclusion income from a residual interest in a REMIC, must be allocated among its stockholders in proportion to dividends paid. A REIT is required to notify stockholders of the amount of “excess inclusion income” allocated to them. A stockholder’s share of excess inclusion income:

- cannot be offset by any net operating losses otherwise available to the stockholder;
- in the case of a stockholder that is a REIT, a regulated investment company or a common trust fund or other pass-through entity, is considered excess inclusion income of such entity;
- is subject to tax as unrelated business taxable income in the hands of most types of stockholders that are otherwise generally exempt from U.S. federal income tax;
- results in the application of U.S. federal income tax withholding at the maximum rate (30%), without reduction for any otherwise applicable income tax treaty or other exemption, to the extent allocable to most types of non-U.S. stockholders; and
- is taxable (at the highest corporate tax rate, currently 21%) to the REIT, rather than its stockholders, to the extent allocable to the REIT’s stock held in record name by stockholders that are disqualified organizations (generally, tax-exempt entities not subject to unrelated business income tax, including governmental organizations).

Tax-exempt investors, regulated investment company or REIT investors, non-U.S. investors and taxpayers with net operating losses should carefully consider the tax consequences described above, and are urged to consult their tax advisors.

Gross Income Tests

The Company must satisfy two gross income tests annually to qualify as a REIT. First, at least 75% of the Company's gross income for each taxable year must consist of defined types of income that it derives, directly or indirectly, from investments relating to real property or mortgages on real property or qualified temporary investment income. Qualifying income for purposes of the 75% gross income test generally includes:

- rents from real property;
- interest on debt secured by mortgages on real property or on interests in real property;
- dividends or other distributions on, and gain from the sale of, shares in other REITs;
- gain from the sale of real estate assets;
- income and gain derived from foreclosure property;
- income derived from a REMIC in proportion to the real estate assets held by the REMIC, unless at least 95% of the REMIC's assets are real estate assets, in which case all of the income derived from the REMIC; and
- income derived from the temporary investment of new capital that is attributable to the issuance of our stock or a public offering of our debt with a maturity date of at least five years that is received during the one-year period beginning on the date on which we received such new capital.

Although a debt instrument issued by a "publicly offered REIT" (*i.e.*, a REIT that is required to file annual and periodic reports with the SEC under the Exchange Act) is treated as a "real estate asset" for purposes of the asset tests, the interest income and gain from the sale of such debt instruments is not treated as qualifying income for the 75% gross income test unless the debt instrument is secured by real property or an interest in real property.

Second, in general, at least 95% of the Company's gross income for each taxable year must consist of income that is qualifying income for purposes of the 75% gross income test, other types of interest and dividends, gain from the sale or disposition of stock or securities or any combination of these. For purposes of the 95% gross income test, gain from the sale of securities includes gain from the sale of a debt instrument issued by a "publicly offered REIT" even if not secured by real property or an interest in real property. Gross income from the sale of property that the Company holds primarily for sale to customers in the ordinary course of business and cancellation of indebtedness, which we refer to as COD, income is excluded from both the numerator and the denominator in both income tests. Income and gain from "qualified hedging transactions," as defined below in "—Hedging Transactions," that are clearly and timely identified as such are excluded from both the numerator and the denominator for purposes of the 75% and 95% gross income tests. In addition, certain foreign currency gains are excluded from gross income for purposes of one or both of the gross income tests. Refer below to the section entitled "—Foreign Currency Gain." The following paragraphs discuss the specific application of the gross income tests to the Company.

Rents from Real Property

Rent that the Company receives from its real property will qualify as "rents from real property" which is qualifying income for purposes of the 75% and 95% gross income tests, only if the following conditions are met:

- First, the rent must not be based, in whole or in part, on the income or profits of any person. However, an amount received or accrued generally will not be excluded from rents from real property solely by reason of being based on fixed percentages of receipts or sales.
- Second, rents the Company receives from a "related party tenant" will not qualify as rents from real property in satisfying the gross income tests unless the tenant is a TRS, and either: (i) at least 90% of the property is leased to unrelated tenants and the rent paid by the TRS is substantially comparable to
- the rent paid by the unrelated tenants for comparable space; or (ii) the TRS leases a qualified lodging facility or qualified health care property and engages an eligible independent contractor, as defined above in "—Taxable REIT Subsidiaries," to operate such facility or property on its behalf. A tenant is a related party tenant if the REIT, or an actual or constructive owner of 10% or more of the REIT, actually or constructively owns 10% or more of the tenant.
- Third, if rent attributable to personal property leased in connection with a lease of real property is 15% or less of the total rent received under the lease, then the rent attributable to personal property will qualify as rents from real

property. However, if the 15% threshold is exceeded, the rent attributable to personal property will not qualify as rents from real property.

- Fourth, the Company generally must not operate or manage its real property or furnish or render services to its tenants, other than through an "independent contractor" who is adequately compensated and from whom the Company does not derive revenue. However, the Company may provide services directly to tenants if the services are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not considered to be provided for the tenants' convenience. In addition, the Company may provide a minimal amount of "noncustomary" services to the tenants of a property, other than through an independent contractor, as long as its income from the services (valued at not less than 150% of the Company's direct cost of performing such services) does not exceed 1% of its income from the related property. Furthermore, the Company may own up to 100% of the stock of a TRS which may provide customary and noncustomary services to its tenants without tainting the rental income for the related properties. Refer to the section entitled "—Taxable REIT Subsidiaries."

Unless the Company determines that the resulting non-qualifying income under any of the following circumstances, taken together with all other non-qualifying income earned by it in the taxable year, will not jeopardize its qualification as a REIT, the Company does not intend to:

- derive rental income attributable to personal property other than personal property leased in connection with the lease of real property, the amount of which is less than 15% of the total rent received under the lease;
- rent any property to a related party tenant, including, except with respect to qualified health care properties and qualified lodging facilities, a TRS;
- charge rent for any property that is based in whole or in part on the income or profits of any person, except by reason of being based on a fixed percentage or percentages of receipts or sales, as described above; or
- directly perform services considered to be noncustomary or provided for the tenant's convenience.

With respect to the Company's health care properties and lodging facilities leased to one of its TRSs, for the rent paid pursuant to the leases to constitute "rents from real property," the leases must be respected as true leases for U.S. federal income tax purposes. Accordingly, the leases cannot be treated as service contracts, joint ventures or some other type of arrangement. The determination of whether the leases are true leases for U.S. federal income tax purposes depends upon an analysis of all the surrounding facts and circumstances. In making such a determination, courts have considered a variety of factors, including the following:

- the intent of the parties;
- the form of the agreement;
- the degree of control over the property that is retained by the property owner (for example, whether the lessee has substantial control over the operation of the property or whether the lessee was required simply to use its best efforts to perform its obligations under the agreement); and
- the extent to which the property owner retains the risk of loss with respect to the property (for example, whether the lessee bears the risk of increases in operating expenses or the risk of damage to the property) or the potential for economic gain with respect to the property.

In addition, Section 7701(e) of the Code provides that a contract that purports to be a service contract or a partnership agreement is treated instead as a lease of property if the contract is properly treated as such, taking into account all relevant factors. Since the determination of whether a service contract should be treated as a lease is inherently factual, the presence or absence of any single factor may not be dispositive in every case.

The Company has structured, and will continue to structure, its health care property and lodging facility leases to qualify as true leases for U.S. federal income tax purposes. For example, with respect to the leases, generally:

- the property owning entity and the lessee intend for their relationship to be that of a lessor and lessee, and such relationship will be documented by a lease agreement;
- the lessee has the right to exclusive possession and use and quiet enjoyment of the property covered by the lease during the term of the lease;
- the lessee bears the cost of, and is responsible for, day-to-day maintenance and repair of the property other than the cost of certain capital expenditures, and dictates through the property manager, who works for the lessee during the terms of the lease, how the property is operated and maintained;

- the lessee bears all of the costs and expenses of operating the property, including the cost of any inventory used in their operation, during the term of the lease, other than the cost of certain furniture, fixtures and equipment, and certain capital expenditures;
- the lessee benefits from any savings and bears the burdens of any increases in the costs of operating the property during the term of the lease;
- in the event of damage or destruction to a property, the lessee will be at economic risk because it will bear the economic burden of the loss in income from operation of the property subject to the right, in certain circumstances, to terminate the lease if the lessor does not restore the property to its prior condition;
- the lessee generally indemnifies the lessor against all liabilities imposed on the lessor during the term of the lease by reason of (A) injury to persons or damage to property occurring at the property or (B) the lessee's use, management, maintenance or repair of the property;
- the lessee is obligated to pay, at a minimum, substantial base rent for the period of use of the property under the lease;
- the lessee stands to incur substantial losses or reap substantial gains depending on how successfully it, through the property manager, who works for the lessee during the terms of the leases, operates the property;
- the lease enables the tenant to derive a meaningful profit, after expenses and taking into account the risks associated with the lease, from the operation of the property during the term of the lease; and
- upon termination of the lease, the property will be expected to have a remaining useful life equal to at least 20% of its expected useful life on the date the lease is entered into, and a fair market value equal to at least 20% of its fair market value on the date the lease was entered into.

If, however, a lease were recharacterized as a service contract or partnership agreement, rather than a true lease, or disregarded altogether for tax purposes, all or part of the payments that the lessor receives from the lessee would not be considered rent and would not otherwise satisfy the various requirements for qualification as "rents from real property."

As indicated above, "rents from real property" must not be based in whole or in part on the income or profits of any person. The Company intends to structure its health care property and lodging facility leases such that the leases provide for periodic payments of a specified base rent plus, to the extent that it exceeds the base rent, additional rent which is calculated based upon the gross revenues of the facilities subject to the lease, plus certain other amounts. Payments made pursuant to these leases should qualify as "rents from real property" since they are generally based on either fixed dollar amounts or on specified percentages of gross sales fixed at the time the leases were entered into. The foregoing assumes that the leases will not be renegotiated during their term in a manner that has the effect of basing either the percentage rent or base rent on income or profits.

The foregoing also assumes that the leases are not in reality used as a means of basing rent on income or profits. More generally, the rent payable under the leases will not qualify as "rents from real property" if, considering the leases and all the surrounding circumstances, the arrangement does not conform with normal business practice. It is the Company's intention not to renegotiate the percentages used to determine the percentage rent during the terms of the leases in a manner that has the effect of basing rent on income or profits. In addition, the Company intends to structure its leases to ensure that the rental provisions and other terms of the leases conform with normal business practice and are not intended to be used as a means of basing rent on income or profits.

The Company expects to lease certain items of personal property to its TRS lessees in connection with its lodging facility leases. Under the Code, if a lease provides for the rental of both real and personal property and the portion of the rent attributable to personal property is 15% or less of the total rent due under the lease, then all rent paid pursuant to such lease qualifies as "rents from real property." If, however, a lease provides for the rental of both real and personal property, and the portion of the rent attributable to personal property exceeds 15% of the total rent due under the lease, then no portion of the rent that is attributable to personal property will qualify as "rents from real property." The amount of rent attributable to personal property is the amount that bears the same ratio to total rent for the taxable year as the average of the fair market value of the personal property at the beginning and end of the year bears to the average of the aggregate fair market value of both the real and personal property at the beginning and end of such year. The Company expects that, with respect to its lodging facility leases, either the amount of rent attributable to personal property will not exceed 15% of the total rent due under the lease (determined under the law in effect for the applicable period), or, if the rent attributable to personal property constitutes non-qualifying income, such amounts, when taken together with all other non-qualifying income earned by the Company, will not jeopardize its qualification as a REIT.

Interest

The term “interest,” as defined for purposes of both gross income tests, generally excludes any amount that is based, in whole or in part, on the income or profits of any person. However, interest generally includes the following:

- an amount that is based on a fixed percentage or percentages of receipts or sales; and

- an amount that is based on the income or profits of a debtor, as long as the debtor derives substantially all of its income from the real property securing the debt from leasing substantially all of its interest in the property and only to the extent that the amounts received by the debtor would be qualifying “rents from real property” if received directly by a REIT.

If a loan contains a provision that entitles a REIT to a percentage of the borrower’s gain upon the sale of the real property securing the loan or a percentage of the appreciation in the property’s value as of a specific date, income attributable to that loan provision will be treated as gain from the sale of the property securing the loan, which generally is qualifying income for purposes of both gross income tests, provided that the property is not inventory or dealer property in the hands of the borrower or the REIT.

Interest on debt secured by mortgages on real property or on interests in real property (including, in the case of a loan secured by real property and personal property, such personal property to the extent that it does not exceed 15% of the total fair market value of all such property securing the loan), including, for this purpose, prepayment penalties, loan assumption fees and late payment charges that are not compensation for services, generally is qualifying income for purposes of the 75% gross income test. In general, under applicable Treasury Regulations, if a loan is secured by real property and other property and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan determined as of: (i) the date the Company agreed to acquire or originate the loan; or (ii) as discussed further below, in the event of a “significant modification,” the date the Company modified the loan, then a portion of the interest income from such loan will not be qualifying income for purposes of the 75% gross income test, but will be qualifying income for purposes of the 95% gross income test. The portion of the interest income that will not be qualifying income for purposes of the 75% gross income test will be equal to the portion of the principal amount of the loan that is not secured by real property—that is, the amount by which the loan exceeds the value of the real property that is security for the loan. As discussed further below, IRS guidance provides that the Company does not need to redetermine fair market value of the real property securing the loan in connection with a loan modification that is occasioned by a borrower default or made at a time when the Company reasonably believes that the modification to the loan will substantially reduce a significant risk of default on the loan.

The Company may invest in loans secured by real property that is under construction or being significantly improved, in which case the value of the real estate that is security for the loan will be the fair market value of the land plus the reasonably estimated cost of the improvements or developments (including, in the case of a loan secured by real property and personal property, such personal property to the extent that it does not exceed 15% of the total fair market value of all such property securing the loan) which will secure the loans and which are to be constructed from proceeds of the loan.

The Company holds certain mezzanine loans and may originate or acquire other mezzanine loans. Mezzanine loans are loans secured by equity interests in an entity that directly or indirectly owns real property, rather than by a direct mortgage of the real property. In Revenue Procedure 2003-65, the IRS established a safe harbor under which loans secured by a first priority security interest in ownership interests in a partnership or limited liability company owning real property will be treated as real estate assets for purposes of the REIT asset tests described below, and interest derived from those loans will be treated as qualifying income for both the 75% and 95% gross income tests, provided several requirements are satisfied.

Although Revenue Procedure 2003-65 provides a safe harbor on which taxpayers may rely, it does not prescribe rules of substantive tax law. Moreover, the Company expects that some of its mezzanine loans may not meet all of the requirements for reliance on the safe harbor. To the extent any mezzanine loans that the Company originates or acquires do not qualify for the safe harbor described above, the interest income from the loans will be qualifying income for purposes of the 95% gross income test, but there is a risk that such interest income will not be qualifying income for purposes of the 75% gross income test. We believe that we currently invest in mezzanine loans, and intend to continue to invest in mezzanine loans, in a manner that will enable us to satisfy the REIT gross income and asset tests.

The Company and its subsidiaries hold certain participation interests, or subordinated mortgage interests, in mortgage loans and mezzanine loans originated by other lenders. A subordinated mortgage interest is an interest created in an underlying loan by virtue of a participation or similar agreement, to which the originator of the loan is a party, along with one or more participants. The borrower on the underlying loan is typically not a party to the participation agreement. The performance of a participant’s investment depends upon the performance of the underlying loan and if the underlying borrower defaults, the participant typically has no recourse against the originator of the loan. The originator often retains a senior position in the underlying loan and grants junior participations, which will be a first loss position in the event of a default by the borrower. The Company expects that its (and its subsidiaries') participation interests generally will qualify as real estate assets for purposes of the REIT asset tests described below and that interest derived from such investments generally will be treated as qualifying interest for purposes of the 75% gross income test. The appropriate treatment of participation interests for U.S. federal income tax purposes is not entirely certain, however, and no assurance can be given that the IRS will not challenge the Company's treatment of its participation interests.

Many of the terms of the mortgage loans, mezzanine loans and subordinated mortgage interests and the loans supporting the mortgage-backed securities that the Company holds or expects to acquire have been modified and may in the future be modified. Under the Code, if the terms of a loan are modified in a manner constituting a "significant modification," such modification triggers a deemed exchange of the original loan for the modified loan. Revenue Procedure 2014-51 provides a safe harbor pursuant to which the Company will not be required to redetermine the fair market value of the real property securing a loan for purposes of the gross income and asset tests in connection with a loan modification that is: (i) occasioned by a borrower default; or (ii) made at a time when the Company reasonably believes that the modification to the loan will substantially reduce a significant risk of default on the original loan. No assurance can be provided that all of the Company's loan modifications will qualify for the safe harbor in Revenue Procedure 2014-51. To the extent the Company significantly modifies loans in a manner that does not qualify for that safe harbor, it will be required to redetermine the value of the real property securing the loan at the time it was significantly modified. In determining the value of the real property securing such a loan, the Company generally will not obtain third-party appraisals but rather will rely on internal valuations. No assurance can be provided that the IRS will not successfully challenge the Company's internal valuations. If the terms of the Company's mortgage loans, mezzanine loans and subordinated mortgage interests and loans supporting its mortgage-backed securities are significantly modified in a manner that does not qualify for the safe harbor in Revenue Procedure 2014-51 and the fair market value of the real property securing such loans has decreased significantly, the Company could fail the 75% gross income test, the 75% asset test and/or the 10% value test.

The Company and its subsidiaries also hold, and may in the future, acquire distressed mortgage loans. Revenue Procedure 2014-51 provides that the IRS will treat distressed mortgage loans acquired by a REIT that are secured by real property and other property as producing in part non-qualifying income for the 75% gross income test. Specifically, Revenue Procedure 2014-51 indicates that interest income on such a distressed mortgage loan will be treated as qualifying income based on the ratio of: (i) the fair market value of the real property securing the debt determined as of the date the REIT committed to acquire the loan; and (ii) the face amount of the loan (and not the purchase price or current value of the debt). The face amount of a distressed mortgage loan will typically exceed the fair market value of the real property securing the mortgage loan on the date the REIT commits to acquire the loan. It is unclear how the safe harbor in Revenue Procedure 2014-51 is affected by the recent legislative changes regarding the treatment of personal property securing a mortgage loan. The Company intends to invest in distressed mortgage loans in a manner that consistent with qualifying as a REIT.

The Company and its subsidiaries have entered into certain sale and repurchase agreements under which it nominally sells certain mortgage assets to a counterparty and simultaneously enters into an agreement to repurchase the sold assets. Based on positions the IRS has taken in analogous situations, the Company believes that it will be treated for purposes of the REIT gross income and asset tests (refer below to the section entitled "—Asset Tests") as the owner of the mortgage assets that are the subject of any such agreement notwithstanding that record ownership of the assets is transferred to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that the Company does not own the mortgage assets during the term of the sale and repurchase agreement, in which case its ability to qualify as a REIT could be adversely affected.

The Company may invest in other agency securities that are pass-through certificates. The Company expects that any such agency securities will be treated as either interests in a grantor trust or as interests in a REMIC for U.S. federal income tax purposes and that all interest income from such agency securities will be qualifying income for the 95% gross income test. In the case of agency securities treated as interests in grantor trusts, the Company would be treated as owning an undivided beneficial ownership interest in the mortgage loans held by the grantor trust. The interest on such mortgage loans would be qualifying income for purposes of the 75% gross income test to the extent that such loan is secured by real property, as discussed above. In the case of agency securities treated as interests in a REMIC, income derived from such REMIC interests generally will be treated as qualifying income for purposes of the 75% gross income test. As discussed above, however, if less than 95% of the assets of the REMIC are real estate assets then only a proportionate part of the income derived from the Company's interest in the REMIC will qualify for purposes of the 75% gross income tests. To the extent that a REMIC interest includes an imbedded interest swap or cap contract or other derivative instrument, such derivative instrument could produce non-qualifying income for purposes of the 75% gross income test. The Company expects that substantially all of its income from agency securities will be qualifying income for purposes of the 75% and 95% gross income tests.

Dividends; Subpart F Income

The Company's share of any dividends received from any corporation (including any TRS, but excluding any REIT) in which it owns an equity interest will qualify for purposes of the 95% gross income test but not for purposes of the 75% gross income test. The Company's share of any dividends received from any other REIT in which it owns an equity interest, including any subsidiary REIT, will be qualifying income for purposes of both gross income tests.

In addition, the Company may be required to include in gross income its share of "Subpart F income" of one or more foreign (non-U.S.) corporations in which it invests, including its foreign TRSs, regardless of whether it receives distributions from such corporations. The Company will treat certain income inclusions received with respect to equity investments in foreign TRSs as qualifying income for purposes of the 95% gross income test but not the 75% gross income test. The IRS has issued private letter rulings to other taxpayers concluding that similar income inclusions will be treated as qualifying income for purposes of the 95% gross income test. Those private letter rulings can only be relied upon by the taxpayers to whom they were issued. No assurance can be provided that the IRS will not successfully challenge the Company's treatment of such income inclusions.

Fee Income

The Company expects to receive various fees in connection with its operations. Fee income will be qualifying income for purposes of both the 75% and 95% gross income tests if it is received in consideration for entering into an agreement to make a loan secured by mortgages on or interests in real property, and the fees are not determined by the income and profits of any person. Other fees, such as origination and servicing fees, fees for acting as a broker-dealer and fees for managing investments for third parties, are not qualifying income for purposes of either gross income test. Any fees earned by a TRS are not included for purposes of the gross income tests.

Hedging Transactions

From time to time, the Company and its subsidiaries expect to enter into hedging transactions with respect to one or more of its assets or liabilities. The Company's hedging activities may include entering into interest rate swaps, caps and floors, options to purchase such items and futures and forward contracts. Income and gain from "qualified hedging transactions" are excluded from gross income for purposes of the 75% and 95% gross income tests. A "qualified hedging transaction" includes: (i) any transaction entered into in the normal course of the Company's trade or business primarily to manage the risk of interest rate, price changes or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets; (ii) any transaction entered into primarily to manage the risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75% or 95% gross income test (or any property which generates such income or gain); and (iii) any transaction entered into to "offset" a transaction described in (i) or (ii) if a portion of the hedged indebtedness is extinguished or the related property disposed of. The Company will be required to clearly identify any such hedging transaction before the close of the day on which it was acquired, originated or entered into and to satisfy other identification requirements in order to be treated as a qualified hedging transaction. The Company intends to structure any hedging transactions in a manner that does not jeopardize its qualification as a REIT.

COD Income

From time to time, the Company and its subsidiaries may recognize COD income, in connection with repurchasing debt at a discount. COD income is excluded from gross income for purposes of both the 75% and 95% gross income tests.

Foreign Currency Gain

Certain foreign currency gain is excluded from gross income for purposes of one or both of the gross income tests. "Real estate foreign exchange gain" is excluded from gross income for purposes of the 75% gross income test. Real estate foreign exchange gain generally includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 75% gross income test, foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations and certain foreign currency gain attributable to certain "qualified business units" of a REIT. "Passive foreign exchange gain" is excluded from gross income for purposes of the 95% gross income test. Passive foreign exchange gain generally includes real estate foreign exchange gain as described above and also includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 95% gross income test and foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations secured by mortgages on real property or on interests in real property. Because passive foreign exchange gain includes real estate foreign exchange gain, real estate foreign exchange gain is excluded from gross income for purposes of both the 75% and 95% gross income tests. These exclusions for real estate foreign exchange gain and passive foreign exchange gain do not apply to certain foreign currency gain derived from dealing, or engaging in substantial and regular trading, in securities, which is treated as non-qualifying income for purposes of both the 75% and 95% gross income tests.

Prohibited Transactions

A REIT will incur a 100% tax on the net income derived from any sale or other disposition of property, other than foreclosure property, that the REIT holds primarily for sale to customers in the ordinary course of a trade or business. The Company believes that none of its assets are held or will be held primarily for sale to customers and that a sale of any of its assets has not been, and will not be, in the ordinary course of its business. Whether a REIT holds an asset "primarily for sale to customers in the ordinary course of a trade or business" depends, however, on the facts and circumstances in effect from time to time, including those related to a particular asset. A safe harbor to the characterization of the sale of property by a REIT as a prohibited transaction and the 100% prohibited transaction tax is available if the following requirements are met:

- the REIT has held the property for not less than two years;
- the aggregate expenditures made by the REIT, or any partner of the REIT, during the two-year period preceding the date of the sale that are includable in the basis of the property do not exceed 30% of the selling price of the property;
- either: (i) during the year in question, the REIT did not make more than seven sales of property other than foreclosure property or sales to which Section 1031 or 1033 of the Code applies; (ii) the aggregate adjusted bases of all such properties sold by the REIT during the year did not exceed 10% of the aggregate bases of all of the assets of the REIT at the beginning of the year; (iii) the aggregate fair market value of all such properties sold by the REIT during the year did not exceed 10% of the aggregate fair market value of all of the assets of the REIT at the beginning of the year; (iv)(A) the aggregate adjusted tax bases of all such properties sold by the REIT during the year did not exceed 20% of the aggregate adjusted bases of all property of the REIT at the beginning of the year and (B) the three-year average percentage of properties sold by the REIT compared to all the REIT's properties (measured by adjusted bases) taking into account the current and two prior years did not exceed 10%; or (v)(A) the aggregate fair market value of all such properties sold by the REIT during the year did not exceed 20% of the aggregate fair market value of all property of the REIT at the beginning of the year and (B) the three-year average percentage of properties sold by the REIT compared to all the REIT's properties (measured by fair market value) taking into account the current and two prior years did not exceed 10%;
- in the case of property not acquired through foreclosure or lease termination, the REIT has held the property for at least two years for the production of rental income; and
- if the REIT has made more than seven sales of non-foreclosure property during the taxable year, substantially all of the marketing and development expenditures with respect to the property were made through an independent contractor from whom the REIT derives no income or a TRS.

No assurance can be given that any property that the Company sells will not be treated as property held "primarily for sale to customers in the ordinary course of a trade or business" or that the Company will be able to comply with the safe harbor when disposing of assets. The 100% tax will not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be taxed to the corporation at regular corporate income tax rates. The Company intends to structure its activities to avoid transactions that would result in a material amount of prohibited transaction tax.

Foreclosure Property

The Company will be subject to tax at the maximum corporate rate on any income from foreclosure property, which includes certain foreign currency gains and related deductions recognized, other than income that otherwise would be qualifying income for purposes of the 75% gross income test, less expenses directly connected with the production of that income. However, gross income from foreclosure property will qualify under the 75% and 95% gross income tests. Foreclosure property is any real property, including interests in real property, and any personal property incident to such real property:

- that is acquired by a REIT as the result of the REIT having bid on such property at foreclosure or having otherwise reduced such property to ownership or possession by agreement or process of law, after there was a default or default was imminent on a lease of such property or on indebtedness that such property secured;
- for which the related loan was acquired by the REIT at a time when the default was not imminent or anticipated; and
- for which the REIT makes a proper election to treat the property as foreclosure property.

A REIT will not be considered to have foreclosed on a property where the REIT takes control of the property as a mortgagee-in-possession and cannot receive any profit or sustain any loss except as a creditor of the mortgagor. Property generally ceases to be foreclosure property at the end of the third taxable year following the taxable year in which the REIT acquired the property or longer if an extension is granted by the Secretary of the Treasury. However, this grace period terminates and foreclosure property ceases to be foreclosure property on the first day:

- on which a lease is entered into for the property that, by its terms, will give rise to income that does not qualify for purposes of the 75% gross income test, or any amount is received or accrued, directly or indirectly, pursuant to a lease entered into on or after such day that will give rise to income that does not qualify for purposes of the 75% gross income test;
- on which any construction takes place on the property, other than completion of a building or any other improvement, where more than 10% of the construction was completed before default became imminent; or
- which is more than 90 days after the day on which the REIT acquired the property and the property is used in a trade or business which is conducted by the REIT, other than through an independent contractor from whom the REIT itself does not derive or receive any income or a TRS.

The Company may acquire properties as a result of foreclosure or otherwise reducing the property to ownership when default has occurred or is imminent and may make foreclosure property elections with respect to some or all of those properties if such election is available (which may not be the case with respect to acquired “distressed loans”).

Cash/Income Differences/Phantom Income

Due to the nature of the assets in which the Company invests, the Company may be required to recognize taxable income from those assets in advance of its receipt of cash flow on or proceeds from disposition of such assets, and may be required to report taxable income in early periods that exceeds the economic income ultimately realized on such assets.

The Company may acquire debt instruments in the secondary market for less than their face amount. The amount of such discount generally will be treated as “market discount” for U.S. federal income tax purposes. The Company may elect to include in taxable income accrued market discount as it accrues rather than as it is realized for economic purposes, resulting in phantom income. Principal payments on certain loans are made monthly, and consequently accrued market discount may have to be included in income each month as if the debt instrument were assured of ultimately being collected in full. If the Company collects less on the debt instrument than its purchase price plus the market discount it had previously reported as income, it may not be able to benefit from any offsetting loss deductions.

The Company may acquire mortgage-backed securities that have been issued with original issue discount. In general, the Company will be required to accrue original issue discount based on the constant yield to maturity of the mortgage-backed security, and to treat it as taxable income in accordance with applicable U.S. federal income tax rules even though smaller or no cash payments are received on such debt instrument. As in the case of the market discount discussed in the preceding paragraph, the constant yield in question will be determined and the Company will be taxed based on the assumption that all future payments due on the mortgage-backed security in question will be made. If all payments on the mortgage-backed securities are not made, the Company may not be able to benefit from any offsetting loss deductions.

In addition, pursuant to its investment strategy, the Company may acquire distressed debt instruments and subsequently modify such instruments by agreement with the borrower. If the amendments to the outstanding debt are “significant modifications” under the applicable Treasury Regulations, the modified debt may be considered to have been reissued to the Company in a debt-for-debt exchange with the borrower. In that event, the Company may be required to recognize income to the extent the principal amount of the modified debt exceeds its adjusted tax basis in the unmodified debt, and would hold the modified loan with a cost basis equal to its principal amount for U.S. federal tax purposes. To the extent that such modifications are made with respect to a debt instrument held by a TRS treated as a dealer, as described above, such a TRS would be required at the end of each taxable year, including the taxable year in which such modification was made, to mark the modified debt instrument to its fair market value as if the debt instrument were sold. In that case, the TRS generally would recognize a loss at the end of the taxable year in which the modifications were made to the extent the fair market value of such debt instrument were less than its principal amount after the modification.

In addition, in the event that any debt instruments or mortgage-backed securities acquired by the Company are delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular debt instrument are not made when due, the Company may nonetheless be required to continue to recognize the unpaid interest as taxable income. Similarly, the Company may be required to accrue interest income with respect to subordinate mortgage-backed securities at the stated rate regardless of whether corresponding cash payments are received.

The Company may also be required under the terms of indebtedness that it incurs to private lenders or otherwise to use cash received from interest payments to make principal payments on that indebtedness, with the effect of recognizing income but not having a corresponding amount of cash available for distribution to holders of its securities.

Due to each of these potential timing differences between income recognition or expense deduction and cash receipts or disbursements, there is a significant risk that the Company may have substantial taxable income in excess of cash available for distribution. In that event, the Company may need to borrow funds or take other action to satisfy the REIT distribution requirements for the taxable year in which this "phantom income" is recognized. Refer below to the section entitled "—Distribution Requirements."

Failure to Satisfy the Gross Income Tests

If the Company fails to satisfy one or both of the gross income tests for any taxable year, it nevertheless may qualify as a REIT for that year if it qualifies for relief under certain provisions of the U.S. federal income tax laws. Those relief provisions are available if:

- the Company's failure to meet those tests is due to reasonable cause and not to willful neglect; and
- following such failure for any taxable year, the Company files a schedule of the sources of its income with the IRS.

The Company cannot predict, however, whether in all circumstances it would qualify for the relief provisions. In addition, as discussed above in the section entitled "—Taxation of Colony Capital," even if the relief provisions apply, the Company would incur a 100% tax on the gross income attributable to the greater of the amount by which it fails the 75% or 95% gross income test, in each case, multiplied by a fraction intended to reflect its profitability.

Asset Tests

To qualify as a REIT, the Company also must satisfy the following asset tests at the end of each quarter of each taxable year. First, at least 75% of the value of its total assets must consist of:

- cash or cash items, including certain receivables and money market funds;
- government securities;
- interests in real property, including leaseholds, options to acquire real property and leaseholds, and personal property to the extent such personal property is leased in connection with real property and rents attributable to such personal property are treated as "rents from real property";
- interests in mortgage loans secured by real property;
- stock in other REITs and debt instruments issued by "publicly offered REITs";
- investments in stock or debt instruments during the one-year period following the Company's receipt of new capital that it raises through equity offerings or public offerings of debt with at least a five-year term; and
- regular or residual interests in a REMIC. However, if less than 95% of the assets of a REMIC consist of assets that are qualifying real estate-related assets under the U.S. federal income tax laws, determined as if the Company held such assets, the Company will be treated as holding directly its proportionate share of the assets of such REMIC.

Second, of the Company's investments not included in the 75% asset class, the value of its interest in any one issuer's securities may not exceed 5% of the value of its total assets, which we refer to as the 5% asset test.

Third, of the Company's investments not included in the 75% asset class, it may not own more than 10% of the voting power or value of any one issuer's outstanding securities, which we refer to as the 10% vote or value test.

Fourth, no more than 20% (25% for our taxable year ended December 31, 2017) of the value of the Company's total assets may consist of the securities of one or more TRSs.

Fifth, no more than 25% of the value of the Company's total assets may consist of securities that are not qualifying assets for purposes of the 75% asset test described above, which we refer to as the 25% securities test.

Sixth, no more than 25% of the value of the Company's total assets may consist of debt instruments issued by "publicly offered REITs" to the extent such debt instruments are not secured by real property or interests in real property.

For purposes of the 5% asset test, the 10% vote or value test and the 25% securities test, the term "securities" does not include stock in another REIT, debt of a "publicly offered REIT," equity or debt securities of a QRS or, in the case of the 5% asset test and 10% vote or value test, TRS debt or equity, mortgage loans or mortgage-backed securities that constitute real estate assets, or equity interests in a partnership. The term "securities," however, generally includes debt securities issued by a partnership or another REIT (other than a “publicly offered REIT”), except, for purposes of the 10% value test, the term “securities” does not include:

- “Straight debt” securities, which is defined as a written unconditional promise to pay on demand or on a specified date a sum certain in money if: (i) the debt is not convertible, directly or indirectly, into equity; and (ii) the interest rate and interest payment dates are not contingent on profits, the borrower’s discretion, or similar factors. “Straight debt” securities do not include any securities issued by a partnership or a corporation in which the Company or any TRS in which the Company owns more than 50% of the voting power or value of the shares hold non-”straight debt” securities that have an aggregate value of more than 1% of the issuer’s outstanding securities. However, “straight debt” securities include debt subject to the following contingencies:
- a contingency relating to the time of payment of interest or principal, as long as either: (i) there is no change to the effective yield of the debt obligation, other than a change to the annual yield that does not exceed the greater of 0.25% or 5% of the annual yield; or (ii) neither the aggregate issue price nor the aggregate face amount of the issuer’s debt obligations held by the Company exceeds $1 million and no more than 12 months of unaccrued interest on the debt obligations can be required to be prepaid; and
- a contingency relating to the time or amount of payment upon a default or prepayment of a debt obligation, as long as the contingency is consistent with customary commercial practice;
- Any loan to an individual or an estate;
- Any “section 467 rental agreement” other than an agreement with a related party tenant;
- Any obligation to pay “rents from real property”;
- Certain securities issued by governmental entities;
- Any security issued by a REIT;
- Any debt instrument issued by an entity treated as a partnership for U.S. federal income tax purposes in which the Company is a partner to the extent of its proportionate interest in the equity and debt securities of the partnership; and
- Any debt instrument issued by an entity treated as a partnership for U.S. federal income tax purposes not described in the preceding bullet points if at least 75% of the partnership’s gross income, excluding income from prohibited transactions, is qualifying income for purposes of the 75% gross income test described above in the section entitled “—Gross Income Tests.”

For purposes of the 10% value test, the Company’s proportionate share of the assets of a partnership is its proportionate interest in any securities issued by the partnership, without regard to the securities described in the last two bullet points above.

The Company’s holdings of securities and other assets have complied, and will continue to comply, with the foregoing asset tests, and the Company intends to monitor its compliance on an ongoing basis. However, independent appraisals have not been obtained to support the Company’s conclusions as to the value of its assets or the value of any particular security or securities. Moreover, values of some assets, including instruments issued in collateralized debt obligation transactions, may not be susceptible to a precise determination, and values are subject to change in the future.

Furthermore, the proper classification of an instrument as debt or equity for U.S. federal income tax purposes may be uncertain in some circumstances, which could affect the application of the asset tests. Accordingly, there can be no assurance that the IRS will not contend that the Company’s interests in its subsidiaries or in the securities of other issuers will not cause a violation of the asset tests.

As described above, Revenue Procedure 2003-65 provides a safe harbor pursuant to which certain mezzanine loans secured by a first priority security interest in ownership interests in a partnership or limited liability company will be treated as qualifying assets for purposes of the 75% asset test (and therefore, are not subject to the 5% asset test and the 10% vote or value test). Refer to the section entitled “—Gross Income Tests.” The Company expects that some of its mezzanine loans may not qualify for that safe harbor. To the extent that the Company determines that a mezzanine loan likely would not qualify for the safe harbor and also would not be excluded from the definition of securities for purposes of the 10% vote or value test or could cause the Company not to satisfy the 75% or 5% assets tests, it would hold that mezzanine loan through a taxable REIT subsidiary.

The Company owns stock in several REITS and expects to invest in the stock of other entities that intend to qualify as REITs in the future. The Company believes that any stock that it has acquired or will acquire in other REITs has been, or will be, qualifying assets for purposes of the 75% asset test. If a REIT in which the Company owns stock fails to qualify as a REIT in any year, however, the stock in such REIT will not be a qualifying asset for purposes of the 75% asset test. Instead, the Company would be subject to the 5% asset test, the 10% vote or value test and the 25% securities test described above with respect to its investment in such a disqualified REIT. Consequently, if a REIT in which the Company owns stock fails to qualify as a REIT, the Company could fail one or more of the asset tests described above. To the extent the Company invests in other REITs, it intends to do so in a manner that will enable it to continue to satisfy the REIT asset tests.

As discussed above in the section entitled "—Gross Income Tests," the Company and its subsidiaries may invest in distressed mortgage loans. In general, under the applicable Treasury Regulations, if a loan is secured by real property and other property and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan as of: (i) the date the Company agreed to acquire or originate the loan; or (ii) in the event of a significant modification, the date the Company modified the loan, then a portion of the interest income from such a loan will not be qualifying income for purposes of the 75% gross income test but will be qualifying income for purposes of the 95% gross income test. Although the law is not entirely clear, a portion of the loan will also likely be a non-qualifying asset for purposes of the 75% asset test. The non-qualifying portion of such a loan would be subject to, among other requirements, the 10% vote or value test. IRS Revenue Procedure 2014-51 provides a safe harbor under which the IRS has stated that it will not challenge a REIT's treatment of a loan as being, in part, a qualifying real estate asset in an amount equal to the lesser of: (i) the fair market value of the loan on the relevant quarterly REIT asset testing date; or (ii) the greater of (A) the fair market value of the real property securing the loan on the relevant quarterly REIT asset testing date or (B) the fair market value of the real property securing the loan determined as of the date the REIT committed to originate or acquire the loan. It is unclear how the safe harbor in Revenue Procedure 2014-51 is affected by the recent legislative changes regarding the treatment of loans secured by both real property and personal property where the fair market value of the personal property does not exceed 15% of the sum of the fair market values of the real property and the personal property securing the loan. There can be no assurance that later interpretations of or any clarifications to this Revenue Procedure will be consistent with how the Company currently is applying it to its REIT compliance analysis. The Company intends to invest in distressed mortgage loans in a manner consistent with qualifying as a REIT.

Also as discussed above, the Company intends to invest in agency securities that are pass-through certificates. The Company expects that the agency securities will be treated either as interests in grantor trusts or as interests in REMICs for U.S. federal income tax purposes. In the case of agency securities treated as interests in grantor trusts, the Company would be treated as owning an undivided beneficial ownership interest in the mortgage loans held by the grantor trust. Such mortgage loans generally will qualify as real estate assets to the extent that they are secured by real property. The Company expects that substantially all of its agency securities treated as interests in a grantor trust will qualify as real estate assets. In the case of agency securities treated as interests in a REMIC, such interests generally will qualify as real estate assets. If less than 95% of the assets of a REMIC are real estate assets, however, then only a proportionate part of the Company's interest in the REMIC will qualify as a real estate asset. To the extent that the Company holds mortgage participations or mortgage-backed securities that do not represent interests in a grantor trust or REMIC interests, such assets may not qualify as real estate assets depending upon the circumstances and the specific structure of the investment.

Failure to Satisfy the Asset Tests

The Company has monitored, and will continue to monitor, the status of its assets for purposes of the various asset tests. If the Company fails to satisfy the asset tests at the end of a calendar quarter, it will not lose its REIT qualification if:

- the Company satisfied the asset tests at the end of the preceding calendar quarter; and
- the discrepancy between the value of the Company's assets and the asset test requirements arose from changes in the market values of its assets and was not wholly or partly caused by the acquisition of one or more non-qualifying assets.

If the Company does not satisfy the condition described in the second item, above, it still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose.

If at the end of any calendar quarter the Company violates the 5% asset test or the 10% vote or value test described above, it will not lose its REIT qualification if: (i) the failure is de minimis (up to the lesser of 1% of its assets or $10 million); and (ii) it disposes of assets causing the failure or otherwise complies with the asset tests within six months after the last day of the quarter in which it identifies such failure. In the event of a failure of any of the asset tests (other than de minimis failures described in the preceding sentence), as long as the failure was due to reasonable cause and not to willful neglect, the Company will not lose its REIT status if it: (i) disposes of assets or otherwise complies with the asset tests within six months after the last day of the quarter in which it identifies the failure; (ii) it files a description of each asset causing the failure with the IRS; and (iii) pays a tax equal to the greater of $50,000 or 21% of the net income from the non-qualifying assets during the period in which the Company failed to satisfy the asset tests.

Distribution Requirements

Each taxable year, the Company must distribute dividends, other than capital gain dividends and deemed distributions of retained capital gain, to our stockholders in an aggregate amount at least equal to the sum of:

- 90% of its “REIT taxable income,” computed without regard to the dividends paid deduction and its net capital gain or loss; and
- 90% of its after-tax net income, if any, from foreclosure property; minus
- the sum of certain items of non-cash income.

Generally, the Company must pay such distributions in the taxable year to which they relate, or in the following taxable year if: (i) the Company declares the distribution before it timely files its U.S. federal income tax return for the year and pays the distribution on or before the first regular dividend payment date after such declaration; or (ii) the Company declares the distribution in October, November or December of the taxable year, payable to stockholders of record on a specified day in any such month, and it actually pays the dividend before the end of January of the following year. The distributions under clause (i) are taxable to the stockholders in the year in which paid and the distributions in clause (ii) are treated as paid on December 31 of the prior taxable year. In both instances, these distributions relate to the Company’s prior taxable year for purposes of the 90% distribution requirement.

Unless the Company qualifies as a “publicly offered REIT,” in order for its distributions to be counted as satisfying the annual distribution requirement for REITs and to provide it with the REIT-level tax deduction, such distributions must not have been “preferential dividends.” A dividend is not a preferential dividend if that distribution is: (i) pro rata among all outstanding shares within a particular class; and (ii) in accordance with the preferences among different classes of stock as set forth in the Company’s organizational documents. The Company expects to qualify as “publicly offered REIT,” and so long as it qualifies as a “publicly offered REIT,” the preferential dividend rule will not apply to it.

The Company will pay U.S. federal income tax on taxable income, including net capital gain, that it does not distribute to stockholders. Furthermore, if the Company fails to distribute during a calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year, at least the sum of:

- 85% of its REIT ordinary income for such year;
- 95% of its REIT capital gain income for such year; and
- any undistributed taxable income from prior periods,

The Company will incur a 4% nondeductible excise tax on the excess of such required distribution over the amounts it actually distributes.

The Company may elect to retain and pay income tax on the net long-term capital gain it receives in a taxable year. If the Company so elects, it will be treated as having distributed any such retained amount for purposes of the 4% nondeductible excise tax described above. The Company intends to make timely distributions sufficient to satisfy the annual distribution requirements and to avoid corporate income tax and the 4% nondeductible excise tax.

It is possible that, from time to time, the Company may experience timing differences between the actual receipt of income and or payment of deductible expenses and the inclusion of that income or deduction in arriving at its REIT taxable income. Refer to, for example, the discussion of excess inclusion income above in the section entitled “—Requirements for Qualification—Taxable Mortgage Pools.” Other potential sources of non-cash taxable income include gain recognized on the deemed exchange of distressed debt that has been modified, real estate and securities that have been financed through securitization structures, such as the collateralized debt obligation structure, which require some or all of available cash flow to be used to service borrowings, loans or mortgage-backed securities that the Company holds that have been issued at a discount and require the accrual of taxable economic interest in advance of its receipt in cash and distressed loans on which the Company may be required to accrue taxable interest income even though the borrower is unable to make current servicing payments in cash. Furthermore, under amendments to Section 451 of the Code made by H.R. 1, subject to certain exceptions, the Company must accrue income for U.S. federal income tax purposes no later than when such income is taken into account as revenue in our financial statements, which could create additional differences between REIT taxable income and the receipt of cash attributable to such income. In addition, Section 162(m) of the Code places a per-employee limit of $1 million on the amount of compensation that a publicly held corporation may deduct in any one year with respect to its chief executive officer and certain other highly compensated executive officers.

Recent changes to Section 162(m) made by H.R. 1 eliminated an exception that formerly permitted certain performance-based compensation to be deducted even if in excess of $1 million, which may have the effect of increasing our REIT taxable income. In the event that such timing differences occur, it might be necessary to arrange borrowings or other means of raising capital to meet the distribution requirements. Additionally, the Company may, if possible, pay taxable dividends of our stock or debt to meet the distribution requirements.

The IRS recently issued Revenue Procedure 2017-45, authorizing elective stock dividends to be made by public REITs. Pursuant to this revenue procedure, effective for distributions declared on or after August 11, 2017, the IRS will treat the distribution of stock pursuant to an elective stock dividend as a distribution of property under Section 301 of the Code (i.e., as a dividend to the extent of our earnings and profits), as long as at least 20% of the total dividend is available in cash and certain other requirements outlined in the revenue procedure are met.

Under certain circumstances, the Company may be able to correct a failure to meet the distribution requirement for a year by paying "deficiency dividends" to our stockholders in a later year. The Company may include such deficiency dividends in its deduction for dividends paid for the earlier year. Although the Company may be able to avoid income tax on amounts distributed as deficiency dividends, it will be required to pay interest to the IRS based upon the amount of any deduction it takes for deficiency dividends.

In addition, a REIT is required to distribute all accumulated earnings and profits attributable to non-REIT years by the close of its first taxable year in which it has non-REIT earnings and profits to distribute.

New Interest Deduction Limitation Enacted by H.R. 1

Commencing in taxable years beginning after December 31, 2017, Section 163(j) of the Code, as amended by H.R. 1, limits the deductibility of net interest expense paid or accrued on debt properly allocable to a trade or business to 30% of "adjusted taxable income," subject to certain exceptions. Any deduction in excess of the limitation is carried forward and may be used in a subsequent year, subject to the 30% limitation. Adjusted taxable income is determined without regard to certain deductions, including those for net interest expense, net operating loss carryforwards and, for taxable years beginning before January 1, 2022, depreciation, amortization and depletion. Provided the taxpayer makes a timely election (which is irrevocable), the 30% limitation does not apply to a trade or business involving real property development, redevelopment, construction, reconstruction, rental, operation, acquisition, conversion, disposition, management, leasing or brokerage, within the meaning of Section 469(c)(7)(C) of the Code. If this election is made, depreciable real property (including certain improvements) held by the relevant trade or business must be depreciated under the alternative depreciation system under the Code, which is generally less favorable than the generally applicable system of depreciation under the Code. If we do not make the election or if the election is determined not to be available with respect to all or certain of our business activities, the new interest deduction limitation could result in us having more REIT taxable income and thus increase the amount of distributions we must make to comply with the REIT requirements and avoid incurring corporate level tax. Similarly, the limitation could cause our TRSs to have greater taxable income and thus potentially greater corporate tax liability.

Recordkeeping Requirements

The Company is required to maintain certain records under the REIT rules. In addition, to avoid a monetary penalty, the Company must request on an annual basis information from our stockholders designed to disclose the actual ownership of its outstanding shares of beneficial interest. The Company intends to continue to comply with these requirements.

Foreign Investments

The Company and its subsidiaries have acquired, and expect to acquire in the future, investments in foreign countries that will require it to pay taxes to foreign countries. Taxes that the Company pays in foreign jurisdictions may not be passed through to, or used by, our stockholders as a foreign tax credit or otherwise. The Company could be subject to U.S. federal income tax rules intended to prevent or minimize the value of the deferral of the recognition by it of passive-type income of foreign entities in which it owns a direct or indirect interest. As a result, the Company could be required to recognize taxable income for U.S. federal income tax purposes prior to receiving cash distributions with respect to that income or, in certain circumstances, pay an interest charge on U.S. federal income tax that it is deemed to have deferred. The Company's foreign investments might also generate foreign currency gains and losses. Certain foreign currency gains may be excluded from gross income for purposes of one or both of the gross income tests, as discussed above. Refer above to the section entitled "—Requirements for Qualification—Gross Income Tests."

Failure to Qualify

If the Company fails to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, it could avoid disqualification if its failure is due to reasonable cause and not to willful neglect and the

Company pays a penalty of $50,000 for each such failure. In addition, there are relief provisions for a failure of the gross income tests and asset tests, as described in the sections entitled "—Gross Income Tests—Failure to Satisfy the Gross Income Tests" and "—Asset Tests—Failure to Satisfy the Asset Tests."

If the Company fails to qualify as a REIT in any taxable year, and no relief provision applies, it would be subject to U.S. federal income tax and any applicable alternative minimum tax (only for its taxable year ended December 31, 2017) on its taxable income at regular corporate rates. In calculating its taxable income in a year in which it fails to qualify as a REIT, the Company would not be able to deduct amounts paid out to stockholders. In fact, the Company would not be required to distribute any amounts to stockholders in that year. In such event, to the extent of the Company's current and accumulated earnings and profits, distributions to most stockholders taxed at individual rates would generally be taxable at capital gains tax rates. For taxable years beginning after December 31, 2017, and before January 1, 2026, generally U.S. stockholders that are individuals, trusts or estates may deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations. Alternatively, such dividends paid to U.S. stockholders that are individuals, trusts and estates may be taxable at the preferential income tax rates (i.e., the 20% maximum U.S. federal rate) for qualified dividends. In addition, subject to the limitations of the Code, corporate distributees may be eligible for the dividends-received deduction.

Unless the Company qualified for relief under specific statutory provisions, it also would be disqualified from taxation as a REIT for the four taxable years following the year during which it ceased to qualify as a REIT. The Company cannot predict whether in all circumstances it would qualify for such statutory relief. In addition, the rule against re-electing REIT status following a loss of such status could also apply to the Company if it were determined that Colony or NRF failed to qualify as REITs and the Company were treated as a successor to Colony Capital Inc. or NorthStar Realty Finance Corp., as applicable.

Taxation of Taxable U.S. Stockholders of Colony Capital

The term "U.S. stockholder" means a beneficial owner of our stock that for U.S. federal income tax purposes is:

- a citizen or resident of the United States;
- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any of its states or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if: (i) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust; or (ii) it has a valid election in place to be treated as a U.S. person.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our stock, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership holding our stock, you should consult your tax advisor regarding the consequences of the purchase, ownership and disposition of our stock by the partnership.

Taxation of U.S. Stockholders on Distributions on Our Stock

As long as the Company qualifies as a REIT, a taxable U.S. stockholder must generally take into account as ordinary income distributions made out of the Company's current or accumulated earnings and profits that the Company does not designate as capital gain dividends or retained long-term capital gain. However, for tax years prior to 2026, generally U.S. stockholders that are individuals, trusts or estates may deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations. For purposes of determining whether a distribution is made out of its current or accumulated earnings and profits, the Company's earnings and profits will be allocated first to its preferred stock dividends and then to its common stock dividends.

Dividends paid to U.S. stockholders will not qualify for the dividends-received deduction generally available to corporations. In addition, dividends paid to a U.S. stockholder generally will not qualify for the 20% tax rate for qualified dividend income. The maximum tax rate for qualified dividend income is 20%. Qualified dividend income generally includes dividends paid to U.S. stockholders taxed at individual rates by domestic C corporations and certain qualified foreign corporations. Because the Company will not generally be subject to U.S. federal income tax on the portion of its REIT taxable income distributed to our stockholders (refer above to the section entitled "—Taxation of Colony Capital"), its dividends generally will not be eligible for the 20% rate on qualified dividend income. As a result, the Company's ordinary REIT dividends will be taxed at the higher tax rate applicable to ordinary income, which is currently a maximum rate of 37%. However, the 20% tax rate for qualified dividend income will apply to the Company's ordinary REIT dividends to the extent attributable: (i) to income retained by it in a prior non-REIT taxable year in which it or a predecessor was subject to corporate income tax (less the amount of tax); (ii) to dividends received by it from non-REIT corporations, such as domestic TRSs; and (iii) to the extent attributable to income upon which it has paid corporate income tax (*e.g.*, to the extent that the Company distributes less than 100% of its net taxable income). In general, to qualify for the reduced tax rate on qualified dividend income, a stockholder must hold our stock for more than 60 days during the 121-day period beginning on the date that is 60 days before the date on which our stock becomes ex-dividend. In addition, dividends paid to certain individuals, trusts and estates whose income exceeds certain thresholds are subject to a 3.8% Medicare tax.

A U.S. stockholder generally will take into account as long-term capital gain any distributions that the Company designates as capital gain dividends without regard to the period for which the U.S. stockholder has held our stock. The Company generally will designate its capital gain dividends as either 20% or 25% rate distributions. Refer below to the section entitled "—Capital Gains and Losses." A corporate U.S. stockholder, however, may be required to treat up to 20% of certain capital gain dividends as ordinary income.

The Company may elect to retain and pay income tax on the net long-term capital gain that it receives in a taxable year. In that case, to the extent that the Company designates such amount in a timely notice to such stockholder, a U.S. stockholder would be treated as receiving its proportionate share of the Company's undistributed long-term capital gain and would receive a credit for its proportionate share of the tax the Company paid. The U.S. stockholder would increase the basis in its stock by the amount of its proportionate share of the Company's undistributed long-term capital gain, minus its share of the tax the Company paid.

To the extent that the Company makes a distribution in excess of its current and accumulated earnings and profits, such distribution will not be taxable to a U.S. stockholder to the extent that it does not exceed the adjusted tax basis of the U.S. stockholder's stock. Instead, such distribution will reduce the adjusted tax basis of such stock. To the extent that the Company makes a distribution in excess of both its current and accumulated earnings and profits and the U.S. stockholder's adjusted tax basis in its stock, such stockholder will recognize long-term capital gain or short-term capital gain if the stock has been held for one year or less, assuming the stock is a capital asset in the hands of the U.S. stockholder. In addition, if the Company declares a distribution in October, November or December of any year that is payable to a U.S. stockholder of record on a specified date in any such month, such distribution shall be treated as both paid by the Company and received by the U.S. stockholder on December 31 of such year, provided that the Company actually pays the distribution during January of the following calendar year.

Stockholders may not include in their individual income tax returns any of the Company's net operating losses or capital losses. Instead, the Company would carry over such losses for potential offset against the Company's future income. Under amendments made by H.R. 1 to Section 172 of the Code, the Company's deduction for any net operating loss carryforwards arising from losses it sustains in taxable years beginning after December 31, 2017, is limited to 80% of its REIT taxable income (determined without regard to the deduction for dividends paid), and any unused portion of losses arising in taxable years ending after December 31, 2017, may not be carried back, but may be carried forward indefinitely.

Taxable distributions from the Company and gain from the disposition of our stock will not be treated as passive activity income, and, therefore, stockholders generally will not be able to apply any "passive activity losses," such as losses from certain types of limited partnerships in which the stockholder is a limited partner, against such income. In addition, taxable distributions from the Company and gain from the disposition of our stock generally may be treated as investment income for purposes of the investment interest limitations (although any capital gains so treated will not qualify for the lower 20% tax rate applicable to capital gains of U.S. stockholders taxed at individual rates). The Company will notify stockholders after the close of the Company's taxable year as to the portions of its distributions attributable to that year that constitute ordinary income, return of capital and capital gain.

If excess inclusion income from a TMP or REMIC residual interest is allocated to any U.S. stockholder, that income will be taxable in the hands of the U.S. stockholder and would not be offset by any net operating losses of the U.S. stockholder that would otherwise be available. Refer to the section entitled "—Requirements for Qualification—Taxable Mortgage Pools." As required by IRS guidance, the Company intends to notify its U.S. stockholders if a portion of a dividend paid by it is attributable to excess inclusion income.

Distributions to Holders of Depositary Shares. Owners of depositary shares will be treated for U.S. federal income tax purposes as if they were owners of the underlying preferred stock represented by such depositary shares. Accordingly, such owners will be entitled to take into account, for U.S. federal income tax purposes, income and deductions to which they would be entitled if they were direct holders of the underlying preferred shares. In addition, (1) no gain or loss will be recognized for U.S. federal income tax purposes upon the withdrawal of certificates evidencing the underlying preferred stock in exchange for depositary receipts, (2) the tax basis of each share of the underlying preferred stock to an exchanging owner of depositary shares will, upon such exchange, be the same as the aggregate tax basis of the depositary shares exchanged therefore, and (3) the holding period for the underlying preferred stock in the hands of an exchanging owner of depositary shares will include the period during which such person owned such depositary shares.

Taxation of U.S. Stockholders on the Disposition of Our Stock

In general, a U.S. stockholder who is not a dealer in securities must treat any gain or loss realized upon a taxable disposition of our stock as long-term capital gain or loss if the U.S. stockholder has held the stock for more than one year and otherwise as short-term capital gain or loss. However, a U.S. stockholder must treat any loss upon a sale or exchange of stock held by such stockholder for six months or less as a long-term capital loss to the extent of any actual or deemed distributions from the Company that such U.S. stockholder previously has characterized as long-term capital gain. All or a portion of any loss that a U.S. stockholder realizes upon a taxable disposition of the stock may be disallowed if the U.S. stockholder purchases other substantially identical 264 shares of our stock within 30 days before or after the disposition (in which case, the basis of the shares acquired would be adjusted to reflect the disallowed loss).

Taxation of U.S. Stockholders on a Redemption of Preferred Stock and Depositary Shares

A redemption of the Company's preferred stock and depositary shares will be treated under Section 302 of the Code as a distribution that is taxable as dividend income (to the extent of its current or accumulated earnings and profits), unless the redemption satisfies certain tests set forth in Section 302(b) of the Code enabling the redemption to be treated as a sale of the preferred stock or depositary shares (in which case the redemption will be treated in the same manner as a sale described above in the section entitled "—Taxation of U.S. Stockholders on the Disposition of Our Stock"). The redemption will satisfy such tests if it: (i) is "substantially disproportionate" with respect to the U.S. stockholder's interest in our stock; (ii) results in a "complete termination" of the U.S. stockholder's interest in all classes of our stock; or (iii) is "not essentially equivalent to a dividend" with respect to the stockholder, all within the meaning of Section 302(b) of the Code. In determining whether any of these tests have been met, stock considered to be owned by the holder by reason of certain constructive ownership rules set forth in the Code, as well as stock actually owned, generally must be taken into account. Because the determination as to whether any of the three alternative tests of Section 302(b) of the Code described above will be satisfied with respect to any particular U.S. stockholder of the preferred stock or depositary shares depends upon the facts and circumstances at the time that the determination must be made, prospective investors are urged to consult their tax advisors to determine such tax treatment. If a redemption of the Company's preferred stock or depositary shares does not meet any of the three tests described above, the redemption proceeds will be treated as a distribution, as described above in the section entitled "—Taxation of U.S. Stockholders on Distributions on Our Stock." In that case, a U.S. stockholder's adjusted tax basis in the redeemed preferred stock or depositary shares will be transferred to such U.S. stockholder's remaining stock holdings in the Company. If the U.S. stockholder does not retain any of the Company's shares, such basis could be transferred to a related person that holds our stock or it may be lost.

Under proposed Treasury Regulations, if any portion of the amount received by a U.S. stockholder on a redemption of any class of the Company's preferred stock or depositary shares is treated as a distribution with respect to our stock but not as a taxable dividend, then such portion will be allocated to all stock of the redeemed class held by the redeemed stockholder just before the redemption on a pro-rata, share-by-share, basis. The amount applied to each share will first reduce the redeemed U.S. stockholder's basis in that share and any excess after the basis is reduced to zero will result in taxable gain. If the redeemed stockholder has different bases in its shares, then the amount allocated could reduce some of the basis in certain shares while reducing all the basis and giving rise to taxable gain in others. Thus, the redeemed U.S. stockholder could have gain even if such U.S. stockholder's basis in all its shares of the redeemed class exceeded such portion.

The proposed Treasury Regulations permit the transfer of basis in the redeemed preferred or depositary shares to the redeemed U.S. stockholder's remaining, unredeemed preferred or depositary shares of the same class, if any, but not to any other class of shares held, directly or indirectly, by the redeemed U.S. stockholder. Instead, any unrecovered basis in the redeemed preferred or depositary shares would be treated as a deferred loss to be recognized when certain conditions are satisfied. The proposed Treasury Regulations would be effective for transactions that occur after the date the regulations are published as final Treasury Regulations. There can, however, be no assurance as to whether, when and in what particular form such proposed Treasury Regulations will ultimately be finalized.

Capital Gains and Losses

A taxpayer generally must hold a capital asset for more than one year for gain or loss derived from its sale or exchange to be treated as long-term capital gain or loss. The highest marginal individual income tax rate is currently 37%. However, the maximum tax rate on long-term capital gain applicable to U.S. stockholders taxed at individual rates is 20%. The maximum tax rate on long-term capital gain from the sale or exchange of "Section 1250 property," which we refer to as depreciable real property, is 25% computed on the lesser of the total amount of the gain or the accumulated Section 1250 depreciation. In addition, capital gains recognized by certain individuals, trusts and estates whose income exceeds certain thresholds are subject to a 3.8% Medicare tax. With respect to distributions that the Company designates as capital gain dividends and any retained capital gain that it is deemed to distribute, the Company generally may designate whether such a distribution is taxable to its U.S. stockholders taxed at individual rates at a 20% or 25% rate.

Thus, the tax rate differential between capital gain and ordinary income for those taxpayers may be significant. In addition, the characterization of income as capital gain or ordinary income may affect the deductibility of capital losses. A non-corporate taxpayer may deduct capital losses not offset by capital gains against its ordinary income only up to a maximum annual amount of $3,000. A non-corporate taxpayer may carry forward unused capital losses indefinitely. A corporate taxpayer must pay tax on its net capital gain at ordinary corporate rates. A corporate taxpayer may deduct capital losses only to the extent of capital gains, with unused losses being carried back three years and forward five years.

Expansion of Medicare Tax

The Health Care and Reconciliation Act of 2010 requires that, in certain circumstances, certain U.S. holders that are individuals, estates, and trusts pay a 3.8% tax on "net investment income," which includes, among other things, dividends on and gains from the sale or other disposition of REIT shares. The temporary 20% deduction allowed by Section 199A of the Code, as added by H.R. 1, with respect to ordinary REIT dividends received by non-corporate taxpayers is allowed only for purposes of Chapter 1 of the Code and thus is apparently not allowed as a deduction allocable to such dividends for purposes of determining the amount of net investment income subject to the 3.8% Medicare tax, which is imposed under Chapter 2A of the Code. Prospective investors should consult their own tax advisors regarding this legislation.

Taxation of Tax-Exempt Stockholders

Tax-exempt entities, including qualified employee pension and profit-sharing trusts and individual retirement accounts and annuities, generally are exempt from U.S. federal income taxation. However, they are subject to taxation on their unrelated business taxable income, which we refer to as UBTI. While many investments in real estate generate UBTI, the IRS has issued a published ruling that dividend distributions from a REIT to an exempt employee pension trust do not constitute UBTI, provided that the exempt employee pension trust does not otherwise use the shares of the REIT in an unrelated trade or business of the pension trust. Based on that ruling, amounts that the Company distributes to tax-exempt stockholders generally should not constitute UBTI. However, if a tax-exempt stockholder were to finance its investment in our stock with debt, a portion of the income that it receives from the Company would constitute UBTI pursuant to the "debt-financed property" rules. In addition, the Company's dividends that are attributable to excess inclusion income will constitute UBTI in the hands of most tax-exempt stockholders. Refer to the section entitled "—Requirements for Qualification—Taxable Mortgage Pools." Furthermore, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans that are exempt from taxation under special provisions of the U.S. federal income tax laws are subject to different UBTI rules, which generally will require them to characterize distributions that they receive from the Company as UBTI. Finally, in certain circumstances, a qualified employee pension or profit-sharing trust that owns more than 10% of our stock is required to treat a percentage of the dividends that it receives from the Company as UBTI if the Company is a "pension-held REIT." Such percentage is equal to the gross income that the Company derives from an unrelated trade or business, determined as if the Company were a pension trust, divided by the Company's total gross income for the year in which the Company pays the dividends. That rule applies to a pension trust holding more than 10% of our stock only if:

- the percentage of the Company's dividends that the tax-exempt trust would be required to treat as UBTI is at least 5%;
- the Company qualifies as a REIT by reason of the modification of the rule requiring that no more than 50% of our stock be owned by five or fewer individuals that allows the beneficiaries of the pension trust to be treated as holding our stock in proportion to its actuarial interests in the pension trust (refer to the section entitled "—Requirements for Qualification"); and
- either: (i) one pension trust owns more than 25% of the value of our stock; or (ii) a group of pension trusts individually holding more than 10% of the value of our stock collectively owns more than 50% of the value of our stock.

Taxation of Non-U.S. Stockholders

The term "non-U.S. stockholder" means a beneficial owner of our stock that is not a U.S. stockholder or a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes). The rules governing U.S. federal income taxation of non-U.S. stockholders are complex. This section is only a summary of such rules. Non-U.S. stockholders are urged to consult their tax advisors to determine the impact of U.S. federal, state, local and foreign income tax laws on the ownership of our stock, including any reporting requirements.

A non-U.S. stockholder that receives a distribution that is not attributable to gain from the Company's sale or exchange of a "United States real property interest," which we refer to as USRPI, and that the Company does not designate as a capital gain dividend or retained capital gain, will recognize ordinary income to the extent that the Company pays such distribution out of its current or accumulated earnings and profits. A withholding tax equal to 30% of the gross amount of the distribution ordinarily will apply to such distribution unless an applicable tax treaty reduces or eliminates the tax. The Company's dividends that are attributable to excess inclusion income will be subject to the 30% withholding tax, without reduction for any otherwise applicable income tax treaty. Refer to the section entitled "—Requirements for Qualification—Taxable Mortgage Pools." If a distribution is treated as effectively connected with the non-U.S. stockholder's conduct of a U.S. trade or business, the non-U.S. stockholder generally will be subject to U.S. federal income tax on the distribution at graduated rates, in the same manner as U.S. stockholders are taxed with respect to such distribution, and a non-U.S. stockholder that is a corporation also may be subject to the 30% branch profits tax with respect to the distribution. The Company plans to withhold U.S. income tax at the rate of 30% on the gross amount of any such distribution paid to a non-U.S. stockholder unless either:

- a lower treaty rate applies and the non-U.S. stockholder provides an IRS Form W-8BEN or W-8BEN-E to the Company evidencing eligibility for that reduced rate; or
- the non-U.S. stockholder files an IRS Form W-8ECI with the Company claiming that the distribution is effectively connected income.

A non-U.S. stockholder will not incur tax on a distribution in excess of the Company's current and accumulated earnings and profits if the excess portion of such distribution does not exceed the stockholder's adjusted basis of its stock. Instead, the excess portion of such distribution will reduce the adjusted basis of such stock. A non-U.S. stockholder will be subject to tax on a distribution that exceeds both the Company's current and accumulated earnings and profits and the stockholder's adjusted basis of its stock, if the non-U.S. stockholder otherwise would be subject to tax on gain from the sale or disposition of its stock, as described below. Because the Company generally cannot determine at the time it makes a distribution whether the distribution will exceed its current and accumulated earnings and profits, the Company normally will withhold tax on the entire amount of any distribution at the same rate as it would withhold on a dividend. However, a non-U.S. stockholder may claim a refund of amounts that the Company withholds if the Company later determines that a distribution in fact exceeded the Company's current and accumulated earnings and profits.

If the Company is treated as a "United States real property holding corporation," as described below, it will be required to withhold 15% of any distribution that exceeds its current and accumulated earnings and profits. Consequently, although the Company intends to withhold at a rate of 30% on the entire amount of any distribution, to the extent that it does not do so, the Company may withhold at a rate of 15% on any portion of a distribution not subject to withholding at a rate of 30%.

For any year in which the Company qualifies as a REIT, a non-U.S. stockholder will incur tax on distributions that are attributable to gain from the Company's sale or exchange of a USRPI under the Foreign Investment in Real Property Tax Act of 1980, which we refer to as FIRPTA. A USRPI includes certain interests in real property and stock in "United States real property holding corporations," which are corporations at least 50% of whose assets consist of interests in real property. Under FIRPTA, a non-U.S. stockholder is taxed on distributions attributable to gain from sales of USRPIs as if such gain were effectively connected with a U.S. business of the non-U.S. stockholder. A non-U.S. stockholder thus would be taxed on such a distribution at the normal capital gains rates applicable to U.S. stockholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual. A non-U.S. corporate stockholder not entitled to treaty relief or an exemption also may be subject to the 30% branch profits tax on such a distribution. The Company must withhold 21% of any distribution that it could designate as a capital gain dividend. A non-U.S. stockholder may receive a credit against its tax liability for the amount the Company withholds.

Capital gain distributions to a non-U.S. stockholder that are attributable to the Company's sale of real property will be treated as ordinary dividends rather than as gain from the sale of a USRPI, as long as: (i)(A) such class of our stock is "regularly traded" on an established securities market in the United States; and (B) the non-U.S. stockholder did not own more than 10% of the applicable class of our stock at any time during the one-year period prior to the distribution; or (ii) the non-U.S. stockholder was treated as a "qualified shareholder" as discussed below. As a result, non-U.S. stockholders owning 10% or less of the applicable class of our stock that is "regularly traded" generally will be subject to withholding tax on such capital gain distributions in the same manner as they are subject to withholding tax on ordinary dividends. If a class of our stock is not regularly traded on an established securities market in the United States or the non-U.S. stockholder owned more than 10% of our stock at any time during the one-year period prior to the distribution, capital gain distributions that are attributable to the Company's sale of real property would be subject to tax under FIRPTA, as described in the preceding paragraph. Moreover, if a non-U.S. stockholder disposes of our stock during the 30-day period preceding a dividend payment, and such non-U.S. stockholder (or a person related to such non-U.S. stockholder) acquires or enters into a contract or option to acquire our stock within 61 days of the first day of the 30-day period described above, and any portion of such dividend payment would, but for the disposition, be treated as a USRPI capital gain to such non-U.S. stockholder, then such non-U.S. stockholder shall be treated as having USRPI capital gain in an amount that, but for the disposition, would have been treated as USRPI capital gain.

Although the law is not clear on the matter, it appears that amounts the Company designates as retained capital gains in respect of the stock held by U.S. stockholders generally should be treated with respect to non-U.S. stockholders in the same manner as actual distributions by the Company of capital gain dividends. Under this approach, a non-U.S. stockholder would be able to offset as a credit against its U.S. federal income tax liability its proportionate share of the tax paid by the Company on such retained capital gains, and to receive from the IRS a refund to the extent the non-U.S. stockholder's proportionate share of such tax paid by the Company exceeds its actual U.S. federal income tax liability, provided that the non-U.S. stockholder furnishes required information to the IRS on a timely basis, which may require the filing of a tax return with the IRS.

A non-U.S. stockholder generally will not incur tax under FIRPTA with respect to gain realized upon a disposition of our stock as long as the Company: (i) is not a "United States real property holding corporation" during a specified testing period; or (ii) is a domestically controlled qualified investment entity. A domestically controlled qualified investment entity includes a REIT, less than 50% of the value of which is held directly or indirectly by foreign persons at all times during a specified testing period. The Company believes that it will be a domestically controlled qualified investment entity, but because our stock will be publicly traded, it cannot assure you that it in fact will be a domestically controlled qualified investment entity. However, even if the Company were a "United States real property holding corporation" and it were not a domestically controlled qualified investment entity, a non-U.S. stockholder that owned, actually or constructively, 10% or less of the applicable class of our stock at all times during a specified testing period would not incur tax under FIRPTA if that class of our stock is "regularly traded" on an established securities market. Because the Company expects that its common and preferred stock will be regularly traded on an established securities market, a non-U.S. stockholder will not incur tax under FIRPTA with respect to any such gain unless it owns, actually or constructively, more than 10% of the applicable class of our stock. If the gain on the sale of our stock were taxed under FIRPTA, a non-U.S. stockholder would be taxed in the same manner as U.S. stockholders with respect to such gain, subject to applicable alternative minimum tax or a special alternative minimum tax in the case of nonresident alien individuals. Furthermore, a non-U.S. stockholder will incur tax on gain not subject to FIRPTA if: (i) the gain is effectively connected with the non-U.S. stockholder's U.S. trade or business, in which case the non-U.S. stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain; or (ii) the non-U.S. stockholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the non-U.S. stockholder will incur a 30% tax on his capital gains.

Qualified Shareholders

Subject to the exception discussed below, any distribution to a "qualified shareholder," as defined below, who holds our stock directly or indirectly (through one or more partnerships) will not be subject to U.S. tax as income effectively connected with a U.S. trade or business and thus will not be subject to special withholding rules under FIRPTA. While a "qualified shareholder" will not be subject to FIRPTA withholding on REIT distributions, certain investors of a "qualified shareholder" (*i.e*., non-U.S. persons who hold interests in the "qualified shareholder" (other than interests solely as a creditor), and hold more than 10% of our stock (whether or not by reason of the investor's ownership in the "qualified shareholder")) may be subject to FIRPTA withholding.

In addition, a sale of our stock by a "qualified shareholder" who holds such stock directly or indirectly (through one or more partnerships) will not be subject to U.S. federal income taxation under FIRPTA. As with distributions, certain investors of a "qualified shareholder" (*i.e*., non-U.S. persons who hold interests in the "qualified shareholder" (other than interests solely as a creditor), and hold more than 10% of our stock (whether or not by reason of the investor's ownership in the "qualified shareholder")) may be subject to FIRPTA withholding on a sale of our stock.

A "qualified shareholder" is a foreign person that: (i) either is eligible for the benefits of a comprehensive income tax treaty which includes an exchange of information program and whose principal class of interests is listed and regularly traded on one or more recognized stock exchanges (as defined in such comprehensive income tax treaty), or is a foreign partnership that is created or organized under foreign law as a limited partnership in a jurisdiction that has an agreement for the exchange of information with respect to taxes with the United States and has a class of limited partnership units representing greater than 50% of the value of all the partnership units that are regularly traded on the NYSE or NASDAQ markets; (ii) is a qualified collective investment vehicle, as defined below; and (iii) maintains records on the identity of each person who, at any time during the foreign person's taxable year, is the direct owner of 5% or more of the class of interests or units, as applicable, described in (i), above.

A qualified collective investment vehicle is a foreign person that: (i) would be eligible for a reduced rate of withholding under the comprehensive income tax treaty described above, even if such entity holds more than 10% of the stock of such REIT; (ii) is publicly traded, is treated as a partnership under the Code, is a withholding foreign partnership, and would be treated as a "United States real property holding corporation" if it were a domestic corporation; or (iii) is designated as such by the Secretary of the Treasury and is either (A) fiscally transparent within the meaning of Section 894 of the Code or (B) required to include dividends in its gross income, but is entitled to a deduction for distributions to its investors.

Qualified Foreign Pension Funds

Any distribution to a “qualified foreign pension fund” (or an entity all of the interests of which are held by a “qualified foreign pension fund”) who holds our stock directly or indirectly (through one or more partnerships) will not be subject to U.S. tax as income effectively connected with a U.S. trade or business and thus will not be subject to special withholding rules under FIRPTA. In addition, a sale of our stock by a “qualified foreign pension fund” that holds such stock directly or indirectly (through one or more partnerships) will not be subject to U.S. federal income taxation under FIRPTA.

A qualified foreign pension fund is any trust, corporation or other organization or arrangement: (i) which is created or organized under the law of a country other than the United States; (ii) which is established to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered; (iii) which does not have a single participant or beneficiary with a right to more than 5% of its assets or income; (iv) which is subject to government regulation and provides annual information reporting about its beneficiaries to the relevant tax authorities in the country in which it is established or operates; and (v) with respect to which, under the laws of the country in which it is established or operates, (A) contributions to such organization or arrangement that would otherwise be subject to tax under such laws are deductible or excluded from the gross income of such entity or taxed at a reduced rate or (B) taxation of any investment income of such organization or arrangement is deferred or such income is taxed at a reduced rate.

FATCA Withholding

Under the Foreign Account Tax Compliance Act, which we refer to as FATCA, a U.S. withholding tax at a 30% rate will be imposed on dividends paid on our stock received by certain non-U.S. stockholders if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. In addition, if those disclosure requirements are not satisfied, a U.S. withholding tax at a 30% rate will be imposed on proceeds from the sale of our stock received after December 31, 2018 by certain non-U.S. stockholders (subject to the proposed Treasury Regulations discussed below). If payment of withholding taxes is required, non-U.S. stockholders that are otherwise eligible for an exemption from, or reduction of, U.S. withholding taxes with respect to such dividends and proceeds will be required to seek a refund from the IRS to obtain the benefit of such exemption or reduction. The Company will not pay any additional amounts in respect of any amounts withheld.

While withholding under FATCA would have applied to payments of gross proceeds from the sale or disposition of our stock received after December 31, 2018, recently proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

Information Reporting Requirements and Backup Withholding; Shares Held Offshore

The Company will report to its stockholders and to the IRS the amount of distributions it pays during each calendar year, and the amount of tax it withholds, if any. Under the backup withholding rules, a stockholder may be subject to backup withholding at a rate of 28% with respect to distributions unless the holder:

- is a corporation or qualifies for certain other exempt categories and, when required, demonstrates this fact; or
- provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules.

A stockholder who does not provide the Company with its correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the stockholder’s income tax liability. In addition, the Company may be required to withhold a portion of capital gain distributions to any U.S. stockholders who fail to certify their non-foreign status to the Company.

Backup withholding will generally not apply to payments of dividends made by the Company or its paying agents, in their capacities as such, to a non-U.S. stockholder, provided that the non-U.S. stockholder furnishes to the Company or its paying agent the required certification as to its non-U.S. status, such as providing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or certain other requirements are met. Notwithstanding the foregoing, backup withholding may apply if either the Company or its paying agent has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient. Payments of the net proceeds from a disposition or a redemption effected outside the United States by a non-U.S. stockholder made by or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) generally will apply to such a payment if the broker has certain connections with the U.S. unless the broker has documentary evidence in its records that the beneficial owner is a non-U.S. stockholder and specified conditions are met or an exemption is otherwise established. Payment of the net proceeds from a disposition by a non-U.S. stockholder of our stock made by or through the U.S. office of a broker is generally subject to information reporting and backup withholding unless the non-U.S. stockholder certifies under penalties of perjury that it is not a U.S. person and satisfies certain other requirements or otherwise establishes an exemption from information reporting and backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the stockholder's U.S. federal income tax liability if certain required information is furnished to the IRS. Stockholders are urged to consult their own tax advisors regarding application of backup withholding to them and the availability of, and procedure for obtaining an exemption from, backup withholding.

Under FATCA, a U.S. withholding tax at a 30% rate will be imposed on dividends paid on our stock received by U.S. stockholders who own their stock through foreign accounts or foreign intermediaries if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. In addition, if those disclosure requirements are not satisfied, a U.S. withholding tax at a 30% rate will be imposed on proceeds from the sale of our stock received after December 31, 2018 by U.S. stockholders who own their shares through foreign accounts or foreign intermediaries. The Company will not pay any additional amounts in respect of any amounts withheld.

Other Tax Consequences

Tax Aspects of Colony Capital's Investments in the Operating Partnership and the Subsidiary Partnerships

The following discussion summarizes certain U.S. federal income tax considerations applicable to the Company's direct or indirect investments in the Company's Operating Partnership and any subsidiary partnerships or limited liability companies that the Company forms or acquires interests in and that are treated as partnerships for U.S. federal income tax purposes, which we refer to, individually, as a Partnership and, collectively, as the Partnerships. The discussion does not cover state or local tax laws or any U.S. federal tax laws other than income tax laws. The Company will include in its income its proportionate share of Partnership items of income, gain, loss, deduction or credit for purposes of the REIT income tests, and will include its proportionate share of assets held by the Partnerships based on its capital interest in such partnerships (other than for purposes of the 10% value test, for which the determination of our interest in partnership assets will be based on our proportionate interest in any securities issued by the partnership, other than certain securities specifically excluded under the Code). Consequently, to the extent that the Company holds an equity interest in a Partnership, the Partnership's assets and operations may affect its ability to qualify as a REIT, even though the Company may have no control, or have only limited influence, over the Partnership.

Classification as Partnerships. The Company is entitled to include in its income its distributive share of each Partnership's income and to deduct its distributive share of each Partnership's losses only if such Partnership is classified for U.S. federal income tax purposes as a partnership (or an entity that is disregarded for U.S. federal income tax purposes if the entity has only one owner or member) rather than as a corporation or an association taxable as a corporation. An unincorporated domestic entity with at least two owners or members will be classified as a partnership, rather than as a corporation, for U.S. federal income tax purposes if it:

- is treated as a partnership under the Treasury Regulations relating to entity classification or the check-the-box regulations, as described below; and
- is not a "publicly traded" partnership, as defined below.

Under the check-the-box regulations, an unincorporated domestic entity with at least two owners or members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity fails to make an election, it generally will be treated as a partnership (or as an entity that is disregarded for U.S. federal income tax purposes if the entity has only one owner or member) for U.S. federal income tax purposes. Each Partnership intends to be classified as a partnership for U.S. federal income tax purposes and no Partnership will elect to be treated as an association taxable as a corporation under the check-the-box regulations.

A publicly traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. A publicly traded partnership will not, however, be treated as a corporation for any taxable year if, for each taxable year beginning after December 31, 1987 in which it was classified as a publicly traded partnership, 90% or more of the partnership's gross income for such year consists of certain passive-type income, including real property rents, gains from the sale or other disposition of real property, interest and dividends, or the 90% passive income exception. Treasury Regulations provide additional limited safe harbors from the definition of a publicly traded partnership. Pursuant to the private placement exclusion safe harbor, interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if: (i) all interests in the partnership were issued in a transaction or transactions that were not required to be registered under the Securities Act; and (ii) the partnership does not have more than 100 partners at any time during the partnership's taxable year. In determining the number of partners in a partnership, a person owning an interest in a partnership, grantor trust or S corporation that owns an interest in the partnership is treated as a partner in such partnership only if: (i) substantially all of the value of the owner's interest in the entity is attributable to the entity's direct or indirect interest in the partnership; and (ii) a principal purpose of the use of the entity is to permit the partnership to satisfy the 100-partner limitation. Each Partnership is expected to qualify for treatment as a partnership for U.S. federal income tax purposes pursuant to the 90% passive income exception or the private placement safe harbor. The Company has not requested, and does not intend to request, a ruling from the IRS that the Partnerships will be classified as partnerships for U.S. federal income tax purposes.

If, for any reason, a Partnership in which the Company owned more than 10% of the equity were taxable as a corporation, rather than as a partnership, for U.S. federal income tax purposes, the Company likely would not be able to qualify as a REIT unless it qualified for certain relief provisions. Refer to the sections entitled "—Requirements for Qualification—Gross Income Tests" and "—Requirements for Qualification—Asset Tests." In addition, any change in a Partnership's status for tax purposes might be treated as a taxable event, in which case the Company might incur tax liability without any related cash distribution. Refer to the section entitled "—Requirements for Qualification—Distribution Requirements." Further, items of income and deduction of such Partnership would not pass through to its partners, and its partners would be treated as stockholders for tax purposes. Consequently, such Partnership would be required to pay income tax at corporate rates on its net income and distributions to its partners would constitute dividends that would not be deductible in computing such Partnership's taxable income.

Income Taxation of the Partnerships and their Partners

Partners, Not the Partnerships, Subject to Tax. A partnership generally is not a taxable entity for U.S. federal income tax purposes. Rather, the Company is required to take into account its allocable share of each Partnership's income, gains, losses, deductions and credits for any taxable year of such Partnership ending within or with the Company's taxable year, without regard to whether the Company has received or will receive any distribution from such Partnership. For taxable years beginning after December 31, 2017, however, the tax liability for adjustments to a Partnership's tax returns made as a result of an audit by the IRS will be imposed on the Partnership itself in certain circumstances absent an election to the contrary.

Partnership Allocations. Although a partnership agreement generally will determine the allocation of income and losses among partners, such allocations will be disregarded for tax purposes if they do not comply with the provisions of the U.S. federal income tax laws governing partnership allocations. If an allocation is not recognized for U.S. federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Each Partnership's allocations of taxable income, gain and loss are intended to comply with the requirements of the U.S. federal income tax laws governing partnership allocations.

Tax Allocations With Respect to Contributed Properties. Income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in a tax-deferred transaction or contributed property in exchange for an interest in the partnership must be allocated in a manner such that the contributing partner is charged with, or benefits from, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of such unrealized gain or unrealized loss, or built-in gain or built-in loss, respectively, is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution, or a book-tax difference. Such allocations are solely for U.S. federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners. The U.S. Treasury Department has issued regulations requiring partnerships to use a "reasonable method" for allocating items with respect to which there is a book-tax difference and outlining several reasonable allocation methods.

Basis in Partnership Interest. The Company's adjusted tax basis in any Partnership generally is equal to:

- the amount of cash and the basis of any other property contributed by the Company to the Partnership;
- increased by the Company's allocable share of the Partnership's income and its allocable share of indebtedness of the Partnership; and
- reduced, but not below zero, by the Company's allocable share of the Partnership's loss and the amount of cash distributed to the Company and by constructive distributions resulting from a reduction in the Company's share of indebtedness of the Partnership.

If the allocation of the Company's distributive share of the Partnership's loss would reduce the adjusted tax basis of the Company's partnership interest below zero, the recognition of such loss will be deferred until such time as the recognition of such loss would not reduce the Company's adjusted tax basis below zero. To the extent that the Partnership's distributions or any decrease in the Company's share of the indebtedness of the Partnership, which is considered a constructive cash distribution to the partners, would reduce the Company's adjusted tax basis below zero, such distributions or decreases will constitute taxable income to the Company. Such distributions and constructive distributions normally will be characterized as long-term capital gain.

Depreciation Deductions Available to Partnerships.

The initial tax basis of property is the amount of cash and the basis of property given as consideration for the property. The Partnership's initial basis in contributed properties acquired in exchange for units of the Partnership should be the same as the transferor's basis in such properties on the date of acquisition. Although the law is not entirely clear, the Partnership generally will depreciate such property for U.S. federal income tax purposes over the same remaining useful lives and under the same methods used by the transferors. The Partnership's tax depreciation deductions will be allocated among the partners in accordance with their respective interests in the Partnership, except to the extent that the Partnership is required under the U.S. federal income tax laws governing partnership allocations to use another method for allocating tax depreciation deductions attributable to contributed or revalued properties, which could result in the Company receiving a disproportionate share of such deductions.

Sale of a Partnership's Property

Generally, any gain realized by a Partnership on the sale of property held by the Partnership for more than one year will be long-term capital gain, except for any portion of such gain that is treated as depreciation or cost recovery recapture. Any gain or loss recognized by a Partnership on the disposition of contributed properties will be allocated first to the partners of the Partnership who contributed such properties to the extent of their built-in gain or loss on those properties for U.S. federal income tax purposes. The partners' built-in gain or loss on such contributed properties will equal the difference between the partners' proportionate share of the book value of those properties and the partners' tax basis allocable to those properties at the time of the contribution. Any remaining gain or loss recognized by the Partnership on the disposition of the contributed properties, and any gain or loss recognized by the Partnership on the disposition of the other properties, will be allocated among the partners in accordance with their respective percentage interests in the Partnership.

The Company's share of any gain realized by a Partnership on the sale of any property held by the Partnership as inventory or other property held primarily for sale to customers in the ordinary course of the Partnership's trade or business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Such prohibited transaction income also may have an adverse effect upon the Company's ability to satisfy the income tests for REIT status. Refer to the section entitled "—Requirements for Qualification—Gross Income Tests." The Company, however, does not presently intend to acquire or hold or to allow any Partnership to acquire or hold any property that represents inventory or other property held primarily for sale to customers in the ordinary course of the Company's or such Partnership's trade or business.

Treatment of Depositary Shares

Owners of depositary shares will be treated for U.S. federal income tax purposes as if they were owners of the preferred stock represented by such depositary shares. Accordingly, such owners will be entitled to take into account, for U.S. federal income tax purposes, income and deductions to which they would be entitled if they were holders of such preferred stock. In addition, (i) no gain or loss will be recognized for U.S. federal income tax purposes upon the withdrawal of preferred stock to an exchange owner of depositary shares, (ii) the tax basis of each share of preferred stock to an exchanging owner of depositary shares will, upon such exchange, be the same as the aggregate tax basis of the depositary shares exchanged therefor, and (iii) the holding period for preferred stock in the hands of an exchanging owner of depositary shares will include the period during which such person owned such depositary shares.

Legislative or Other Actions Affecting REITs

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. The Company cannot give you any assurances as to whether, or in what form, any proposals affecting REITs or their stockholders will be enacted. Changes to the U.S. federal tax laws and interpretations thereof could adversely affect an investment in the Company's stock. Stockholders should consult their tax advisors regarding the effect of potential changes to the U.S. federal tax laws and on an investment in our stock.

State, Local and Foreign Taxes

The Company and/or you may be subject to taxation by various states, localities and foreign jurisdictions, including those in which the Company or a stockholder transacts business, owns property or resides. The state, local and foreign tax treatment may differ from the U.S. federal income tax treatment described above. Consequently, you are urged to consult your tax advisors regarding the effect of state, local and foreign tax laws upon an investment in our stock.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by Item 10 is hereby incorporated by reference to the definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2018.

Item 11. Executive Compensation.

The information required by Item 11 is hereby incorporated by reference to the definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2018.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 12 is hereby incorporated by reference to the definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2018.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by Item 13 is hereby incorporated by reference to the definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2018.

Item 14. Principal Accountant Fees and Services.

The information required by Item 14 is hereby incorporated by reference to the definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2018.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) and (2). Financial Statements and Schedules of Colony Capital, Inc.

All other schedules are omitted because they are not applicable, or the required information is included in the consolidated financial statements or notes thereto.

(a)(3) Exhibits

The Exhibit Index attached hereto is incorporated by reference under this item.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Colony Capital, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Colony Capital, Inc. (the Company), as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedules listed in the Index at Item 15 (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 1, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

/s/ Ernst & Young LLP

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

Los Angeles, California
March 1, 2019

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

	December 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$ 461,912	$ 921,822
Restricted cash	366,758	471,078
Real estate, net	13,619,014	14,464,258
Loans receivable, net ($0 and $45,423 at fair value, respectively)	1,659,217	3,223,762
Equity investments ($142,130 and $363,901 at fair value, respectively)	2,446,336	1,690,839
Debt securities, at fair value	96,833	348,342
Goodwill	1,534,561	1,534,561
Deferred leasing costs and intangible assets, net	540,264	852,872
Assets held for sale ($269,145 and $49,498 at fair value, respectively)	941,258	781,630
Other assets ($33,558 and $10,152 at fair value, respectively)	503,317	444,968
Due from affiliates	45,779	51,518
Total assets	$ 22,215,249	$ 24,785,650
Liabilities		
Debt, net ($0 and $44,542 at fair value, respectively)	$ 10,039,957	$ 10,827,810
Accrued and other liabilities ($141,711 and $212,267 at fair value, respectively)	707,921	898,161
Intangible liabilities, net	159,386	191,109
Liabilities related to assets held for sale	68,217	273,298
Due to affiliates ($0 and $20,650 at fair value, respectively)	—	23,534
Dividends and distributions payable	84,013	188,202
Total liabilities	11,059,494	12,402,114
Commitments and contingencies (Note 24)		
Redeemable noncontrolling interests	9,385	34,144
Equity		
Stockholders' equity:		
Preferred stock, $0.01 par value per share; $1,436,605 and $1,636,605 liquidation preference, respectively; 250,000 shares authorized; 57,464 and 65,464 shares issued and outstanding, respectively	1,407,495	1,606,966
Common stock, $0.01 par value per share		
Class A, 949,000 shares authorized; 483,347 and 542,599 shares issued and outstanding, respectively	4,834	5,426
Class B, 1,000 shares authorized; 734 and 736 shares issued and outstanding, respectively	7	7
Additional paid-in capital	7,598,019	7,913,622
Distributions in excess of earnings	(2,018,302)	(1,165,412)
Accumulated other comprehensive income	13,999	47,316
Total stockholders' equity	7,006,052	8,407,925
Noncontrolling interests in investment entities	3,779,728	3,539,072
Noncontrolling interests in Operating Company	360,590	402,395
Total equity	11,146,370	12,349,392
Total liabilities, redeemable noncontrolling interests and equity	$ 22,215,249	$ 24,785,650

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

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

The following table presents the assets and liabilities of securitization vehicles (as of December 31, 2017 only) and an investment fund consolidated as a variable interest entity for which the Company is determined to be the primary beneficiary. At December 31, 2018, there were no consolidated securitization vehicles as our interests in these securitization vehicles have either been contributed to Colony Credit in the Combination or sold to third parties, resulting in a deconsolidation, or the underlying assets of the securitization trust has been liquidated (see Note 15).

	December 31, 2018	December 31, 2017
Assets		
Cash	$ 8,116	$ 10,969
Restricted cash	—	40,084
Loans receivable, net	—	546,306
Equity securities, at fair value	24,829	35,600
Debt securities, at fair value	—	214,926
Real estate, net	—	8,073
Other assets	9,786	13,671
Total assets	$ 42,731	$ 869,629
Liabilities		
Debt, net	$ —	$ 348,250
Other liabilities	20,105	31,299
Total liabilities	$ 20,105	$ 379,549

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

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

	Year Ended December 31,		
	2018	2017	2016
Revenues			
Property operating income	$ 2,247,740	$ 2,113,837	$ 371,082
Interest income	215,367	416,625	385,851
Fee income ($150,596, $184,914 and $67,731 from affiliates, respectively)	151,821	220,789	67,731
Other income ($34,695, $25,630 and $4,296 from affiliates, respectively)	50,348	45,483	14,193
Total revenues	2,665,276	2,796,734	838,857
Expenses			
Property operating expense	1,233,659	1,113,509	118,461
Interest expense	595,551	574,822	170,083
Investment and servicing expense	67,420	67,597	23,666
Transaction costs	7,266	95,859	40,605
Placement fees	7,849	2,474	900
Depreciation and amortization	572,406	617,779	171,682
Provision for loan loss	43,034	19,741	35,005
Impairment loss	588,223	420,360	11,717
Compensation expense			
Cash and equity-based compensation	225,038	346,885	111,838
Carried interest and incentive compensation	12,181	—	—
Administrative expenses	97,000	110,982	50,799
Total expenses	3,449,627	3,370,008	734,756
Other income (loss)			
Gain on sale of real estate	167,231	137,370	73,616
Other gain (loss), net	51,706	(25,814)	18,416
Equity method earnings (losses)	(9,401)	285,151	99,375
Equity method earnings—carried interest	19,961	—	—
Income (loss) before income taxes	(554,854)	(176,567)	295,508
Income tax benefit (expense)	59,781	98,399	(4,782)
Income (loss) from continuing operations	(495,073)	(78,168)	290,726
Income (loss) from discontinued operations	(102)	13,555	—
Net income (loss)	(495,175)	(64,613)	290,726
Net income (loss) attributable to noncontrolling interests:			
Redeemable noncontrolling interests	(3,708)	23,543	—
Investment entities	67,994	129,996	163,084
Operating Company	(39,854)	(20,261)	12,324
Net income (loss) attributable to Colony Capital, Inc.	(519,607)	(197,891)	115,318
Preferred stock redemption (Note 16)	(3,995)	4,530	—
Preferred stock dividends	117,097	130,672	48,159
Net income (loss) attributable to common stockholders	$ (632,709)	$ (333,093)	$ 67,159
Basic earnings (loss) per share			
Income (loss) from continuing operations per basic common share	$ (1.28)	$ (0.66)	$ 0.39
Net income (loss) per basic common share	$ (1.28)	$ (0.64)	$ 0.39
Diluted earnings (loss) per share			
Income (loss) from continuing operations per diluted common share	$ (1.28)	$ (0.66)	$ 0.39
Net income (loss) per diluted common share	$ (1.28)	$ (0.64)	$ 0.39
Weighted average number of shares			
Basic	496,993	532,600	164,570
Diluted	496,993	532,600	164,570

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

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

	Year Ended December 31,		
	2018	2017	2016
Net income (loss)	$ (495,175)	$ (64,613)	$ 290,726
Other comprehensive income (loss):			
Other comprehensive income (loss) from investments in unconsolidated ventures, net	(1,809)	5,849	101
Net change in fair value of available-for-sale debt securities	(18,645)	15,918	(659)
Net change in fair value of cash flow hedges	(487)	—	389
Foreign currency translation adjustments:			
Foreign currency translation gain (loss)	(81,135)	216,262	(97,681)
Change in fair value of net investment hedges	33,747	(70,661)	35,833
Net foreign currency translation adjustments	(47,388)	145,601	(61,848)
Other comprehensive income (loss)	(68,329)	167,368	(62,017)
Comprehensive income (loss)	(563,504)	102,755	228,709
Comprehensive income (loss) attributable to noncontrolling interests:			
Redeemable noncontrolling interests	(3,708)	23,543	—
Investment entities	34,573	218,013	117,241
Operating Company	(41,719)	(15,789)	9,837
Comprehensive income (loss) attributable to stockholders	$ (552,650)	$ (123,012)	$ 101,631

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

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

	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, 2015	$ 607,200	$ 1,646	$ 2,387,770	$ (131,278)	$ (18,422)	$ 2,846,916	$ 2,138,925	$ 430,399	$ 5,416,240
Net income	—	—	—	115,318	—	115,318	163,084	12,324	290,726
Other comprehensive income	—	—	—	—	(13,687)	(13,687)	(45,843)	(2,487)	(62,017)
Repurchase of preferred stock	(19,998)	—	—	—	—	(19,998)	—	—	(19,998)
Contribution of preferred stock to an affiliate	19,998	—	—	—	—	19,998	—	—	19,998
Equity-based compensation	—	15	13,623	—	—	13,638	—	—	13,638
Redemption of OP Units for cash and class A common	—	14	18,557	—	—	18,571	—	(21,128)	(2,557)
Shares canceled for tax withholding on vested stock awards	—	(3)	(2,859)	—	—	(2,862)	—	—	(2,862)
Contributions from noncontrolling interests	—	—	—	—	—	—	819,033	—	819,033
Distributions to noncontrolling interests	—	—	—	—	—	—	(587,539)	(33,668)	(621,207)
Acquisition of noncontrolling interests		—	725	—	—	725	(4,688)	—	(3,963)
Preferred stock dividends	—	—	—	(48,159)	—	(48,159)	—	—	(48,159)
Common stock dividends declared ($1.08 per share)	—	—	—	(181,945)	—	(181,945)	—	—	(181,945)
Reallocation of equity (Note 2 and 16)	—	—	25,284	—	—	25,284	(29,034)	3,750	—
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

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

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

	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	—	—	—	(197,891)	—	(197,891)	129,996	(20,261)	(88,156)
Other comprehensive income	—	—	—	—	74,879	74,879	88,017	4,472	167,368
Merger consideration (Note 3)	1,010,320	3,891	5,706,243	—	—	6,720,454	—	—	6,720,454
Payment of accrued dividends on preferred stock assumed in Merger	(12,869)	—	—	—	—	(12,869)	—	—	(12,869)
Fair value of noncontrolling interests assumed in Merger	—	—	—	—	—	—	505,685	8,162	513,847
Issuance of Cumulative Redeemable Perpetual Preferred Stock	660,000	—	—	—	—	660,000	—	—	660,000
Offering costs	(21,900)	—	—	—	—	(21,900)	—	—	(21,900)
Redemption of preferred stock	(635,785)	—	—	—	—	(635,785)	—	—	(635,785)
Common stock repurchases	—	(234)	(299,943)	—	—	(300,177)	—	—	(300,177)
Equity-based compensation	—	81	104,293	—	—	104,374	—	50,055	154,429
Redemption of OP Units for cash and class A common stock	—	17	22,814	—	—	22,831	—	(27,916)	(5,085)
Exchange of notes for Class A common stock	—	2	3,277	—	—	3,279	—	—	3,279
Shares canceled for tax withholdings on vested stock awards	—	(4)	(5,664)	—	—	(5,668)	—	—	(5,668)
Redemption of restricted stock units	—	8	(8)	—	—	—	—	—	—
Settlement of call spread option	—	—	6,900	—	—	6,900	—	—	6,900
Costs of noncontrolling equity	—	—	(9,209)	—	—	(9,209)	—	—	(9,209)
Deconsolidation of investment entity	—	—	—	—	—	—	(4,000)	—	(4,000)
Contributions from noncontrolling interests	—	—	—	—	—	—	1,190,383	—	1,190,383
Distributions to noncontrolling interests	—	—	—	—	—	—	(844,502)	(35,387)	(879,889)
Preferred stock dividends	—	—	—	(138,196)	—	(138,196)	—	—	(138,196)
Common stock dividends declared ($1.08 per share; Note 16)	—	—	—	(583,261)	—	(583,261)	—	—	(583,261)
Reallocation of equity (Note 2 and 17)	—	—	(58,181)	—	4,546	(53,635)	19,555	34,080	—
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

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

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

	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)	—	—	—	(519,607)	—	(519,607)	67,994	(39,854)	(491,467)
Other comprehensive loss	—	—	—	—	(33,043)	(33,043)	(33,421)	(1,865)	(68,329)
Redemption of preferred stock (Note 16)	(199,471)	—	(529)	—	—	(200,000)	—	—	(200,000)
Common stock repurchases	—	(614)	(350,096)	—	—	(350,710)	—	—	(350,710)
Redemption of OP Units for cash and class A common stock	—	20	29,014	—	—	29,034	—	(33,864)	(4,830)
Equity-based compensation	—	34	39,672	—	—	39,706	486	1,414	41,606
Shares canceled for tax withholdings on vested stock awards	—	(33)	(34,170)	—	—	(34,203)	—	—	(34,203)
Reclassification of contingent consideration out of liability at end of measurement period	—	—	12,539	—	—	12,539	—	—	12,539
Issuance of OP Units and common stock—contingent consideration	—	1	—	—	—	1	—	24,608	24,609
Deconsolidation of investment entities (Note 4)	—	—	—	—	—	—	(330,980)	—	(330,980)
Contributions from noncontrolling interests	—	—	—	—	—	—	1,059,891	—	1,059,891
Distributions to noncontrolling interests	—	—	—	—	—	—	(489,261)	(13,793)	(503,054)
Preferred stock dividends	—	—	—	(115,019)	—	(115,019)	—	—	(115,019)
Common stock dividends declared ($0.44 per share)	—	—	—	(217,246)	—	(217,246)	—	—	(217,246)
Reallocation of equity (Notes 2 and 17)	—	—	(12,033)	—	(72)	(12,105)	(34,053)	21,549	(24,609)
Balance at December 31, 2018	$ 1,407,495	$ 4,841	$ 7,598,019	$(2,018,302)	$ 13,999	$ 7,006,052	$ 3,779,728	$ 360,590	$11,146,370

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

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

	Year Ended December 31,		
	2018	2017	2016
Cash Flows from Operating Activities			
Net income (loss)	$ (495,175)	$ (64,613)	$ 290,726
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	(23,194)	(55,059)	(27,038)
Accretion in excess of cash receipts on purchased credit-impaired loan	—	—	(8,515)
Paid-in-kind interest added to loan principal, net of interest received	(38,408)	(25,152)	(29,844)
Straight-line rents	(29,330)	(32,664)	(12,617)
Amortization of above- and below-market lease values, net	(6,862)	(15,319)	2,045
Amortization of deferred financing costs and debt discount and premium	89,639	83,719	28,936
Equity method earnings	(10,560)	(285,151)	(99,375)
Distributions of income from equity method investments	79,995	72,197	79,361
Provision for loan losses	43,034	19,741	35,005
Allowance for doubtful accounts	26,860	14,602	3,314
Impairment of real estate and intangibles	588,223	104,360	11,717
Goodwill impairment	—	316,000	—
Depreciation and amortization	572,406	617,779	171,682
Equity-based compensation	41,876	154,429	13,638
Change in fair value of contingent consideration—Internalization	(1,730)	(20,600)	(11,740)
Gain on sales of real estate, net	(167,231)	(135,262)	(73,616)
Deferred income tax benefit	(69,430)	(138,459)	(7,618)
Other (gain) loss, net	(49,976)	45,360	—
Increase in other assets and due from affiliates	(40,123)	(66,287)	2,053
Decrease in accrued and other liabilities and due to affiliates	(470)	(11,169)	45,365
Other adjustments, net	(2,579)	4,094	(8,307)
Net cash provided by operating activities	506,965	582,546	405,172
Cash Flows from Investing Activities			
Contributions to investments in unconsolidated ventures	(548,163)	(522,935)	(226,665)
Return of capital from equity method investments	433,144	225,477	113,491
Acquisition of loans receivable and securities	(104,247)	(590,536)	(199,638)
Cash and restricted cash assumed in Merger, net of payments for merger-related liabilities (Note 3)	—	132,377	—
Net disbursements on originated loans	(317,952)	(392,790)	(385,702)
Repayments of loans receivable	143,360	831,074	732,393
Proceeds from sales of loans receivable and securities	225,607	117,540	220,900
Cash receipts in excess of accretion on purchased credit-impaired loans	159,229	357,423	140,057
Acquisition of and additions to real estate, related intangibles and leasing commissions	(1,349,467)	(1,325,122)	(501,221)
Proceeds from sales of real estate, net of debt assumed by buyers	864,347	1,607,806	390,943
Proceeds from paydown and maturity of securities	43,625	112,939	—
Cash and restricted cash contributed to Colony Credit (Note 4)	(141,153)	—	—
Proceeds from sale of investments in unconsolidated ventures (Notes 7 and 22)	231,040	553,327	—
Proceeds from sale of equity interests in securitization trusts, net of cash and restricted cash deconsolidated (Note 15)	142,270	—	—
Proceeds from syndication of investment, net of cash and restricted cash deconsolidated	—	156,897	—
Proceeds from sale of Townsend, net of cash assumed by buyer (Note 17)	—	454,579	—
Acquisition of CPI, net of cash and restricted cash acquired (Note 3)	—	(23,111)	—
Acquisition of THL Hotel Portfolio, net of cash and restricted cash acquired (Note 3)	—	(8,976)	—
Investment deposits	(34,314)	(480)	(67,693)
Receipt (return) of borrower escrow deposits	—	(20,237)	(34,260)
Net (payments) receipts on settlement of derivative instruments	(15,954)	(11,800)	34,471
Other investing activities, net	415	12,935	(1,619)
Net cash provided by (used in) investing activities	(268,213)	1,666,387	215,457

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

	Year Ended December 31,		
	2018	2017	2016
Cash Flows from Financing Activities			
Proceeds from issuance of preferred stock, net	$ —	$ 638,100	$ —
Dividends paid to preferred stockholders	(120,702)	(130,182)	(48,372)
Dividends paid to common stockholders	(310,519)	(482,156)	(181,172)
Repurchase of common stock	(343,143)	(300,177)	—
Borrowings from corporate credit facility	685,000	1,041,000	694,000
Repayment of borrowings from corporate credit facility	(735,000)	(1,413,600)	(586,400)
Borrowings from secured debt	1,791,021	4,573,099	1,072,556
Repayments of secured debt	(1,985,990)	(4,733,640)	(1,601,423)
Payment of deferred financing costs	(28,630)	(96,069)	(22,464)
Contributions from noncontrolling interests	1,019,888	1,173,432	819,033
Distributions to and redemptions of noncontrolling interests	(518,864)	(970,615)	(627,629)
Redemption of preferred stock	(200,000)	(635,785)	(19,998)
Reissuance of preferred stock to an equity method investee	—	—	19,998
Shares canceled for tax withholdings on vested stock awards	(34,203)	(5,837)	(2,860)
Redemption of OP Units for cash	(4,830)	(5,085)	(2,557)
Acquisition of noncontrolling interests	—	—	(3,963)
Repurchase of exchangeable senior notes	—	(15,455)	—
Other financing activities, net	(2,432)	(1,411)	—
Net cash used in financing activities	(788,404)	(1,364,381)	(491,251)
Effect of exchange rates on cash, cash equivalents and restricted cash	(11,538)	11,482	(4,554)
Net increase (decrease) in cash, cash equivalents and restricted cash	(561,190)	896,034	124,824
Cash, cash equivalents and restricted cash, beginning of period	1,393,920	497,886	373,062
Cash, cash equivalents and restricted cash, end of period	$ 832,730	$ 1,393,920	$ 497,886

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

	Year Ended December 31,		
	2018	2017	2016
Beginning of the period			
Cash and cash equivalents	$ 921,822	$ 376,005	$ 185,854
Restricted cash	471,078	111,959	187,208
Restricted cash included in assets held for sale	1,020	9,922	—
Total cash, cash equivalents and restricted cash, beginning of period	$ 1,393,920	$ 497,886	$ 373,062
End of the period			
Cash and cash equivalents	$ 461,912	$ 921,822	$ 376,005
Restricted cash	366,758	471,078	111,959
Cash and restricted cash included in assets held for sale	4,060	1,020	9,922
Total cash, cash equivalents and restricted cash, end of period	$ 832,730	$ 1,393,920	$ 497,886

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

COLONY CAPITAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

1. Business and Organization

Colony Capital, Inc. (together with its consolidated subsidiaries, the "Company") is a leading global investment management firm with approximately $43 billion of assets under management. 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 has significant holdings in: (a) the healthcare, industrial and hospitality property sectors; (b) Colony Credit Real Estate, Inc. (NYSE: CLNC) and NorthStar Realty Europe, Corp (NYSE: NRE) which are both externally managed by subsidiaries of the Company; and (c) various other equity and debt investments.

The Company was organized in May 2016 as a Maryland corporation, and elected to be taxed as a REIT under the Internal Revenue Code, for U.S. federal income tax purposes beginning with its taxable year ended December 31, 2017. Effective June 25, 2018, the Company changed its name from Colony NorthStar, Inc. to Colony Capital, Inc. and its ticker symbol on the NYSE from "CLNS" to "CLNY."

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 December 31, 2018, the Company owned 93.9% of the OP, as its sole managing member. The remaining 6.1% is owned primarily by certain employees of the Company as noncontrolling interests.

Merger

The Company was formed through a tri-party merger (the “Merger”) among Colony Capital, Inc. (“Colony”), NorthStar Asset Management Group Inc. (“NSAM”) and NorthStar Realty Finance Corp. (“NRF”) in an all-stock exchange on January 10, 2017 ("Closing Date").

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, the results of operations of the Company may not be comparable as the first ten days of 2017 and full year 2016 reflect only the pre-Merger activity of Colony.

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

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

On January 18, 2018, the Combination was approved by the stockholders of NorthStar I and NorthStar II. The Combination closed on January 31, 2018. On June 25, 2018, Colony Credit changed its name from Colony NorthStar Credit Real Estate, Inc. to Colony Credit Real Estate, Inc. See additional information in Note 4.

Corporate Restructuring

Following a strategic review process, in November 2018, the Company announced a corporate restructuring and reorganization plan aimed at reducing its annual compensation and administrative expenses over the next 12 months. The restructuring plan was designed to match resources that further align the Company's increasing focus on its investment management business. In the fourth quarter of 2018, the Company incurred $19.3 million of restructuring costs, which were primarily $14.5 million of severance costs and $4.7 million of accelerated equity-based compensation.

2. Summary of Significant Accounting Policies

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

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated. The portions of equity, net income and other comprehensive income of consolidated subsidiaries that are not attributable to the parent are presented separately as amounts attributable to noncontrolling interests in the consolidated financial statements. A substantial portion of noncontrolling interests represents interests held by private investment funds or other investment vehicles managed by the Company and which invest alongside the Company and membership interests in OP primarily held by certain employees of the Company.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and assumptions.

Merger

The Merger was accounted for under the acquisition method for a business combination as a reverse acquisition. 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 the Company 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 the Company was 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 the Company 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 the Company effective from January 11, 2017.

Principles of Consolidation

The Company consolidates entities in which it has a controlling financial interest by first considering if an entity meets the definition of a variable interest entity ("VIE") for which the Company is deemed to be the primary beneficiary, or if the Company has the power to control an entity through a majority of voting interest or through other arrangements.

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

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

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

Noncontrolling Interests

Redeemable Noncontrolling Interests—This represents noncontrolling interests in a consolidated open-end fund sponsored by the Company, and during 2017, an investment management subsidiary acquired through the Merger, Townsend Holdings, LLC ("Townsend"). The Company sold its interest in Townsend on December 29, 2017. The limited partners in the consolidated open-end fund who represent noncontrolling interests generally have the ability to withdraw all or a portion of their interests in cash with 30 days' notice.

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

Noncontrolling Interests in Investment Entities—This represents predominantly interests in consolidated investment entities held by private investment funds or retail companies managed by the Company or held by third party joint venture partners. Allocation of net income or loss is generally based upon relative ownership interests held by equity owners in each investment entity, or based upon contractual arrangements that may provide for disproportionate allocation of economic returns among equity interests, including using a hypothetical liquidation at book value basis, where applicable and substantive.

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

Foreign Currency

Assets and liabilities denominated in a foreign currency for which the functional currency is a foreign currency are translated using the exchange rate in effect at the balance sheet date and the corresponding results of operations for such entities are translated using the average exchange rate in effect during the period. The resulting foreign currency translation adjustments are recorded as a component of accumulated other comprehensive income or loss in stockholders’ equity. Upon sale, complete or substantially complete liquidation of a foreign subsidiary, or upon partial sale of a foreign equity method investment, the translation adjustment associated with the investment, or a proportionate share related to the portion of equity method investment sold, is reclassified from accumulated other comprehensive income or loss into earnings.

Assets and liabilities denominated in a foreign currency for which the functional currency is the U.S. dollar are remeasured using the exchange rate in effect at the balance sheet date and the corresponding results of operations for such entities are remeasured using the average exchange rate in effect during the period. The resulting foreign currency remeasurement adjustments are recorded in other gain (loss) on the statements of operations. Disclosures of non-U.S.

dollar amounts to be recorded in the future are translated using exchange rates in effect at the date of the most recent balance sheet presented.

Fair Value Measurement

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

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

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

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

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

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

Fair Value Option

The fair value option provides an option to elect fair value as a measurement alternative for selected financial instruments. The fair value option may be elected only upon the occurrence of certain specified events, including when the Company enters into an eligible firm commitment, at initial recognition of the financial instrument, as well as upon a business combination or consolidation of a subsidiary. The election is irrevocable unless a new election event occurs.

The Company has elected to account for certain equity method investments at fair value.

Prior to deconsolidation in May 2018, the Company had elected the fair value option for financial assets and financial liabilities of certain consolidated securitization trusts, and adopted the measurement alternative to measure both the financial assets and financial liabilities of the securitization trusts using the fair value of either the financial assets or financial liabilities, whichever is more observable.

Business Combinations

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

Prior to the Company's adoption of the new definition of a business effective October 1, 2016, the concentration of acquired fair values in a single or group of similar identifiable assets did not preclude the acquisition of such assets from meeting the definition of a business. As a result, acquisition of real estate assets with existing in-place leases, other than sale-leaseback transactions, were generally recognized as business combinations.

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

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

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

Discontinued Operations

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

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

Cash and Cash Equivalents

Short-term, highly liquid investments with original maturities of three months or less are considered to be cash equivalents. The Company's cash and cash equivalents are held with major financial institutions and may at times exceed federally insured limits.

Restricted Cash

Restricted cash consists primarily of amounts related to operating real estate and loans receivable as well as cash held by the Company’s foreign subsidiaries due to certain regulatory capital requirements.

Real Estate Assets

Real Estate Acquisitions

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

Real Estate Held for Investment

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

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

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

Real Estate Assets	Term
Building (fee interest)	5 to 51 years
Building leasehold interests	Lesser of remaining term of the lease or remaining life of the building
Building improvements	Lesser of useful life or remaining life of the building
Land improvements	6 to 20 years
Tenant improvements	Lesser of useful life or remaining term of the lease
Furniture, fixtures and equipment	3 to 20 years

Impairment—The Company evaluates its real estate held for investment for impairment periodically or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company evaluates real estate for impairment generally on an individual property basis. If an impairment indicator exists, the Company evaluates the undiscounted future net cash flows that are expected to be generated by the property, including any estimated proceeds from the eventual disposition of the property. If multiple outcomes are under consideration, the Company may apply a probability-weighted approach to the impairment analysis. Based upon the analysis, if the carrying value of a property exceeds its undiscounted future net cash flows, an impairment loss is recognized for the excess of the carrying value of the property over the estimated fair value of the property. In evaluating and/or measuring impairment, the Company considers, among other things, current and estimated future cash flows associated with each property, market information for each sub-market, including, where applicable, competition levels, foreclosure levels, leasing trends, occupancy trends, lease or room rates, and the market prices of similar properties recently sold or currently being offered for sale, and other quantitative and qualitative factors. Another key consideration in this assessment is the Company's assumptions about the highest and best use of its real estate investments and its intent and ability to hold them for a reasonable period that would allow for the recovery of their carrying values. If such assumptions change and the Company shortens its expected hold period, this may result in the recognition of impairment losses.

Real Estate Held for Sale

Real estate is classified as held for sale in the period when (i) management approves a plan to sell the asset, (ii) the asset is available for immediate sale in its present condition, subject only to usual and customary terms, (iii) a program is initiated to locate a buyer and actively market the asset for sale at a reasonable price, and (iv) completion of the sale is probable within one year.

Real estate held for sale is stated at the lower of its carrying amount or estimated fair value less disposal cost, with any write-down to fair value less disposal cost recorded as an impairment loss. For any increase in fair value less disposal cost subsequent to classification as held for sale, the impairment loss may be reversed, but only up to the amount of cumulative loss previously recognized. Depreciation is not recorded on assets classified as held for sale. At the time a sale is consummated, the excess, if any, of sale price less selling costs over carrying value of the real estate is recognized as a gain.

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

Foreclosed Properties

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

Loans Receivable

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

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

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

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

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

Impairment and 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. The Company does not utilize a statistical credit rating system to monitor and assess the credit risk and investment quality of its acquired or originated loans. Given the diversity of the Company's portfolio, management believes there is no consistent method of assigning a numerical rating to a particular loan that captures all of the various credit metrics and their relative importance. Therefore, the Company evaluates impairment and allowance for loan losses on an individual loan basis.

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

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

Loans Held for Sale

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

Purchased Credit-Impaired ("PCI") Loans

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

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

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

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

Acquisition, Development and Construction ("ADC") Arrangements

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

Equity Investments

A noncontrolling, unconsolidated ownership interest in an entity may be accounted for using one of: (i) equity method where applicable; (ii) fair value option if elected; (iii) fair value through earnings if fair value is readily determinable, including election of net asset value ("NAV") practical expedient where applicable; or (iv) 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.

Marketable equity securities are recorded as of trade date. Dividend income is recognized on the ex-dividend date and is included in other income.

Fair value changes of equity method investments under the fair value option are recorded in earnings from investments in unconsolidated ventures. Fair value changes of other equity investments, including adjustments for observable price changes under the measurement alternative, are recorded in other gain (loss).

Equity Method Investments

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-proportionate earnings allocation formula or a preferred return to certain investors. 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 are reported as investing activities in the statement of cash flows under the cumulative earnings approach.

Carried Interest—The Company's equity method investments include its interests as general partner or equivalent in investment vehicles that it sponsors or co-sponsors. The Company recognizes earnings based on its proportionate share of results from these investment vehicles and a disproportionate allocation of returns based on the extent to which cumulative performance exceeds minimum return hurdles pursuant to terms of their respective governing agreements (“carried interests”). To the extent the investment vehicles qualify for investment company accounting, their underlying results and consequently, the calculation of carried interests, reflect changes in fair value of their investments each period. The amount of carried interest recognized based on the cumulative performance of each investment vehicle if it were liquidated as of the reporting date may be subject to reversal until such time the carried interest, if any, is realized. Realization of carried interest generally occurs upon disposition of all underlying investments of an investment vehicle, or in part with each disposition, pursuant to the governing documents of the investment vehicles.

Impairment

Evaluation of impairment applies to equity method investments and equity investments under the measurement alternative. If indicators of impairment exist, the Company will first estimate the fair value of its investment. In assessing fair value, the Company generally considers, among others, the estimated enterprise value of the investee or fair value of the investee's underlying net assets, including net cash flows to be generated by the investee as applicable, and for equity method investees with publicly traded equity, the traded price of the equity securities in an active market.

For investments under the measurement alternative, if carrying value of the investment exceeds its fair value, an impairment is deemed to have occurred.

For equity method investments, further consideration is made if a decrease in value of the investment is other-than-temporary to determine if impairment loss should be recognized. Assessment of other-than-temporary impairment ("OTTI") involves management judgment, including, but not limited to, consideration of the investee’s financial condition, operating results, business prospects and creditworthiness, the Company's ability and intent to hold the investment until recovery of its carrying value, or a significant and prolonged decline in traded price of the investee’s equity security. If management is unable to reasonably assert that an impairment is temporary or believes that the Company may not fully recover the carrying value of its investment, then the impairment is considered to be other-than-temporary.

Investments that are other-than-temporarily impaired are written down to their estimated fair value. Impairment loss is recorded in equity method earnings for equity method investments and in other gain (loss) for investments under the measurement alternative.

Debt Securities

Debt securities are recorded as of the trade date. Debt securities designated as available-for-sale (“AFS”) are carried at fair value with unrealized gains or losses included as a component of other comprehensive income. Upon disposition of AFS debt securities, the cumulative gains or losses in other comprehensive income (loss) that are realized are recognized in other gain (loss), net, on the statement of operations based on specific identification.

Interest Income—Interest income from debt securities, including stated coupon interest payments and amortization of purchase premiums or discounts, is recognized using the effective interest method over the expected lives of the debt securities.

For beneficial interests in debt securities that are not of high credit quality (generally credit rating below AA) or that can be contractually settled such that the Company would not recover substantially all of its recorded investment, interest income is recognized as the accretable yield over the life of the securities using the effective yield method. The accretable yield is the excess of current expected cash flows to be collected over the net investment in the security, including the yield accreted to date. The Company evaluates estimated future cash flows expected to be collected on a quarterly basis, starting with the first full quarter after acquisition, or earlier if conditions indicating impairment are present. If the cash flows expected to be collected cannot be reasonably estimated, either at acquisition or in subsequent evaluation, the Company may consider placing the securities on nonaccrual, with interest income recognized using the cost recovery method.

Impairment—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. Other-than-temporary impairment 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. For beneficial interests in debt securities that are not of high credit quality or that can be contractually settled such that the Company would not recover substantially all of its recorded investment, OTTI also exists when there has been an adverse change in cash flows expected to be collected from the last measurement date.

If the Company intends to sell the impaired debt security or more likely than not will be required to sell the impaired debt security before recovery of its amortized cost, the entire impairment amount is recognized in earnings. If the Company does not intend to sell the debt security and it is not more likely than not that the Company will be required to sell the debt security before recovery of its amortized cost, the Company further evaluates the debt security for impairment due to credit losses. In determining whether a credit loss exists, an assessment is made of the cash flows expected to be collected from the debt security. The credit component of OTTI is recognized in earnings within other gain (loss), while the remaining non-credit component is recognized in other comprehensive income. The amortized cost basis of the debt security is written down by the amount of impairment recognized in earnings and will not be adjusted for subsequent recoveries in fair value. The difference between the new amortized cost basis and the cash flows expected to be collected will be accreted as interest income.

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.

PCI Debt Securities—Debt securities acquired that are deemed to be credit-impaired at acquisition date 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 debt security using the effective yield method. The difference between contractually required payments at the acquisition date and the cash flows expected to be collected ("nonaccretable difference"), which reflects estimated future credit losses expected to be incurred over the life of the debt security, 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. Subsequent increases in expected cash flows, other than due to interest rate changes on variable rate securities, are recognized prospectively over the remaining life of the debt security as an adjustment to accretable yield.

Identifiable Intangibles

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

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

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

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

Investment Management Intangibles—Identifiable intangibles recognized in acquisition of an investment management business generally include management contracts, which represent contractual rights to future fee income from in-place management contracts, and customer relationships, which represent potential fee income generated from future reinvestment by existing investors, both of which generally have finite lives and are amortized over their individual useful lives.

Impairment—Identifiable intangible assets are reviewed periodically to determine if circumstances exist which may indicate a potential impairment. If such circumstances are considered to exist, the Company evaluates if carrying value of the intangible asset is recoverable based upon an undiscounted cash flow analysis. Impairment loss is recognized for the excess, if any, of carrying value over estimated fair value of the intangible asset. An impairment establishes a new basis for the intangible asset and any impairment loss recognized is not subject to subsequent reversal.

Impairment analysis on lease intangible assets is performed in connection with the impairment assessment of the related real estate. In evaluating investment management intangibles intangibles for impairment, such as management contracts and customer relationships, the Company considers various factors that may affect future fee income, including but not limited to, changes in fee basis, amendments to contractual fee terms, and projected capital raising for future vehicles.

Goodwill

Goodwill is an unidentifiable intangible asset and is recognized as a residual, generally measured as the excess of consideration transferred in a business combination over the identifiable assets acquired, liabilities assumed and noncontrolling interests in the acquiree. Goodwill is assigned to reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is tested for impairment at the reporting units to which it is assigned at least on an annual basis in the fourth quarter of each year, or more frequently if events or changes in circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value, including goodwill. The assessment of goodwill for impairment may initially be performed based on qualitative factors to determine if it is more likely than not that the fair value of the reporting unit to which the goodwill is assigned is less than its carrying value, including goodwill. If so, a quantitative assessment is performed to identify both the existence of impairment and the amount of impairment loss. The Company may bypass the qualitative assessment and proceed directly to performing a quantitative assessment to compare the fair value of a reporting unit with its carrying value, including goodwill. Impairment is measured as the excess of carrying value over fair value of the reporting unit, with the loss recognized limited to the amount of goodwill assigned to that reporting unit.

An impairment establishes a new basis for goodwill and any impairment loss recognized is not subject to subsequent reversal. Goodwill impairment tests require judgment, including identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit.

Accounts Receivable and Related Allowance

Property Operating Income Receivables—The Company periodically evaluates aged receivables as well as considers the collectability of unbilled receivables for each tenant, operator, resident or guest, individually. The Company establishes an allowance when, based upon current information and events, it is probable that the Company will be unable to collect all amounts due under existing contractual terms, and the amount can be reasonably estimated.

Cost Reimbursements and Recoverable Expenses—The Company is entitled to reimbursements and/or recovers certain costs paid on behalf of the retail companies and private funds managed by the Company, which include: (i) organization and offering costs associated with the formation and offering of the retail companies not to exceed a certain percentage of the proceeds expected to be raised from the offering and excluding shares being offered pursuant to distribution reinvestment plans; (ii) direct and indirect operating costs associated with managing the operations of the retail companies; and (iii) costs incurred in performing investment due diligence. Indirect operating costs are recorded as expenses of the Company when incurred and amounts allocated and reimbursable are recorded as other income in the consolidated statements of operations. The Company facilitates the payments of organization and offering costs, due diligence costs to the extent the related investments are consummated and direct operating costs, all of which are recorded as due from affiliates on the consolidated balance sheets, until such amounts are repaid. Due diligence costs related to unconsummated investments are borne by the Company and expensed as investment, servicing and commission expense in the consolidated statement of operations. The Company assesses the collectability of such receivables considering the offering period, historical and forecasted sales of shares and capital reinvestment of the proceeds from the sale of shares under the respective offerings of the retail companies, and establishes an allowance for any balances considered not collectible.

Fixed Assets

Fixed assets of the Company are presented within other assets and carried at cost less accumulated depreciation and amortization. Ordinary repairs and maintenance are expensed as incurred. Major replacements and betterments which improve or extend the life of assets are capitalized and depreciated over their useful life. Depreciation and amortization is recognized on a straight-line basis over the estimated useful life of the assets, which range between 3 to 5 years for furniture, fixtures, equipment and capitalized software, 15 years for aircraft and over the shorter of the lease term or useful life for leasehold improvements.

Transfers of Financial Assets

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

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

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

Derivative Instruments and Hedging Activities

The Company uses derivative instruments to manage its foreign currency risk and interest rate risk. The Company does not use derivative instruments for speculative or trading purposes. All derivative instruments are recorded at fair value and included in other assets or other liabilities on a gross basis on the balance sheet. The accounting for changes in fair value of derivatives depends upon whether or not the Company has elected to designate the derivative in a hedging relationship and the derivative qualifies for hedge accounting. The Company has economic hedges that have not been designated for hedge accounting.

Changes in fair value of derivatives not designated as accounting hedges are recorded in the statement of operations in other gain (loss).

For designated accounting hedges, the relationships between hedging instruments and hedged items, risk management objectives and strategies for undertaking the accounting hedges as well as the methods to assess the effectiveness of the derivative prospectively and retrospectively, are formally documented at inception. Hedge effectiveness relates to the amount by which the gain or loss on the designated derivative instrument exactly offsets the change in the hedged item attributable to the hedged risk. If it is determined that a derivative is not expected to be or has ceased to be highly effective at hedging the designated exposure, hedge accounting is discontinued.

Cash Flow Hedges—The Company uses interest rate caps and swaps to hedge its exposure to interest rate fluctuations in forecasted interest payments on floating rate debt. The effective portion of the change in fair value of the derivative is recorded in accumulated other comprehensive income, while hedge ineffectiveness is recorded in earnings. If the derivative in a cash flow hedge is terminated or the hedge designation is removed, related amounts in accumulated other comprehensive income (loss) are reclassified into earnings.

Net Investment Hedges—The Company uses foreign currency hedges to protect the value of its net investments in foreign subsidiaries or equity method investees whose functional currencies are not U.S. dollars. Changes in the fair value of derivatives used as hedges of net investment in foreign operations, to the extent effective, are recorded in the cumulative translation adjustment account within accumulated other comprehensive income (loss).

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 undesignated hedges.

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.

Financing Costs

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

Property Operating Income

Property operating income includes the following.

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

When it is determined that the 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 is 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 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 services of managing the investments of the private funds consist of a series of distinct services satisfied over time, for which asset management fees are recognized ratably over the life of each investment as services are rendered.

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 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 take the form of a contractual fee arrangement with the investment vehicles, and unlike carried interests, do not represent an allocation of returns among equity holders of the investment vehicles. Incentive fees are a form of variable consideration and are recognized when it is probable that a significant reversal of the cumulative revenue will not occur, which is generally at the end of the performance measurement period of the respective investment vehicles.

Selling Commission and Dealer Manager Fees—Prior to May 2018, these fees were earned by the Company for selling equity in the non-traded REITs and investment companies, and recognized on trade date.

Other Income

Other income includes the following:

Expense Recoveries from Borrowers—Expenses, primarily legal costs incurred in administering non-performing loans and foreclosed properties held by investment entities, may be subsequently recovered through payments received when these investments are resolved. The Company recognizes income when the cost recoveries are determinable and repayment is assured.

Cost Reimbursements from Affiliates—For various services provided to certain affiliates, including managed investment vehicles, the Company is entitled to receive reimbursements of expenses incurred, generally based on expenses that are directly attributable to providing those services and/or a portion of overhead costs. The Company acts in the capacity of a principal under these arrangements. Accordingly, the Company records the expenses and corresponding reimbursement income on a gross basis in the period the services are rendered and costs are incurred.

Equity Awards Granted by Managed Companies—These are equity awards granted by publicly-traded REITs managed by the Company, NorthStar Realty Europe Corp ("NRE") and Colony Credit, to the Company to be granted to its employees or directly to certain employees of the Company. The initial grant is recorded as an other asset and deferred income liability on the balance sheet. The liability is amortized on a straight-line basis to other income over the initial vesting period of the award and equity-based compensation expense is recognized as the award vests to the recipient employee.

Collateral Management Fees—These fees are earned in the Company's capacity as collateral manager or collateral manager delegate of collateralized debt obligation vehicles ("CDOs") sponsored by the Company or by third parties. Collateral management fees are recognized over the period in which the related services are performed in accordance with contractual terms of the underlying agreements. If amounts distributable on any payment date are insufficient to pay the collateral management fees according to the priority of payments, any shortfall is deferred and payable on subsequent payment dates. Collateral management fees earned from consolidated CDOs are eliminated in consolidation.

Compensation

Compensation comprises salaries, bonus including discretionary awards and contractual amounts for certain senior executives, benefits, severance payments, equity-based compensation and performance-based compensation. Bonus is accrued over the employment period to which it relates.

Carried Interest and Incentive Fee Compensation—This represents a portion of carried interest and incentive fees earned by the Company that are allocated (generally 40% to 50%) to senior management, investment professionals and certain other employees of the Company. Carried interest and incentive fee compensation are generally recorded as the related carried interest and incentive fees are recognized in earnings by the Company. Carried interest compensation amounts may be reversed if there is a decline in the cumulative carried interest amounts previously recognized by the Company. Carried interest and incentive fee compensation are generally not paid to management or other employees until the related carried interest and incentive fee amounts are distributed by the investment vehicles to the Company.

Equity-Based Compensation—Equity-classified stock awards granted to employees and non-employees that have a service condition and/or a market condition are measured at fair value at date of grant and remeasured at fair value only upon a modification of the award.

A modification in the terms or conditions of an award, unless the change is non-substantive, represents an exchange of the original award for a new award. The modified award is revalued and incremental compensation cost is recognized for the excess, if any, between fair value of the award upon modification and fair value of the award immediately prior to modification. Total compensation cost recognized for a modified award, however, cannot be less than its grant date fair value, unless at the time of modification, the service or performance condition of the original award was not expected to be satisfied.

Liability-classified stock awards are remeasured at fair value at the end of each reporting period until the award is fully vested.

The Company recognizes compensation expense on a straight-line basis over the requisite service period of each award, with the amount of compensation expense recognized at the end of a reporting period at least equal the portion of fair value of the respective award at grant date or modification date, as applicable, that has vested through that date. For awards with a market condition, compensation cost is not reversed if a market condition is not met so long as the requisite service has been rendered, as a market condition does not represent a vesting condition. Compensation expense is adjusted for actual forfeitures upon occurrence.

Income Taxes

A REIT is generally not subject to corporate-level federal and state income tax on net income it distributes to its stockholders. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement to distribute at least 90% of its REIT taxable income to its stockholders. If the Company fails to qualify as a REIT in any taxable year and if the statutory relief provisions were not to apply, the Company would be subject to federal and state income taxes at regular corporate rates and may not be able to qualify as a REIT for four subsequent taxable years. Even if the Company qualifies as a REIT, it and its subsidiaries may be subject to certain U.S federal, state and local as well as foreign taxes on its income and property and to U.S federal income and excise taxes on its undistributed taxable income.

The Company has elected or may elect to treat certain of its existing or newly created corporate subsidiaries as taxable REIT subsidiaries (each a “TRS”). In general, a TRS may perform non-customary services for tenants of the REIT, hold assets that the REIT cannot or does not intend to hold directly and, subject to certain exceptions related to hotels and healthcare properties, may engage in any real estate or non-real estate related business. The Company uses TRS entities to conduct certain activities that cannot be conducted directly by a REIT, such as investment management, property management including hotel and healthcare operations as well as loan servicing and workout activities. A TRS is treated as a regular, taxable corporation for U.S income tax purposes and therefore, is subject to U.S federal corporate tax on its income and property. Additionally, the Company has invested in real estate assets in foreign countries for which related earnings or other measures are subject to income taxes in the respective foreign jurisdictions, and in some cases, the repatriation of earnings are subject to withholding taxes.

Deferred Income Taxes—The provision for income taxes includes current and deferred portions. The current income tax provision differs from the amount of income tax currently payable because of temporary differences in the recognition of certain income and expense items between financial reporting and income tax reporting. The Company uses the asset and liability method to provide for income taxes, which requires that the Company's income tax expense reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities for financial reporting versus income tax purposes. Accordingly, a deferred tax asset or liability for each temporary difference is determined based on enacted tax rates that the Company expects to be in effect when the underlying items of income and expense are realized and the differences reverse. A deferred tax asset is also recognized for net operating loss carryforwards and the income tax effect of accumulated other comprehensive income items of the TRS and foreign taxable entities. A valuation allowance for deferred tax assets is established if the Company believes it is more likely than not that all or some portion of the deferred tax assets will not be realized. Realization of deferred tax assets is dependent on the Company's TRS and foreign taxable entities generating sufficient taxable income in future periods or employing certain tax planning strategies to realize such deferred tax assets.

Uncertain Tax Positions—Income tax benefits are recognized for uncertain tax positions that are more likely than not to be sustained based solely on their technical merits. Such uncertain tax positions are measured as the largest amount of benefit that is more likely than not to be realized upon settlement. The difference between the benefit recognized and the tax benefit claimed on a tax return results in an unrecognized tax benefit. The Company periodically evaluates whether it is more likely than not that its uncertain tax positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations.

Earnings Per Share

The Company calculates basic earnings per share using the two-class method which defines unvested share based payment awards that contain nonforfeitable rights to dividends as participating securities. The two-class method is an allocation formula that determines earnings per share for each share of common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. Earnings per common share is calculated by dividing earnings allocated to common shareholders by the weighted-average number of common shares outstanding during the period.

Diluted earnings per common share is based on the weighted-average number of common shares and the effect of potentially dilutive common share equivalents outstanding during the period. Potentially dilutive common share equivalents include shares to be issued upon the assumed conversion of the Company's outstanding convertible notes, which are included under the if-converted method when dilutive. The earnings allocated to common shareholders is adjusted to add back the after-tax amount of interest expense associated with the convertible notes, except when doing so would be antidilutive.

Reclassifications

In addition to reclassifications on the statements of cash flows resulting from the adoption of ASU No. 2016-18 as discussed below, certain prior period amounts have been reclassified as follows.

On the balance sheet, marketable equity securities of a consolidated fund of $35.6 million at December 31, 2017 have been reclassified from securities to equity investments to conform to current period presentation.

For the year ended December 31, 2018, the Company presents the portion of carried interests earned by the Company that is allocated to employees as carried interest and incentive compensation on the statement of operations. Such amounts had previously been presented as net income attributable to noncontrolling interests in investment entities for the first three quarters of 2018, in each respective Quarterly Report on Form 10-Q. For the quarters ended September 30, June 30 and March 31, 2018, $3.5 million, $1.1 million, $0.9 million, respectively, were reclassified from net income attributable to noncontrolling interests in investment entities to compensation expense on the income statement. The reclassifications increased net loss by the amounts reclassified for each of the three quarterly periods but did not have an impact on net loss attributable to Colony Capital, Inc. and net loss attributable to common stockholders. The reclassification increased accrued and other liabilities and decreased noncontrolling interests in investment entities by the amount reclassified at the end of each period but did not have an impact on the balance sheet as of December 31, 2017. Refer to the Company's accounting policy for carried interest compensation above in "*Compensation—Carried Interest and Incentive Fee Compensation*."

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 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 be 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 year ended December 31, 2018 was an increase to asset management fees of $0.7 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.

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

Performance-related fees that take the form of a contractual fee arrangement with the investment vehicle and do not represent an allocation of returns among equity holders of the investment vehicle (or “incentive fees”) are within the scope of the new revenue standard. The Company previously recognized incentive fees when they were fixed or determinable and related contingencies have been resolved, which was generally at the end of the incentive measurement period of the respective investment vehicles. Under the new revenue guidance, 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 previous policy. There was no cumulative impact as of January 1, 2018.

Performance-related 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 equity method earnings 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 year ended December 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 for 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 adoption date 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. As a result of the adoption of the new guidance, changes in restricted cash and restricted cash equivalents are no longer presented as separate activities 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 retrospective application of this new standard resulted in changes to the previously reported statements of cash flows as follows:

	Year Ended December 31, 2017		Year Ended December 31, 2016	
(In thousands)	As Previously Reported	After Adoption of ASU 2016-18	As Previously Reported	After Adoption of ASU 2016-18
Net cash provided by operating activities	$ 549,617	$ 582,546	$ 408,361	$ 405,172
Net cash provided by investing activities	1,331,542	1,666,387	251,812	215,457
Net cash used in financing activities	(1,346,505)	(1,364,381)	(465,957)	(491,251)

For the year ended December 31, 2017, the increase in net cash provided by investing activities is primarily due to restricted cash assumed in business combinations (Note 3), which were previously reported as noncash investing activities, and the restricted cash deposits capital expenditures with the lender in connection with a refinancing. For the year ended December 31, 2016, return of borrower funds from escrow deposits and distributions to noncontrolling interests from restricted working capital reserves are now reflected in cash flows from investing and financing activities, respectively.

Share-Based Payments

In June 2018, the FASB issued ASU No. 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting*, which simplifies the accounting for share-based payments to nonemployees by generally aligning it with the accounting for share-based payments to employees, with certain exceptions. The new guidance applies to nonemployee awards issued in exchange for goods or services used in an entity’s own operations and to awards granted by an investor to an equity method investee, but does not apply to equity instruments issued to a lender or investor in a financing transaction or equity instruments issued when selling goods or services to customers, which is under the revenue recognition model. Key changes in the guidance include measuring nonemployee awards based on fair value of the equity instrument issued, rather than on fair value of goods or services received or equity instrument issued, whichever is more reliably measured. In terms of timing, equity-classified nonemployee awards that were previously remeasured through performance completion date will now have a fixed measurement on grant date, which will reduce volatility on the income statement. For nonemployee awards with performance conditions, compensation cost will be recognized when achievement of the performance condition is probable, rather than upon actual achievement of the performance condition. Similar to employee awards, forfeitures may be recognized as they occur or based on an estimate under an accounting policy election, but the guidance allows separate elections for employee and nonemployee awards. The accounting model for nonemployee awards, however, remains different for attribution of share-based payment costs over the vesting period, in which compensation cost for nonemployee awards continues to be recognized in the same period and in the same manner (i.e., capitalize or expense) as if the grantor had paid cash for the goods or services. No changes to disclosure requirements were prescribed. Transition is on a modified retrospective basis, with a remeasurement at fair value as of the adoption date through a cumulative effect adjustment to opening retained earnings, applied to all equity-classified nonemployee awards where a measurement date has not been established by the adoption date and unsettled liability-classified nonemployee awards. If the cost of a nonemployee award has been included in completed assets (such as finished goods inventory or fixed assets that have begun to be depreciated), the cost basis of those assets will not be remeasured. The transition provisions eliminate the need to retrospectively determine fair values at historical grant dates. ASU No. 2018-07 is effective for fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted in an interim period for which financial statements have not been issued, with adjustments to be reflected as of the beginning of the fiscal year of adoption. The Company early adopted this standard on July 1, 2018. The adoption did not have an impact on the Company's financial statements.

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 a right of use asset and a corresponding liability for future lease obligations, and to a lesser extent, making targeted changes to lessor accounting. Under the new lease standard, only incremental initial direct costs incurred in the execution of a lease can be capitalized by both lessor and lessee. For lessors of operating leases, if collection of lease-related receivables is subsequently assessed to not be probable, lease income is reversed if lease payments collected from the lessee are less than the income recognized to date.

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, beginning of the earliest comparative period presented. Full retrospective application is prohibited. In applying the modified retrospective approach, the standard provides the option to elect a package of practical expedients that exempts an entity 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.

In July 2018, the FASB issued ASU No. 2018-11, *Targeted Improvements to Topic 842, Leases,* which provides the option of (i) applying 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) electing as practical expedient, by class of underlying asset, not to segregate lease and non-lease components in a contract but to account for it as a single component in accordance with either the new lease standard or the revenue standard depending on whether the lease or non-lease component is predominant.

In December 2018, the FASB issued ASU No. 2018-20, *Narrow Scope Improvements for Lessors,* which provides certain practical expedients for lessor accounting. ASU No. 2018-20: (i) allows lessor to make an accounting policy election to present on a net basis sales and similar taxes arising from a leasing transaction with related collections from lessee (otherwise to present on a gross basis if lessor is determined to be the primary obligor); (ii) requires net presentation of lessor costs paid directly by lessee to a third party (for example, property taxes and insurance paid directly by lessee) and gross presentation of lessor costs that are paid by the lessor and reimbursed by the lessee (for example, property taxes and insurance initially paid by lessor and reimbursed by lessee); and (iii) requires allocation of variable payments to lease and non-lease components when applicable changes in facts and circumstances occur and that the non-lease component be subject to recognition under other applicable guidance, such as the revenue standard.

The Company will adopt the new lease standard effective January 1, 2019 and will adopt the package of practical expedients as well as the transition option. As a result, the Company will apply the new lease standard prospectively to leases existing or commencing on or after January 1, 2019. Comparative periods presented will not be restated upon adoption. Similarly, new disclosures under the standard will be made for periods beginning January 1, 2019, and not for comparative periods. In addition, the Company, as lessor, will make accounting policy elections to: (i) treat the lease and non-lease components in a contract as a single performance obligation to the extent that the timing and pattern of transfer are similar for the lease and non-lease components and the lease component qualifies as an operating lease; and (ii) to present on a net basis sales and similar taxes assessed by a governmental authority imposed on specific lease revenue producing transactions.

The Company is in the process of finalizing the aggregation and evaluation of its leasing arrangements, and implementing a lease module in its accounting system to address the new accounting model for leases, including any transition adjustments. The most significant change to the Company, as lessee, will be the gross-up of the right of use asset and lease liability on the balance sheet. The lease liability is estimated to be between $55 million and $65 million for office leases and $65 million and $75 million for ground leases, discounted using estimated incremental borrowings rates ranging from 5.0% to 5.8%. The effect of the new standard to the Company, as lessor, is not expected to have a material effect on its financial condition or results of operations.

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 available-for-sale ("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, 2018. 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.

Fair Value Disclosures

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

Variable Interest Entities

In November 2018, the FASB issued ASU No. 2018-17, *Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The ASU amends the VIE guidance to align the evaluation of a decision maker's or service provider's fee in assessing a variable interest with the guidance in the primary beneficiary test. Specifically, indirect interests held by a related party that is under common control will now be considered on a proportionate basis, rather than in their entirety, when assessing whether the fee qualifies as a variable interest. The proportionate basis approach is consistent with the treatment of indirect interests held by a related party under common control when evaluating the primary beneficiary of a VIE. This effectively means that when a decision maker or service provider has an interest in a related party, regardless of whether they are under common control, it will consider that related party's interest in a VIE on a proportionate basis throughout the VIE model, for both the assessment of a variable interest and the determination of a primary beneficiary. Transition is generally on a modified retrospective basis, with the cumulative effect adjusted to retained earnings at the beginning of the earliest period presented. ASU No. 2018-17 is effective for fiscal years and interim periods beginning after December 15, 2019, with early adoption permitted in an interim period for which financial statements have not been issued. The Company is currently evaluating the impact of this new guidance but does not expect the adoption of this standard to have a material effect on its financial condition or results of operations.

3. Business Combinations

Merger with NSAM and NRF

The Company was created through the Merger of NSAM, Colony and NRF in an all-stock exchange on the Closing Date.

The Merger was accomplished through a series of transactions. On the Closing Date, NSAM merged with and into the Company 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 the Company, and the merger of Colony into the Company, with the Company surviving as the combined entity.

Upon the closing of the Merger, NSAM outstanding common stock was converted into the Company's 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 the Company 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 the Company's 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 the Company's 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 the Company's 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 the Company's 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 the Company, 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 the Company 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 the Company 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 the Company through the conversion of such equity awards into comparable equity awards of the Company 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 the Company in the post-Merger period.

The Company's 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 the Company's 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 the Company's 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 the Company's common stock.

(iii) Fair value of the Company's 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 the Company's 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 the Company 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.

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
Restricted cash	12,600
Real estate	543,649
Real estate held for sale	21,605
Lease intangibles and other assets	27,685
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 was based upon a direct capitalization analysis or a discounted cash flow analysis with weighted average capitalization rate of 6.6%. 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 the final allocation to assets acquired and liabilities assumed. The estimated fair values and allocation were subject to retrospective adjustments during the measurement period, not to exceed twelve months, based upon new information obtained about facts and circumstances that existed as of the date of acquisition. During the six months ended June 30, 2018, adjustments were made to the allocation of values among real estate held for sale, real estate held for investment, intangible assets and intangible liabilities. Included in the consolidated statement of operations for the six months ended June 30, 2018 was a $1.8 million decrease to depreciation expense and an immaterial increase to ground lease expense to reflect the effects of the measurement period adjustments as of the acquisition date on July 1, 2017.

(In thousands)		Final Amounts at June 30, 2018
Consideration		
Carrying value of the Company's junior mezzanine loan receivable at the time of foreclosure	$	310,932
Cash		43,643
Contingent consideration (Note 14)		6,771
Total consideration	$	361,346
Identifiable assets acquired and liabilities assumed		
Cash	$	16,188
Restricted cash		18,479
Real estate		1,184,447
Real estate held for sale		69,676
Intangible and other assets		26,711
Debt		(907,867)
Intangible and other liabilities		(46,288)
Fair value of net assets acquired	$	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 12.0% (weighted average rate of 8.9%) as well as discount rates between 8.0% and 13.5% (weighted average rate of 10.4%), 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 above-market and 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 Credit

The contribution of the CLNY Contributed Portfolio (as described in Note 1) to Colony Credit and the concurrent all-stock merger of Colony Credit with NorthStar I and NorthStar II closed on January 31, 2018. Colony Credit's class A common stock began trading on the NYSE on February 1, 2018.

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

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

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

Each share of Colony Credit's class B-3 common stock automatically converted into Colony 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 Credit’s Class A common stock on a one-for-one basis, in the sole discretion of Colony Credit.

In connection with the merger of NorthStar I and NorthStar II with and into Colony Credit, their respective stockholders received shares of Colony 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 I in the original principal amount of $150.2 million was not transferred to Colony 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 and subsequently distributed to NorthStar I stockholders.

As a result of the Combination, the Company's management contracts with NorthStar I and NorthStar II were terminated and the related management contract intangible assets totaling $139.0 million were written off (Note 9). Concurrent with the closing of the Combination, a wholly-owned subsidiary of the Company entered into a management agreement with Colony Credit.

Upon closing of the Combination, the Company's contribution of the CLNY Contributed Portfolio to Colony Credit, and the merger of Colony Credit with NorthStar I and NorthStar II, resulted in a deconsolidation of the CLNY Investment Entities. The following table presents the assets, liabilities and noncontrolling interests of the CLNY 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 Capital, Inc.	$	1,077,700

The Company measured its interest in Colony Credit based upon its proportionate share of Colony 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 CLNY Investment Entities upon deconsolidation of $9.9 million was recognized in other gain on the consolidated statement of operations.

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

5. Real Estate

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

The Company's real estate held for investment was as follows:

(In thousands)	December 31, 2018	December 31, 2017
Land	$ 1,950,412	$ 2,011,794
Buildings and improvements	11,895,642	12,403,794
Tenant improvements	163,397	134,709
Furniture, fixtures and equipment	389,969	383,855
Construction in progress	155,511	108,403
	14,554,931	15,042,555
Less: Accumulated depreciation	(935,917)	(578,297)
Real estate assets, net	$ 13,619,014	$ 14,464,258

Real Estate Sales

Results from sales of real estate were as follows:

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Proceeds from sales of real estate	$ 864,347	$ 1,607,806	$ 390,943
Gain on sale of real estate	167,231	137,370	73,616

Real estate sold or classified as held for sale during the years ended December 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 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 [1]			
Acquisition Date	Property Type and Location	Number of Buildings	Purchase Price [1]	Land and Improvements	Building and Improvements	Lease Intangible Assets	Lease Intangible Liabilities
Year Ended December 31, 2018							
Asset Acquisitions[2]							
September	Healthcare—United Kingdom[3]	1	$ 24,444	$ 10,506	$ 12,458	$ 1,480	$ —
November	Office and Industrial—France	220	478,844	125,949	314,661	38,234	—
Various	Industrial—Various in U.S.[4]	40	569,442	131,334	412,900	30,183	(4,975)
			$ 1,072,730	$ 267,789	$ 740,019	$ 69,897	$ (4,975)
Year Ended Ended December 31, 2017							
Asset Acquisitions							
January	Industrial—Spain	2	$ 10,374	$ 3,855	$ 5,564	$ 955	$ —
June	Office—Los Angeles, CA [5]	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)

($ in thousands)				Purchase Price Allocation (1)			
Acquisition Date	Property Type and Location	Number of Buildings	Purchase Price (1)	Land and Improvements	Building and Improvements	Lease Intangible Assets	Lease Intangible Liabilities
Year Ended Ended December 31, 2016							
Business Combinations (6)							
January	Industrial—Spain	23	$ 94,403	$ 33,265	$ 56,585	$ 5,318	$ (765)
April	Industrial—Massachusetts, U.S.	1	34,900	5,235	27,731	1,934	—
May	Office—France	1	18,203	14,150	3,815	388	(150)
Various	Industrial—Various in U.S.	18	201,635	36,974	151,689	16,063	(3,091)
Asset Acquisitions							
Various	Industrial—Various in U.S.	12	113,200	20,749	84,724	8,398	(671)
			$ 462,341	$ 110,373	$ 324,544	$ 32,101	$ (4,677)

(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 5 to 51 years for buildings, 6 to 14 years for site improvements and 4 months (based on remaining lease terms) to 10 years for both tenant improvements and lease intangibles.

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

(4) Includes acquisition of $13.1 million of land for co-development with operating partners.

(5) 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.

(6) Prior to adoption of the new definition of a business effective October 1, 2016, real estate acquisitions with existing leases generally met the definition of a business combination.

Depreciation and Impairment

Depreciation expense on real estate was $471.6 million, $453.3 million and $108.3 million for the years ended December 31, 2018, 2017 and 2016, respectively.

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

Property Operating Income

The components of property operating income were as follows:

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Rental income	$ 623,785	$ 672,292	$ 276,404
Tenant reimbursements	143,759	138,433	65,657
Resident fee income (1)	275,911	286,818	—
Hotel operating income	1,204,285	1,016,294	29,021
	$ 2,247,740	$ 2,113,837	$ 371,082

(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”) allow us, through a TRS, to have direct exposure to resident fee income and incur customary related operating expenses.

Future Minimum Rents

The Company has operating leases with tenants that expire at various dates through 2061. Future contractual minimum rental payments to be received under noncancelable operating leases for real estate held for investment as of December 31, 2018 are as follows.

Year Ending December 31,	(In thousands)
2019	$ 495,765
2020	464,229
2021	413,416
2022	372,432
2023	327,836
2024 and thereafter	1,123,879
Total [1]	$ 3,197,557

[1] Excludes hotel operating income and rents from short-term leases.

Commitments and Contractual Obligations

Purchase Commitments—At December 31, 2018, the Company had funded aggregate deposits of $6.1 million with remaining unfunded purchase commitments totaling $1.3 billion for the acquisition of 61 buildings in the industrial segment, of which four are under construction. The Company also funded a deposit of $25.1 million with remaining unfunded purchase commitment of $0.3 billion for the acquisition of a distressed hotel operator and its portfolio of six hotels in France alongside the Company's sponsored credit fund.

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 2027 and 2032. In the event of default or termination of the franchise agreements, the Company is liable for liquidated damages not to exceed $81 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 $8.2 million, $6.7 million and $0.3 million for the years ended December 31, 2018, 2017 and 2016, respectively.

At December 31, 2018, future minimum rental payments on noncancelable ground leases, excluding any contingent rent payments, on real estate held for investment were as follows.

Year Ending December 31,	(In thousands)
2019	$ 5,236
2020	5,318
2021	5,487
2022	5,877
2023	5,821
2024 and thereafter	89,276
Total	$ 117,015

6. Loans Receivable

As discussed in Note 4, upon closing of the Combination on January 31, 2018, the Company contributed its interests in the CLNY Investment Entities to Colony 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:

($ in thousands)	December 31, 2018				December 31, 2017			
	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	$ 643,973	$ 667,590	10.7%	2.2	$ 1,081,030	$ 1,082,513	9.1%	2.8
Securitized loans [1]	—	—	—%	N/A	35,566	36,603	5.9%	16.8
Mezzanine loans	357,590	354,326	12.5%	1.5	459,433	456,463	12.2%	2.3
Corporate loans	108,944	107,796	12.3%	5.8	46,840	46,592	9.9%	10.0
	1,110,507	1,129,712			1,622,869	1,622,171		
Variable rate								
Mortgage loans	178,650	179,711	4.3%	0.1	414,428	423,199	6.0%	1.7
Securitized loans [1]	—	—	—%	N/A	461,489	462,203	6.4%	3.5
Mezzanine loans	27,772	27,417	13.4%	2.5	34,391	34,279	9.8%	1.3
	206,422	207,128			910,308	919,681		
	1,316,929	1,336,840			2,533,177	2,541,852		
PCI Loans								
Mortgage loans	1,324,287	351,646			1,865,423	682,125		
Securitized loans	—				23,298	3,400		
Mezzanine loans	7,425	3,671			7,425	3,671		
	1,331,712	355,317			1,896,146	689,196		
Allowance for loan losses		(32,940)				(52,709)		
	2,648,641	1,659,217			4,429,323	3,178,339		
Loans at fair value								
Securitized loans [2]	—	—			72,511	45,423		
Total loans receivable	$ 2,648,641	$ 1,659,217			$ 4,501,834	$ 3,223,762		

(1) Represents loans held in securitization trusts consolidated by the Company (Note 15). The Company contributed its interests in three securitization trusts to Colony Credit in January 2018 and sold its interests in a remaining securitization trust to a third party in June 2018, resulting in the deconsolidation of these securitization trusts along with their underlying mortgage loans and bonds payable.

(2) Represents loans held by a securitization trust that was consolidated by a N-Star CDO. The N-Star CDO was in turn consolidated by the Company at December 31, 2017. The Company had 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). In May 2018, the Company sold its interests in the N-Star CDO and deconsolidated the N-Star CDO (Note 8) along with the securitization trust consolidated by the N-Star CDO.

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
December 31, 2018	$ 1,052,303	$ —	$ 44,392	$ 240,145	$ 1,336,840
December 31, 2017	2,268,599	145,986	9,410	117,857	2,541,852

Troubled Debt Restructuring

During the year ended December 31, 2016, there was one loan with a carrying value of $37.6 million before allowance for loan loss that was modified as a TDR, in which the Company provided the borrower, who was experiencing financial difficulties, with concessions in interest rate and payment terms. During the years ended December 31, 2018, 2017 and 2016, there were no loans modified as TDRs.

At December 31, 2018 and 2017, carrying value of existing TDR loans before allowance for loan losses was $37.8 million and $66.4 million, respectively. At December 31, 2018, the one outstanding TDR loan was in maturity default, for which the Company recorded an allowance for loan loss. The Company has no additional lending commitment on this TDR loan.

Non-PCI Impaired Loans

Non-PCI loans, excluding loans carried at fair value, are identified as impaired when it is no longer probable that interest or principal will be collected according to the contractual terms of the original loan agreement. Non-PCI impaired loans include predominantly loans under nonaccrual, performing and nonperforming TDRs, as well as loans in maturity default.

The following table summarizes non-PCI impaired loans:

		Gross Carrying Value			
(In thousands)	**Unpaid Principal Balance**	**With Allowance for Loan Losses**	**Without Allowance for Loan Losses**	**Total**	**Allowance for Loan Losses**
December 31, 2018	$ 280,337	$ 75,179	$ 206,628	$ 281,807	$ 18,304
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.

	Year Ended December 31,		
(In thousands)	**2018**	**2017**	**2016**
Average carrying value before allowance for loan losses	$ 282,325	$ 202,397	$ 90,447
Total interest income recognized during the period impaired	7,127	10,192	3,929
Cash basis interest income recognized	1,190	—	—

Purchased Credit-Impaired Loans

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

There were no PCI loans acquired in the year ended December 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:

(In thousands)	Year Ended December 31, 2018	2017	2016
Beginning accretable yield	$ 42,435	$ 52,572	$ 66,639
Additions	—	23,594	22,493
Dispositions	(5,484)	—	—
Changes in accretable yield	1,882	25,720	31,171
Accretion recognized in earnings	(27,911)	(61,809)	(65,911)
Deconsolidation	(991)	—	—
Effect of changes in foreign exchange rates	(311)	2,358	(1,820)
Ending accretable yield	$ 9,620	$ 42,435	$ 52,572

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 $175.6 million at December 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

The allowance for loan losses and related carrying values of loans held for investment, excluding loans carried at fair value, were as follows:

(In thousands)	December 31, 2018		December 31, 2017	
	Allowance for Loan Losses	Carrying Value	Allowance for Loan Losses	Carrying Value
Non-PCI loans	$ 18,304	$ 75,179	$ 7,424	$ 138,136
PCI loans	14,636	54,440	45,285	169,789
	$ 32,940	$ 129,619	$ 52,709	$ 307,925

Changes in allowance for loan losses is presented below:

(In thousands)	Year Ended December 31, 2018	2017	2016
Allowance for loan losses at January 1	$ 52,709	$ 67,980	$ 37,571
Contribution to Colony Credit (Note 4)	(518)	—	—
Deconsolidation	(5,983)	—	—
Provision for loan losses, net	43,034	19,741	34,864
Charge-off	(56,302)	(35,012)	(4,455)
Allowance for loan losses at December 31	$ 32,940	$ 52,709	$ 67,980

Provision for loan losses by loan type is as follows:

(In thousands)	Year Ended December 31, 2018	2017	2016
Non-PCI loans	$ 22,557	$ 7,534	$ 5,815
PCI loans [(1)]	20,477	12,207	29,190
Total provision for loan losses, net	$ 43,034	$ 19,741	$ 35,005

(1) Net of recoveries in provision for loan losses on PCI loans of $4.1 million and $6.3 million for the year ended December 31, 2018 and 2017, respectively. There were no recoveries in provision for loan losses on PCI loans for the year ended December 31, 2016.

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 December 31, 2018, total unfunded lending commitments was $180.9 million, of which the Company's share was $77.8 million, net of amounts attributable to noncontrolling interests.

7. Equity Investments

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

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

(In thousands)	December 31, 2018	December 31, 2017
Equity method investments		
Investment ventures	$ 2,151,847	$ 1,297,180
Private funds	138,248	229,874
	2,290,095	1,527,054
Other equity investments		
Marketable equity securities of consolidated funds	26,754	35,600
Investment ventures	95,196	89,261
Private funds and retail companies	34,291	38,924
	$ 2,446,336	$ 1,690,839

Equity Method Investments

The Company owns significant interests in Colony 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 the fair value option to account for its interests in certain investment ventures and limited partnership interests in third party private equity 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 either the Company or the other investors for the obligations of these investment entities. Neither the Company nor the other investors are required to provide financial or other support in excess of their capital commitments. The Company’s exposure to the investment entities is limited to its equity method investment balance.

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

($ in thousands) Investments	Description		Ownership Interest at December 31, 2018 (1)	Carrying Value at December 31, 2018	Carrying Value at December 31, 2017
Colony Credit Real Estate, Inc.	Common equity in publicly traded commercial real estate credit REIT managed by the Company and membership units in its operating subsidiary	(2)	36.6%	$ 1,037,754	$ —
NorthStar Realty Europe Corp	Common equity in publicly traded equity REIT managed by the Company	(2)	11.2%	87,696	73,578
RXR Realty	Common equity in investment venture with a real estate investor, developer and investment manager		27.2%	95,418	105,082
Preferred equity	Preferred equity investments with underlying real estate	(3)	NA	219,913	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	481,477	331,268
Private funds	General partner and/or limited partner interests in private funds (excluding carried interest allocation)		Various	110,610	25,101
Private funds—carried interest	Disproportionate allocation of returns to the Company as general partner or equivalent based on the extent to which cumulative performance of the fund exceeds minimum return hurdles		Various	21,730	—
Other investment ventures	Interests in 18 investments, each with no more than $66 million carrying value at December 31, 2018		Various	154,412	187,420
Fair value option	Interests in initial stage or real estate development ventures and limited partnership interests in private equity funds		Various	81,085	363,901
				$ 2,290,095	$ 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) These entities are governed by their respective boards of directors. The Company's role as manager is under the supervision and direction of such entity's board of directors, which includes representatives from the Company but the majority of whom are independent directors. 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 without a stated ownership interest in other ADC investments.

Significant Sale of Investments—In 2017, the Company had an investment in the single family residential business through its equity method investee, Starwood Waypoint Homes (formerly, Colony Starwood Homes). The Company monetized its investment through a sale of all of its shares in Starwood Waypoint Homes in March 2017 and June 2017 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.

Impairment—The Company evaluated its equity method investments for OTTI and determined that certain equity method investments were other-than-temporarily impaired and recorded aggregate impairment in equity method earnings of $61.2 million and $6.8 million for the years ended December 31, 2018 and 2017, respectively. In making these assessments, the Company considered a variety of factors and assumptions specific to each investment, including: offer prices on the Company's investment; expected payoffs from sales of the underlying business of the investee; estimated fair values or sale proceeds of the underlying real estate held by the investee; estimated enterprise value of the investee; or discounted cash flows from the investment.

As discussed in Note 4, the Company had measured its interest in Colony Credit based upon its proportionate share of Colony Credit's fair value at the closing date of the Combination. Colony Credit’s class A common stock had traded between $15.56 and $23.23 per share in 2018, and closed at $15.79 per share on December 31, 2018. At December 31, 2018, the carrying value of the Company's investment in Colony Credit was $21.65 per share. As of December 31, 2018, the Company determined that its investment in Colony Credit was not other-than-temporarily impaired as the Company believes that the carrying value of its investment in Colony Credit is recoverable in the near term. If Colony Credit's common stock continues to trade below the Company's carrying value for a prolonged period of time, an other-than-temporary impairment may be recognized in the future.

Combined Financial Information of Equity Method Investees

The following tables present selected combined financial information of the Company's equity method investees:

Selected Combined Balance Sheet Information

(In thousands)	December 31, 2018	December 31, 2017
Total assets	$ 15,499,159	$ 9,537,068
Total liabilities	9,803,705	5,357,936
Owners' equity	5,511,548	3,662,764
Noncontrolling interests	183,906	516,368

Selected Combined Statements of Operations Information

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Total revenues	$ 1,486,511	$ 1,519,728	$ 819,726
Net income (loss)	220,191	174,222	(32,493)
Net income (loss) attributable to noncontrolling interests	23,878	(18,381)	(3,494)
Net income (loss) attributable to owners	196,313	192,603	(28,999)

Other Equity Investments

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

Marketable Equity Securities—These are publicly traded equity securities held by a consolidated investment company and a consolidated private 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.

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

Retail Companies—At December 31, 2018, the Company has an interest in its sponsored non-traded REIT, NorthStar Healthcare Income, Inc. ("NorthStar Healthcare") and an investment in a third party managed open-end mutual fund for which the Company applies the NAV practical expedient (see Note 14). Another sponsored non-traded REIT, NorthStar/RXR New York Metro Real Estate, Inc. ("NorthStar/RXR NY Metro") terminated its offering period effective March 31, 2018 and was subsequently liquidated in October 2018, whereby the Company, together with its co-sponsor, RXR Realty LLC, had their shares redeemed for $0.01 per share, effectively forfeiting their investments. As a result, the Company wrote off its $1.5 million equity investment in NorthStar/RXR NY Metro in the third quarter of 2018.

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 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 December 31, 2018, the Company’s share of these commitments was $47.8 million.

Private Funds—At December 31, 2018, the Company has unfunded commitments of $288.3 million to funds sponsored or co-sponsored by the Company that are accounted for as equity method investments.

8. Debt Securities

The following table summarizes the Company's investment in debt securities.

(in thousands)	Amortized Cost	Gross Cumulative Unrealized Gains	Gross Cumulative Unrealized Losses	Fair Value
December 31, 2018				
Available-for-sale debt securities:				
N-Star CDO bonds	$ 67,513	$ 1,565	$ (4,951)	$ 64,127
CMBS of consolidated fund				32,706
				$ 96,833
December 31, 2017				
Available-for-sale debt securities:				
CRE securities of consolidated N-Star CDOs [(2)]:				
CMBS	$ 144,476	$ 3,999	$ (530)	$ 147,945
Other securities [(3)]	61,302	5,994	(313)	66,983
N-Star CDO bonds	88,374	2,778	(219)	90,933
CMBS and other securities [(1)]	13,829	3,739	(186)	17,382
	307,981	16,510	(1,248)	323,243
CMBS of consolidated fund				25,099
				$ 348,342

(1) Other securities include a trust preferred security and certain investments in other third party CDO bonds.
(2) Carrying value of CDO bonds in consolidated N-Star CDOs was $215.5 million at December 31, 2017.
(3) Represents primarily agency debentures, and to a lesser extent, unsecured REIT debt and trust preferred securities.

N-Star CDOs and N-Star CDO Bonds—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 were 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 December 31, 2018, the Company no longer has any consolidated CDOs as the remaining assets of one CDO was liquidated, and the Company sold all of its interest in another CDO which resulted in the deconsolidation of that CDO. A gain of $10.9 million was recorded upon deconsolidation, included in other gain on the consolidated statement of operations.

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 of the legacy NRF sponsored 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 debt securities are predominantly commercial mortgage-backed securities (“CMBS”), including investments in mezzanine positions.

At December 31, 2018, the contractual maturities of CRE securities ranged from 8 to 43 years. The expected maturity, on a weighted average basis, was 5 years.

CMBS of Consolidated Fund—These are CMBS held by a consolidated investment company, that are accounted for at fair value through earnings.

Disposition of Debt Securities

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

(In thousands)	Year Ended December 31, 2018	2017
Available-for-sale debt securities:		
Proceeds from sale	$ 78,197	$ 30,279
Gross realized gain	11,304	951
Gross realized (loss)	(592)	—

Impairment of AFS Debt Securities

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

	December 31, 2018		December 31, 2017	
	Less Than 12 Months		Less Than 12 Months	
(In thousands)	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
CRE securities of consolidated N-Star CDOs:				
CMBS	$ —	$ —	$ 2,229	$ (530)
Other securities	—	—	8,218	(313)
N-Star CDO bonds	54,459	(4,951)	13,392	(219)
CMBS and other securities	—	—	12,956	(186)
	$ 54,459	$ (4,951)	$ 36,795	$ (1,248)

At December 31, 2018 and 2017, there were no AFS debt securities in an unrealized loss position for more than 12 months.

The Company recorded $8.2 million and $33.0 million of OTTI loss in other gain (loss) for the year ended December 31, 2018 and 2017, respectively. The OTTI loss was due to an adverse change in expected cash flows on N-Star CDO bonds as well as CMBS held by consolidated N-Star CDOs (such N-Star CDOs were deconsolidated in the second quarter of 2018) as the Company believed that it was not likely that it would recover the amortized cost on those securities prior to selling them.

At December 31, 2018, the Company believes that the remaining AFS securities with unrealized loss in accumulated other comprehensive income were not other than temporarily impaired as it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases. At December 31, 2017, there were no AFS securities with unrealized loss in accumulated other comprehensive income that have not otherwise 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)	December 31, 2018	December 31, 2017
Outstanding principal	$ 213,929	$ 411,174
Amortized cost	2,757	26,761
Carrying value	3,619	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 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 following table presents changes in accretable yield related to these PCI debt securities.

	Year Ended December 31,	
(In thousands)	2018	2017
Beginning accretable yield	$ 44,610	$ —
Assumed through the Merger	—	70,283
Accretion recognized in earnings	(3,489)	(12,461)
Reduction due to payoffs, disposals or deconsolidation	(17,081)	(8,963)
Net reclassifications to nonaccretable difference [1]	(24,040)	(4,249)
Ending accretable yield	$ —	$ 44,610

[1] Includes reclassifications to nonaccretable difference for PCI securities for which cash flows can no longer be reasonably estimated.

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 reportable segment.

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Beginning balance	$ 1,534,561	$ 680,127	$ 678,267
Business combinations [1]	—	1,440,229	1,860
Transfer to held for sale [2]	—	(20,000)	—
Disposition [3]	—	(249,795)	—
Impairment	—	(316,000)	—
Ending balance [4]	$ 1,534,561	$ 1,534,561	$ 680,127

[1] Includes the effects of measurement period adjustments within a one year period following the consummation of a business combination.

[2] Represents goodwill assigned to the broker-dealer reporting unit that was acquired as part of the Merger and classified as held for sale in 2017 (Note 10). The broker-dealer business was contributed to the Colony S2K joint venture, an equity method investee, in April 2018.

[3] Represents goodwill assigned to the Townsend investment management reporting unit that was acquired as part of the Merger, subsequently transferred to held for sale and sold on December 29, 2017.

[4] Total goodwill amount is not deductible for income tax purposes.

(In thousands)	December 31, 2018	December 31, 2017
Balance by reportable 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.

Industrial

For all years presented, the Company performed qualitative assessments and determined that goodwill in the industrial segment was not impaired.

Investment Management

For its annual evaluation of goodwill for impairment, the Company performed a quantitative assessment in 2018 and 2017 and a qualitative assessment in 2016.

2018—In 2018, the Company determined that the carrying value of its investment management reporting unit, including goodwill, was not in excess of its estimated fair value and concluded that the investment management goodwill was not impaired.

2017—The Company's quantitative assessment in 2017 indicated that the carrying value of the investment management reporting unit, including its assigned goodwill, exceeded its estimated fair value. As a result of this assessment, the Company recognized an impairment to the investment management goodwill of $316.0 million in 2017.

In determining the carrying value of the investment management reporting unit for goodwill impairment testing in 2017, the Company used the net book value of its investment management subsidiary at October 1, 2017, adjusted to (i) exclude the Townsend and broker-dealer businesses; (ii) account for measurement period adjustments in the fourth quarter of 2017; and (iii) account for impairments recorded on management contract intangible assets in the fourth quarter of 2017 as well as expected write-off of the management contract intangible assets for NorthStar I and NorthStar II as a result of the Combination in 2018.

The fair value of the investment management reporting unit in 2017 was estimated using the income approach. Projections of discounted cash flows were based on various factors, including, but not limited to, assumptions around forecasted capital raising for existing and future investment vehicles, fee related earnings multiples, incentive fee multiples, operating profit margins and discount rates, adjusted for certain risk characteristics such as the predictability of fee streams and the estimated life of managed investment vehicles. The Company applied terminal year residual multiples on fee related earnings ranging from 6.5x to 20x, incentive fee multiples ranging from 3x to 5x and discount rates ranging from 9% to 25%. The Company considered a range of fee related earnings multiples, incentive fee multiples and discount rates for a peer group of alternative asset managers as indicators to assess for reasonableness, noting that direct comparison generally cannot be drawn due to differences that exist between the Company's business and those of other asset managers. The Company also considered the hypothetical value of its investment management business in a spin-off that would result in the Company becoming externally managed, and assigned a value to internally managing the Company's balance sheet assets based on market terms of management contracts of externally-managed REITs that otherwise engage in similar real estate operations. As a final step, the Company assessed the reasonableness of the valuation as a whole by comparing the aggregate fair value of its reporting units to its market capitalization, and considered in its assessment the impact of short-term market volatility and other market factors that may not directly affect the value of the Company's individual reporting units.

Due to the inherently judgmental nature of the various projections and assumptions used as well as the unpredictability of economic or market conditions, actual results may differ from estimates, and negative changes to these variables may result in further decline in the fair value of the investment management reporting unit, which would result in further impairment charge to goodwill in the future.

2016—The Company's qualitative assessment in 2016 indicated that the investment management goodwill was not impaired.

Deferred Leasing Costs, Other Intangible Assets and Intangible Liabilities

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

	December 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	$ 267,221	$ (112,673)	$ 154,548	$ 243,037	$ (98,021)	$ 145,016
Above-market lease values	129,079	(43,412)	85,667	166,571	(34,968)	131,603
Below-market ground lease obligations	16,258	(984)	15,274	29,625	(316)	29,309
Deferred leasing costs	111,486	(46,666)	64,820	121,765	(38,389)	83,376
Lease incentives	14,576	(1,381)	13,195	14,565	(298)	14,267
Trade name [2]	15,500	—	15,500	79,700	(3,131)	76,569
Investment management contracts	194,698	(92,618)	102,080	342,127	(70,394)	271,733
Customer relationships	49,291	(15,027)	34,264	59,400	(10,421)	48,979
Other [3]	59,157	(4,241)	54,916	54,061	(2,041)	52,020
Total deferred leasing costs and intangible assets	$ 857,266	$ (317,002)	$ 540,264	$ 1,110,851	$ (257,979)	$ 852,872
Intangible Liabilities						
Below-market lease values	$ 204,066	$ (59,180)	$ 144,886	$ 214,833	$ (36,426)	$ 178,407
Above-market ground lease obligations	16,080	(1,580)	14,500	13,417	(715)	12,702
Total intangible liabilities	$ 220,146	$ (60,760)	$ 159,386	$ 228,250	$ (37,141)	$ 191,109

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(1) For intangible assets and intangible liabilities recognized in connection with business combinations, purchase price allocations may be subject to adjustments during the measurement period, not to exceed twelve months from date of acquisition, based upon new information obtained about facts and circumstances that existed at time of acquisition. Amounts are presented net of impairments and write-offs, including contracts written off in connection with the Combination (Notes 4 and 14).

(2) The Colony trade name is determined to have an indefinite useful life and not currently subject to amortization. The NorthStar trade name, prior to its write-off in June 2018, was amortized over an estimated useful life of 20 years.

(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 subject to amortization over the term of the respective agreements.

Impairment

Investment Management Contracts—In 2018, $147.4 million of impairment was recorded on investment management contract intangibles related to non-traded REITs. This consisted of $139.0 million write-off of the NorthStar I and NorthStar II management contract intangibles as the contracts were terminated upon closing of the Combination, $1.4 million write off of the NorthStar/RXR NY Metro management contract intangible in consideration of the termination of its offering period (see Note 7), and $7.0 million impairment on the NorthStar Healthcare management contract intangible resulting from a decrease in expected fees, with fair value estimated based upon future net cash flows, discounted at 10%.

In the fourth quarter of 2017, impairment of $59.1 million was recorded on investment management contract intangibles of non-traded REITs, including $55.3 million on NorthStar Healthcare following an amendment to its advisory agreement and $3.7 million on NorthStar/RXR NY Metro based on revised capital raising projections. Fair value of these management contract intangibles were estimated based upon an analysis of future net cash flows, discounted at 9%.

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

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

Amortization of Intangible Assets and Liabilities

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

(In thousands)	Year Ended December 31, 2018	2017	2016
Above-market lease values	$ (29,444)	$ (25,235)	$ (8,658)
Below-market lease values	35,919	40,079	7,089
Lease incentives	(1,085)	(218)	—
Net increase (decrease) to rental income	$ 5,390	$ 14,626	$ (1,569)
Above-market ground lease obligations	$ (925)	$ (752)	$ 482
Below-market ground lease obligations	669	854	(6)
Net increase (decrease) to ground rent expense	$ (256)	$ 102	$ 476
In-place lease values	$ 45,718	$ 74,560	$ 30,193
Deferred leasing costs	17,749	19,046	13,777
Trade name	1,606	3,682	—
Investment management contracts	22,386	38,640	11,446
Customer relationships	4,606	12,514	3,343
Other	2,291	10,215	—
Amortization expense	$ 94,356	$ 158,657	$ 58,759

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

(In thousands)	Year Ending December 31, 2019	2020	2021	2022	2023	2024 and Thereafter	Total
Net increase (decrease) to rental income	$ 10,761	$ 9,553	$ 9,769	$ 8,811	$ 9,003	$ (1,873)	$ 46,024
Net increase (decrease) to rent expense	(226)	(224)	(219)	(216)	(224)	1,883	774
Amortization expense	133,063	56,409	44,376	36,186	31,563	79,913	381,510

10. Assets and Related Liabilities Held for Sale

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

(In thousands)	December 31, 2018	December 31, 2017
Assets		
Restricted cash	$ 4,060	$ 1,020
Real estate, net	852,402	720,686
Goodwill [(1)]	—	20,000
Intangible assets, net	41,590	37,337
Other assets	43,206	2,587
Total assets held for sale	$ 941,258	$ 781,630
Liabilities		
Secured debt, net [(2)]	$ —	$ 196,905
Lease intangibles and other liabilities, net	68,217	76,393
Total liabilities related to assets held for sale	$ 68,217	$ 273,298

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(1) Goodwill is associated with the broker-dealer business that was held for sale at December 31, 2017. The broker-dealer business was contributed to the Colony S2K joint venture, an equity method investee, in April 2018.

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

Other than properties acquired through business combinations that qualified as held for sale upon acquisition as discussed in Note 18, no assets and liabilities held for sale constituted discontinued operations.

11. Restricted Cash, Other Assets and Other Liabilities

Restricted Cash

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

(In thousands)	December 31, 2018	December 31, 2017
Capital expenditures reserves [1]	$ 215,366	$ 249,612
Real estate escrow reserves [2]	51,352	42,420
Borrower escrow deposits	10,412	41,545
Working capital and other reserves [3]	19,586	23,043
Tenant lock boxes [4]	15,666	16,486
Restricted cash of consolidated N-Star CDOs [5]	—	13,656
Other	54,376	84,316
Total restricted cash	$ 366,758	$ 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) Balance at December 31, 2017 represents proceeds from repayments and/or sales of debt securities which are pending distribution in consolidated N-Star CDOs. The Company sold all of its interest in the sponsored N-Star CDOs in May 2018 and deconsolidated the N-Star CDOs.

Other Assets

The following table summarizes the Company's other assets:

(In thousands)	December 31, 2018	December 31, 2017
Interest receivable	$ 14,005	$ 21,529
Straight-line rents	61,196	45,598
Hotel-related reserves [1]	21,636	29,208
Investment deposits and pending deal costs	34,179	1,706
Deferred financing costs, net [2]	7,870	10,068
Contingent consideration escrow account [3]	—	15,730
Derivative assets (Note 13)	33,558	10,152
Prepaid taxes and deferred tax assets, net	71,656	79,063
Receivables from resolution of investments [4]	30,770	15,215
Contributions receivable [5]	55,252	25,501
Accounts receivable [6]	67,005	87,744
Prepaid expenses	26,991	29,526
Other assets	31,267	20,296
Fixed assets, net	47,932	53,632
Total other assets	$ 503,317	$ 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 final measurement of the contingent consideration at the end of its earnout period on June 30, 2018, the final amount of dividends on class A common stock and OP Units payable to the executives was determined to be $6.4 million, which was settled in August 2018, and the remaining escrow balance was released back to the Company.

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

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

(6) Includes receivables for hotel operating income, resident fees, rent and other tenant receivables.

Accrued and Other Liabilities

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

(In thousands)	December 31, 2018	December 31, 2017
Tenant security deposits and payable	$ 29,070	$ 27,560
Borrower escrow deposits	13,001	46,231
Deferred income (1)	40,156	42,457
Interest payable	40,648	42,462
Derivative liabilities (Note 13)	132,808	204,848
Contingent consideration—THL Hotel Portfolio (Note 3)	8,903	7,419
Share repurchase payable (2)	7,567	—
Current and deferred income tax liability	93,174	166,276
Accrued compensation	81,911	77,483
Accrued carried interest and contractual incentive fee compensation	12,182	—
Accrued real estate and other taxes	64,440	77,060
Other accrued expenses	89,745	107,508
Accounts payable and other liabilities	94,316	98,857
Total accrued and other liabilities	$ 707,921	$ 898,161

(1) Represents primarily prepaid rental income and interest income held in reserve accounts. Includes deferred asset management fee income of $3.2 million at December 31, 2018 and $2.7 million at December 31, 2017, which will be recognized as fee income on a straight-line 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 year ended December 31, 2018, $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 transacted in December 2018 and settled in January 2019.

12. Debt

As discussed in Note 4, upon closing of the Combination on January 31, 2018, the Company contributed its interests in the CLNY Investment Entities to Colony 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 (3)	Junior Subordinated Notes	Total Debt
December 31, 2018						
Debt at amortized cost						
Principal	$ —	$ 616,105	$ 9,352,902	$ —	$ 280,117	$ 10,249,124
Premium (discount), net	—	2,697	(41,217)	—	(81,031)	(119,551)
Deferred financing costs	—	(6,652)	(82,964)	—	—	(89,616)
	$ —	$ 612,150	$ 9,228,721	$ —	$ 199,086	$ 10,039,957
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	—	3,131	(78,634)	(87,319)	(83,064)	(245,886)
Deferred financing costs	—	(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 (4)	—	—	—	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 are included in other assets.

(2) Debt principal totaling $425.9 million at December 31, 2018 and $216.6 million at December 31, 2017 was 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 bonds payable issued by securitization trusts consolidated by the Company at December 31, 2017 (Note 15). Senior notes issued by these securitization trusts were generally sold to third parties and subordinated notes retained by the Company. The Company contributed its interests in three securitization trusts to Colony Credit upon closing of the Combination in the first quarter of 2018. In the second quarter of 2018, the Company sold its equity interests in two securitization trusts to third parties, resulting in a deconsolidation of these securitization trusts, while the underlying assets of the remaining securitization trust was liquidated. At December 31, 2018, the Company no longer has any consolidated securitization trusts.

(4) Debt at fair value at December 31, 2017 represents a securitization trust that was consolidated by a N-Star CDO and the N-Star CDO was in turn consolidated by the Company. The Company had elected the fair value option to value the bonds payable issued by the consolidated securitization trust (Note 14). In May 2018, the Company sold its interests in the N-Star CDO and deconsolidated the N-Star CDO (Note 8).

The following table summarizes certain information about the different components of debt carried at amortized cost. Weighted average years remaining to maturity is based on initial maturity dates or extended maturity dates to the extent criteria are met and the extension option is at the borrower's discretion.

	Fixed Rate			Variable Rate			Total		
($ in thousands)	Outstanding Principal	Weighted Average Interest Rate (Per Annum)	Weighted Average Years Remaining to Maturity	Outstanding Principal	Weighted Average Interest Rate (Per Annum)	Weighted Average Years Remaining to Maturity	Outstanding Principal	Weighted Average Interest Rate (Per Annum)	Weighted Average Years Remaining to Maturity
December 31, 2018									
Recourse									
Corporate credit facility	$ —	N/A	N/A	$ —	N/A	2.0	$ —	N/A	2.0
Convertible and exchangeable senior notes	616,105	4.27%	3.0	—	N/A	N/A	616,105	4.27%	3.0
Junior subordinated debt	—	N/A	N/A	280,117	5.66%	17.4	280,117	5.66%	17.4
Secured debt (1)	37,199	5.02%	6.9	—	N/A	N/A	37,199	5.02%	6.9
	653,304			280,117			933,421		
Non-recourse									
Secured debt (2)									
Healthcare (3)	2,130,999	4.62%	1.9	1,109,681	6.64%	2.7	3,240,680	5.31%	2.2
Industrial	1,071,721	3.83%	10.6	5,474	5.27%	4.2	1,077,195	3.84%	10.6
Hospitality	12,019	12.99%	2.6	2,636,053	5.68%	3.8	2,648,072	5.71%	3.8
Other Real Estate Equity	200,814	4.02%	3.8	1,789,431	4.43%	3.6	1,990,245	4.39%	3.7
Real Estate Debt	—	N/A	N/A	359,511	4.50%	2.4	359,511	4.50%	2.4
	3,415,553			5,900,150			9,315,703		
	$ 4,068,857			$ 6,180,267			$ 10,249,124		
December 31, 2017									
Recourse									
Corporate credit facility	$ —	N/A	N/A	$ 50,000	3.51%	3.0	$ 50,000	3.51%	3.0
Convertible and exchangeable senior notes	616,105	4.27%	4.0	—	N/A	N/A	616,105	4.27%	4.0
Junior subordinated debt	—	N/A	N/A	280,117	4.56%	18.4	280,117	4.56%	18.4
Secured debt (1)	39,219	5.02%	7.9	—	N/A	N/A	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%	3.0	3,288,256	5.03%	3.0
Industrial	1,014,229	3.50%	11.4	—	N/A	N/A	1,014,229	3.50%	11.4
Hospitality	9,038	11.00%	3.6	2,599,681	4.67%	3.7	2,608,719	4.69%	3.7
Other Real Estate Equity	374,789	4.07%	5.5	1,841,209	4.02%	4.4	2,215,998	4.03%	4.6
Real Estate Debt	—	N/A	N/A	625,748	4.05%	3.3	625,748	4.05%	3.3
	3,597,124			6,547,057			10,144,181		
	$ 4,252,448			$ 6,877,174			$ 11,129,622		

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

(2) Mortgage debt in the healthcare segment and other real estate equity segment with an aggregate outstanding principal of $538.5 million at December 31, 2018 and $384.5 million at December 31, 2017 was either in payment default or was not in compliance with certain debt and/or lease covenants. The Company is negotiating with the lenders and the tenants to restructure the debt and leases, as applicable, or otherwise refinance the debt.

(3) In November 2018, the Company applied proceeds from the refinancing of a select portfolio of medical office buildings to repay in full a $100.5 million floating rate component of a $1.8 billion non-recourse mortgage debt on certain properties in the U.S. healthcare portfolio. The remaining $1.7 billion fixed rate component of the debt is scheduled to mature in December 2019. The Company is currently evaluating its options in connection with the scheduled debt maturity. In the fourth quarter of 2018, the Company impaired the real estate collateralizing the debt by $109.1 million based on a reassessment of the expected hold period, taking into consideration the upcoming debt maturity (see Note 14). In pursuing the options available to the Company in connection with the scheduled debt maturity, the Company will continue to re-evaluate certain assumptions, including with respect to the holding period of the real estate collateralizing the debt, which could result in further impairment of the underlying real estate in a future period. At December 31, 2018, carrying value of the real estate collateralizing the remaining debt maturing in December 2019 was $2.5 billion.

Corporate Credit Facility

On January 10, 2017, the OP entered into an amended and restated credit agreement (the "Credit Agreement") with several lenders and JPMorgan Chase Bank, N.A. as administrative agent, and Bank of America, N.A. as syndication agent. The Credit Agreement 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 Credit Agreement). At December 31, 2018, the borrowing base was sufficient to permit borrowings up to the full $1.0 billion commitment.

Advances under the Credit Agreement accrue interest at a per annum rate equal to the sum of one-month London Inter-bank Offered Rate ("LIBOR") plus 2.25% or a base rate determined according to a prime rate or federal funds rate plus a margin of 1.25%. The Company pays a commitment fee of 0.25% or 0.35% per annum of the unused amount (0.35% at December 31, 2018), depending upon the amount of facility utilization.

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

The Credit Agreement contains various affirmative and negative covenants, including financial covenants that require the Company to maintain minimum tangible net worth, liquidity levels and financial ratios, as defined in the Credit Agreement. At December 31, 2018, the Company was in compliance with all of the financial covenants.

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

Convertible and Exchangeable Senior Notes

Convertible senior notes and exchangeable senior notes (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:

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	Outstanding Principal December 31, 2018	Outstanding Principal 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	1,130	June 15, 2023	13,605	13,605
								$ 616,105	$ 616,105

(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.

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.

Future Minimum Principal Payments

The following table summarizes future scheduled minimum principal payments of debt at December 31, 2018, based on initial maturity dates or extended maturity dates to the extent criteria are met and the extension option is at the borrower’s discretion. Financing on certain loan portfolios are based on the Company's expectation of cash flows from underlying loan collateral as principal repayments on the loan financing depend upon net cash flows from collateral assets and ratio of outstanding principal to collateral.

(In thousands) Year Ending December 31,	Corporate Credit Facility	Convertible and Exchangeable Senior Notes	Secured Debt	Junior Subordinated Notes	Total
2019	$ —	$ —	$ 2,468,980	$ —	$ 2,468,980
2020	—	—	626,552	—	626,552
2021	—	402,500	945,987	—	1,348,487
2022	—	—	2,826,948	—	2,826,948
2023	—	200,000	192,667	—	392,667
2024 and thereafter	—	13,605	2,291,768	280,117	2,585,490
Total	$ —	$ 616,105	$ 9,352,902	$ 280,117	$ 10,249,124

Interest Incurred

Total interest incurred on the Company's debt, including interest capitalized on real estate under development or construction beginning in 2018, was as follows:

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Interest expensed	$ 595,551	$ 574,822	$ 170,083
Interest capitalized	5,554	—	—
Total interest incurred	$ 601,105	$ 574,822	$ 170,083

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:

	December 31, 2018			December 31, 2017		
(In thousands)	Designated Hedges	Non-Designated Hedges	Total	Designated Hedges	Non-Designated Hedges	Total
Derivative Assets						
Foreign exchange contracts	$ 31,127	$ 1,069	$ 32,196	$ 8,009	$ 975	$ 8,984
Interest rate contracts	862	500	1,362	—	1,168	1,168
Included in other assets	$ 31,989	$ 1,569	$ 33,558	$ 8,009	$ 2,143	$ 10,152
Derivative Liabilities						
Foreign exchange contracts	$ 6,193	$ 211	$ 6,404	$ 39,101	$ 5,307	$ 44,408
Interest rate contracts	—	126,404	126,404	—	160,440	160,440
Included in accrued and other liabilities	$ 6,193	$ 126,615	$ 132,808	$ 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 $0.8 million and $1.9 million of cash collateral on deposit as of December 31, 2018 and 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 December 31, 2018, along with certain key terms:

Hedged Currency	Instrument Type	Notional Amount (in thousands) Designated		Non-Designated		FX Rates ($ per unit of foreign currency)	Range of Expiration Dates
EUR	FX Collar	€	84,549	€	114	Min $1.06/ Max $1.53	October 2019 to November 2020
GBP	FX Collar	£	39,881	£	2,309	Min $1.45 / Max $1.82	June 2019 to December 2019
EUR	FX Forward	€	431,874	€	14,944	Min $1.10 / Max $1.38	January 2019 to December 2023
GBP	FX Forward	£	88,313	£	26,257	Min $1.24 / Max $1.29	May 2019 to December 2020

Designated Net Investment Hedges

The Company's foreign denominated net investments in subsidiaries or joint ventures were €614.0 million and £235.7 million, or a total of $1.0 billion at December 31, 2018, and €499.2 million, £250.6 million and NOK771.2 million, or a total of $1.1 billion 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.

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

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

(In thousands)	Year Ended December 31, 2018		2017		2016
Designated net investment hedges:					
Realized gain (loss) transferred from AOCI to earnings	$	7,426	$	(3,931)	62

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. Any unrealized gain or loss on the dedesignated portion of net investment hedges is recorded in other gain (loss).

(In thousands)	Year Ended December 31, 2018		2017		2016
Non-designated net investment hedges:					
Unrealized gain (loss) transferred from AOCI to earnings	$	3,726	$	(3,928)	1,600

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 December 31, 2018, the Company held the following interest rate contracts:

Instrument Type	Notional Amount (in thousands)		Index	Strike Rate / Forward Rate	Expiration
	Designated	Non-Designated			
Interest rate swap [1]	$ —	$ 2,000,000	3-Month LIBOR	3.39%	December 2019
Interest rate caps	$ —	$ 4,009,957	1-Month LIBOR	3.0% - 4.5%	January 2019 to December 2020
Interest rate caps	$ —	$ 52,155	3-Month LIBOR	2.24%	March 2019
Interest rate caps	€ 247,513	€ 441,151	3-Month EURIBOR	0.75% - 1.5%	October 2019 to November 2023
Interest rate caps	£ —	£ 363,716	3-Month GBP LIBOR	1.5% - 2.5%	November 2019 to February 2020
Deliverable swap futures	$ —	$ 19,000	[2]	[2]	March 2019

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(1) Represents a forward-starting interest rate swap that has a maturity date in December 2029, with mandatory settlement at fair value in December 2019.

(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.

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

(In thousands)	Year Ended December 31, 2018	2017	2016
Unrealized gain (loss):			
Cash flow hedge ineffectiveness	$ —	$ —	$ (401)
Non-designated interest rate contracts	33,307	(15,080)	(1,455)

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: (Assets) Liabilities	Gross Amounts Not Offset on Consolidated Balance Sheets: Cash Collateral Pledged	Net Amounts of Assets (Liabilities)
December 31, 2018				
Derivative Assets				
Foreign exchange contracts	$ 32,196	$ (1,743)	$ —	$ 30,453
Interest rate contracts	1,362	(823)	—	539
	$ 33,558	$ (2,566)	$ —	$ 30,992
Derivative Liabilities				
Foreign exchange contracts	$ (6,404)	$ 1,743	$ —	$ (4,661)
Interest rate contracts	(126,404)	823	840	(124,741)
	$ (132,808)	$ 2,566	$ 840	$ (129,402)
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.

	Fair Value Measurements			
(In thousands)	Level 1	Level 2	Level 3	Total
December 31, 2018				
Assets				
Equity method investments	$ —	$ —	$ 81,085	$ 81,085
Equity securities of consolidated funds	26,754	—	—	26,754
Debt securities available for sale—N-Star CDO bonds	—	—	64,127	64,127
CMBS of consolidated fund	—	32,706	—	32,706
Other assets—derivative assets	—	33,558	—	33,558
Liabilities				
Other liabilities—derivative liabilities	—	132,808	—	132,808
Other liabilities—contingent consideration for THL Hotel Portfolio	—	—	8,903	8,903

(In thousands)	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
December 31, 2017				
Assets				
Loans receivable—securitized loans	$ —	$ —	$ 45,423	$ 45,423
Equity method investments	—	—	363,901	363,901
Equity securities of consolidated fund	35,600	—	—	35,600
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	—	—	17,382	17,382
CMBS of consolidated fund	—	25,099	—	25,099
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

Equity Method Investments

Equity method investments for which fair value option was elected are carried at fair value on a recurring basis. This includes investments in private equity funds acquired in connection with the Merger.

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

Equity Securities

Fair value of equity securities held by consolidated funds are based on listed prices in active markets and classified as Level 1 of the fair value hierarchy.

Debt Securities

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

CMBS 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.

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 management personnel of the Company. The contingent consideration is payable 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 4.40 million OP Units, measured based on multi-year performance targets for achievement of a contractually-defined funds from operations ("Benchmark FFO") per share target, as well as real estate and non-real estate capital-raising thresholds from the funds management business, to the extent these targets are met. If the minimum performance target for either of these metrics is not met or exceeded, a portion of the contingent consideration paid in respect of the other metric would not be paid out in full.

At December 31, 2017, the contingent consideration had been remeasured at fair value using a third party valuation service provider and classified as Level 3 of the fair value hierarchy, with the change in fair value recorded in other gain (loss) in the consolidated statement of operations. Fair value of the contingent consideration was measured using a Monte Carlo probability simulation model for the Benchmark FFO component and a discounted payout analysis based on probabilities of achieving prescribed targets for the capital-raising component, adjusted for certain targets that had not been met and that had expired. The Company's class A common stock price and related equity volatilities were applied to convert the contingent consideration payout into shares.

At June 30, 2018, the end of the measurement period for the contingent consideration, and in accordance with the terms of the contribution agreement for the Internalization, it was determined that one of the prescribed performance targets was met, specifically the real estate capital raising target. As a result, the contingent consideration was settled with certain senior management personnel of the Company in a combination of approximately 15,000 shares of class A common stock, 40,000 shares of class B common stock and 1.95 million OP Units. At June 30, 2018, as the contingency was resolved and the number of shares and units to be issued was no longer variable, the payable of $12.5 million, valued based on the closing price of the Company's class A common stock on June 29, 2018, the last trading day of the second quarter, was reclassified out of liabilities into equity, while the associated dividends payable of approximately $6.4 million remained in liabilities. The contingent consideration and associated dividends were fully settled in August 2018.

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.

Securitized Loans and Securitized Bonds Payable

The Company had elected the fair value option for loans receivable and bonds payable issued by a securitization trust that was consolidated by a N-Star CDO. The N-Star CDO was in turn consolidated by the Company. In May 2018, the Company sold its interests in the N-Star CDO and deconsolidated the N-Star CDO (Note 8) along with the securitization trust consolidated by the N-Star CDO.

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

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, and prior to May 2018, loans receivable and bonds payable issued by a consolidated securitization trust held by a previously 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]
December 31, 2018					
Level 3 Assets					
Equity method investments—third party private equity funds	$ 5,908	Transaction price and NAV[2]	Not applicable	Not applicable	Not applicable
Equity method investments—other	21,831	Discounted cash flows	Discount rate	17.5% (9.1% - 18.4%)	Decrease
Equity method investments—other	25,000	Multiple	Revenue multiple	5.8x	Increase
Equity method investments—other	28,346	Transaction price[3]	Not applicable	Not applicable	Not applicable
N-Star CDO bonds	64,127	Discounted cash flows	Discount rate	21.6% (13.6% - 56.5%)	Decrease
Level 3 Liabilities					
Other liabilities—contingent consideration for THL Hotel Portfolio	8,903	Discounted cash flows	Discount rate	20.0%	Decrease
December 31, 2017					
Level 3 Assets					
Equity method investments—third party private equity funds	$ 204,774	Discounted cash flows	Discount rate	14.6% (11.0% - 20.0%)	Decrease
Equity method investments—other	26,408	Discounted cash flows	Discount rate	14.2% (8.8% - 14.8%)	Decrease
Equity method investments—other	132,719	Transaction price[3]	Not applicable	Not applicable	Not applicable
N-Star CDO bonds	90,933	Discounted cash flows	Discount rate	24.0% (10.8% - 87.4%)	Decrease
Level 3 Liabilities					
Due to affiliates—contingent consideration for Internalization	20,650	Monte Carlo simulation	Benchmark FFO volatility	11.8%	Increase
			Equity volatility	18.7%	Increase
			Correlation [4]	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) Fair value was estimated based on a combination of inputs, namely indicative prices of investments sold by the Company as well as underlying NAV of the respective funds on a quarter lag.

(3) Valued based upon transaction price of investments recently acquired or offer prices on investments pending sales.

(4) 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.

	Level 3 Assets			Level 3 Liabilities		
(In thousands)	Loans Receivable	Equity Method Investments	Securities	Debt	Due to Affiliates—Contingent Consideration for Internalization	Other Liabilities—Contingent Consideration for THL Hotel Portfolio
Fair value at December 31, 2015	$ —	$ —	$ —	$ —	$ (52,990)	$ —
Unrealized gain in earnings	—	—	—	—	11,740	—
Fair value at December 31, 2016	$ —	$ —	$ —	$ —	$ (41,250)	$ —
Unrealized gain related to balance recorded in earnings	$ —	$ —	$ —	$ —	$ 11,740	$ —
Fair value at December 31, 2016	$ —	$ —	$ —	$ —	$ (41,250)	$ —
Acquired through the Merger	—	362,269	427,560	—	—	—
Consideration for business combination	—	—	—	—	—	(6,771)
Consolidation of securitization trust Consolidation of securitization trust	58,296	—	—	(56,928)	—	—
Purchases, contributions or accretion	—	162,323	40,035	10,564	—	—
Paydowns or distributions	(10,564)	(166,795)	(120,728)	—	—	—
Realized losses in earnings	—	—	(38,885)	—	—	—
Unrealized gains:						
In earnings	(2,309)	6,104	—	1,822	20,600	(648)
In other comprehensive income	—	—	15,261	—	—	—
Fair value at December 31, 2017	$ 45,423	$ 363,901	$ 323,243	$ (44,542)	$ (20,650)	$ (7,419)
Unrealized gains (losses) on ending balance:						
In earnings	$ (2,309)	$ 6,104	$ —	$ 1,822	$ 20,600	$ (648)
In other comprehensive income (loss)	$ —	$ —	$ 15,261	$ —	$ —	$ —
Fair value at December 31, 2017	$ 45,423	$ 363,901	$ 323,243	$ (44,542)	$ (20,650)	$ (7,419)
Purchases, contributions or accretion	—	61,113	21,049	—	—	—
Paydowns, distributions or sales	(638)	(188,409)	(138,261)	638	—	—
Deconsolidation	(44,070)	—	(124,344)	43,847	—	—
Transfer out of liabilities into equity	—	—	—	—	12,539	—
Transfers out of Level 3	—	(132,527)	—	—	6,381	—
Contribution to Colony Credit (Note 4)	—	(26,134)	—	—	—	—
Realized gains in earnings	—	3,208	3,877	—	—	—
Unrealized gains (losses):						
In earnings	(715)	(67)	—	57	1,730	(1,484)
In other comprehensive income (loss)	—	—	(21,437)	—	—	—
Fair value at December 31, 2018	$ —	$ 81,085	$ 64,127	$ —	$ —	$ (8,903)
Unrealized gains (losses) on ending balance:						
In earnings	$ (715)	$ (67)	$ —	$ 57	$ 1,730	$ (1,484)
In other comprehensive income (loss)	$ —	$ —	$ (3,386)	$ —	$ —	$ —

Transfers of Level 3 Assets and Liabilities

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

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Investments Carried at Fair Value Using Net Asset Value

Investments in retail companies, which include a Company-sponsored non-traded REIT and a third party managed open-end mutual fund, as well as limited partnership interest in a third party private fund are valued using NAV of the respective vehicles effective January 1, 2018.

	December 31, 2018	
(In thousands)	Fair Value	Unfunded Commitments
Private fund—real estate	$ 12,617	$ 13,658
Retail Companies—real estate	21,674	—

The Company's limited partnership interest in the private fund is not subject to redemption, with distributions to be received through liquidation of underlying investments of the fund. The private fund has an expected life of eight years from 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.

There are no restrictions on the Company's ability to redeem its investment in the third party managed open-end fund.

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

Nonrecurring Fair Values

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

	December 31, 2018			December 31, 2017		
(In thousands)	Level 2	Level 3	Total	Level 2	Level 3	Total
Real estate held for sale	$ 68,864	$ 200,281	$ 269,145	$ 13,252	$ 36,246	$ 49,498
Real estate held for investment	—	416,272	416,272	—	224,935	224,935
Intangible assets—investment management contracts	—	36,400	36,400	—	51,100	51,100
Equity method investments	—	32,761	32,761	—	11,871	11,871

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

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Impairment loss			
Real estate held for sale	$ 77,211	$ 25,619	$ 11,334
Real estate held for investment	280,418	19,668	57
Intangible assets—lease intangibles	12,744	—	—
Intangible assets—investment management contracts	147,429	59,073	320
Intangible assets—customer relationships	10,109	—	—
Intangible assets—trade name	59,464	—	—
Equity method earnings	61,182	6,774	—

Impairment is discussed in Note 6 for loans receivable, Note 7 for equity method investments and Note 9 for goodwill and investment management intangible assets.

Real Estate Held For Sale—At December 31, 2018, real estate held for sale carried at fair value consisted primarily of properties in the European portfolio, valued using either broker price opinions, or a combination of market information, including third-party appraisals and indicative selling prices, adjusted as deemed appropriate by management to account for the inherent risk associated with the properties, and net of 5% selling cost, classified as Level 3.

Other significant real estate held for sale carried at fair value at December 31, 2018 comprised of certain hotels in the hospitality segment for which the Company previously held a long term hold strategy but in the third quarter of 2018, adopted a sales strategy. The majority of these hotels were classified as held for sale in the fourth quarter of 2018. Impairment was mostly recorded when the hotels were classified as held for investment, based on broker price opinions and net of 3% selling cost, classified as Level 3.

Additionally, real estate held for sale carried at fair value at December 31, 2018 include multi tenant office buildings and certain hotels in the THL Hotel Portfolio. These properties were valued based on either broker quotes, classified as Level 3, or auction prices or contracted sales prices, classified as Level 2, and in all cases, net of 1.5% or 2% selling costs.

At December 31, 2017, real estate held for sale carried at fair value were made up of properties in the healthcare and European portfolios as well as foreclosed properties.

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

Other significant real estate held for investment carried at fair value at December 31, 2018 pertained to certain healthcare properties and THL Hotel Portfolio that were damaged by hurricanes or fire in 2017, and further impaired in 2018, with impairment based on estimates from insurance appraisers.

At December 31, 2017, impaired real estate held for investment also included properties in the European portfolio which have mostly been transferred to held for sale or sold in 2018, as well as certain RIDEA properties that were converted into net lease properties in the healthcare segment.

Lease Intangible Assets—These represent lease intangibles that were evaluated and impaired in connection with the related healthcare properties that were impaired in the fourth quarter of 2018, consisting predominantly of above-market leases.

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
December 31, 2018					
Assets					
Loans at amortized cost	$ —	$ —	$ 1,667,892	$ 1,667,892	$ 1,659,217
Liabilities					
Debt at amortized cost					
Convertible and exchangeable senior notes	547,300	13,095	—	560,395	612,150
Secured debt	—	—	9,218,692	9,218,692	9,228,721
Junior subordinated debt	—	—	169,619	169,619	199,086
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	50,000
Convertible and exchangeable 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 convertible notes was determined using the last trade price in active markets. Fair value of exchangeable notes was determined based on unadjusted quoted prices in a non-active market. Fair values of the corporate credit facility and secured and unsecured debt were estimated by discounting expected future cash outlays at interest rates currently available to the Company for instruments with similar terms and remaining maturities; and such fair values approximated carrying value for floating rate debt with credit spreads that approximate market rates. Fair value of junior subordinated debt was based on unadjusted quotations from a third party valuation firm, with such quotes derived using a combination of internal valuation models, comparable trades in non-active markets and other market data. Fair value of securitization bonds payable was based on quotations from brokers or financial institutions that act as underwriters of the securitized bonds.

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

15. Variable Interest Entities

A VIE is an entity that lacks sufficient equity to finance its activities without additional subordinated financial support from other parties, or whose equity holders lack the characteristics of a controlling financial interest. The following discusses the Company's involvement with VIEs where the Company is the primary beneficiary and consolidates the VIEs or where the Company is not the primary beneficiary and does not consolidate the VIEs.

Operating Subsidiary

The Company's operating subsidiary, OP, is a limited liability company that has governing provisions that are the functional equivalent of a limited partnership. The Company holds the majority of membership interest in OP, acts as the managing member of OP and exercises full responsibility, discretion and control over the day-to-day management of OP.

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

Securitizations

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

Consolidated Securitizations—Prior to June 30, 2018, the Company consolidated securitization trusts for which it had a retained interest and for which it acted as special servicer or collateral manager or otherwise, its interest in the trust may have become the controlling class or directing holder. As special servicer, the Company had the power to direct activities during the loan workout process on defaulted and delinquent loans. As collateral manager of certain N-Star CDOs, the Company had the power to invest in additional or replacement collateral during the investment period and subsequent to the investment period, had the power to identify an asset as distressed or credit risk and sell certain distressed collateral. As directing holder or controlling class representative, the Company had the right to appoint or remove the third party special servicer. As a result, the Company's role as special servicer, collateral manager or as controlling class or directing holder provided the Company with the ability to direct activities that most significantly impact the economic performance of the securitization vehicles, and together with the interests previously retained by the Company in the securitization vehicles, the Company was deemed to be the primary beneficiary and consolidated these securitization vehicles. Accordingly, these securitizations did not qualify as sale transactions and were accounted for as secured financing with the underlying mortgage loans and debt securities pledged as collateral.

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

The Company’s exposure to the obligations of its previously consolidated securitization vehicles was generally limited to its investment in these entities, which was $490.1 million at December 31, 2017. The Company was not obligated to provide any financial support to these securitization vehicles, although it could, in its sole discretion, provide support such as protective and other advances as it deemed appropriate. The Company did not provide any such financial support to these securitization vehicles in 2018 prior to their deconsolidation nor in 2017.

Unconsolidated Securitizations—The Company does not consolidate the assets and liabilities of CDOs in which the Company has an interest but does not retain the collateral management function. NRF had previously delegated the collateral management rights for certain sponsored N-Star CDOs and third party-sponsored CDOs to a third party collateral manager or collateral manager delegate who is entitled to a percentage of the senior and subordinate collateral management fees. The Company continues to receive fees as named collateral manager or collateral manager delegate and retained administrative responsibilities. The Company determined that the fees paid to the third party collateral manager or collateral manager delegate represent a variable interest in the CDOs and that the third party is acting as a principal. The Company concluded that it does not have the power to direct the activities that most significantly impact the economic performance of these CDOs, which include but are not limited to, the ability to sell distressed collateral, and therefore the Company is not the primary beneficiary of such CDOs and does not consolidate these CDOs. The Company’s exposure to loss is limited to its investment in these unconsolidated CDOs, comprising CDO equity and CDO bonds, which aggregate to $67.5 million at December 31, 2018 and $102.2 million at December 31, 2017.

Company-Sponsored Private Funds

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

Consolidated Company-Sponsored Private Fund—The Company currently consolidates a sponsored private fund where it has more than insignificant equity interest in the fund as general partner during the early stages of the fund while additional third party capital is being raised. As a result, the Company is considered to be acting in the capacity of a principal of the sponsored private fund and is therefore the primary beneficiary of the fund. The Company's exposure is limited to the value of its outstanding investment in the consolidated private fund of $13.2 million at December 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 private fund.

Unconsolidated Company-Sponsored Private Funds—The Company does not consolidate its sponsored private funds where it has insignificant direct equity interests or capital commitments to these funds as general partner. The Company may invest alongside certain of its sponsored private funds through joint ventures between the Company and these funds, or the Company may have capital commitments to its sponsored private funds that are satisfied directly through the co-investment joint ventures as an affiliate of the general partner. In these instances, the co-investment joint ventures are consolidated by the Company. As the Company's direct equity interests in its sponsored private funds as general partner absorb insignificant variability, the Company is considered to be acting in the capacity of an agent of these funds and is therefore not the primary beneficiary of these funds. The Company accounts for its equity interests in unconsolidated sponsored private funds under the equity method. The Company's maximum exposure to loss is limited to the carrying value of its investment in the unconsolidated sponsored private funds, totaling $117.3 million at December 31, 2018 and $6.9 million at December 31, 2017, included within investments in unconsolidated ventures on the consolidated balance sheets.

Trusts

The Company, through the Merger, acquired the Trusts, wholly-owned subsidiaries of NRF formed as statutory trusts. The Trusts issued preferred securities in private placement offerings, and used the proceeds to purchase junior subordinated notes to evidence loans made to NRF (Note 12). The Company owns all of the common stock of the Trusts but does not consolidate the Trusts as the holders of the preferred securities issued by the Trusts are the primary beneficiaries of the Trusts. The Company accounts for its interest in the Trusts under the equity method and its maximum exposure to loss is limited to its investment carrying value of $3.7 million at December 31, 2018 and 2017, recorded in investments in unconsolidated ventures on the consolidated balance sheet. The junior subordinated notes are recorded as debt on the Company's consolidated balance sheet.

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 the Company'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.

(In thousands)	Number of Shares Preferred Stock	Class A Common Stock	Class B Common Stock
Shares outstanding at December 31, 2015	25,030	163,777	801
Repurchase of preferred stock (1)	(964)	—	—
Contribution of preferred stock to an affiliate (1)	964	—	—
Shares issued upon redemption of OP units	—	1,370	—
Conversion of class B to class A common stock	—	31	(31)
Equity-based compensation, net of forfeitures	—	1,478	—
Shares canceled for tax withholding on vested stock awards	—	(216)	—
Shares outstanding at December 31, 2016	25,030	166,440	770
Consideration for the Merger (2)	39,466	392,120	—
Issuance of preferred stock	26,400	—	—
Redemption of preferred stock	(25,432)	—	—
Shares canceled (3)	—	(2,984)	—
Shares issued upon redemption of OP Units	—	1,684	—
Conversion of class B to class A common stock	—	34	(34)
Repurchase of common stock	—	(23,371)	—
Exchange of notes for class A common stock	—	233	—
Equity-based compensation, net of forfeitures	—	8,096	—
Redemption of restricted stock units	—	775	—
Shares canceled for tax withholding on vested stock awards	—	(428)	—
Shares outstanding at December 31, 2017	65,464	542,599	736
Redemption of preferred stock	(8,000)	—	—
Shares issued upon redemption of OP Units (4)	—	2,074	—
Shares issued for settlement of contingent consideration—Internalization (Note 14)	—	15	40
Conversion of class B to class A common stock	—	42	(42)
Repurchase of common stock	—	(61,418)	
Equity-based compensation, net of forfeitures	—	3,394	—
Shares canceled for tax withholding on vested stock awards	—	(3,359)	—
Shares outstanding at December 31, 2018	57,464	483,347	734

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(1) In January 2016, the Company repurchased 963,718 shares in aggregate of its preferred stock for approximately $20.0 million. In March 2016, the Company contributed the preferred stock at its purchase price to an investment vehicle (the "REIT Securities Venture"), which is a joint venture with a private fund managed by the Company. The Company holds an approximate 4.4% interest in the REIT Securities Venture, accounted for under the equity method. The REIT Securities Venture invests in equity of publicly traded U.S. REITs, including securities of the Company.

(2) Shares were legally issued by the Company, as the surviving combined entity, 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 issued to the shareholders of NSAM and NRF to achieve the same ratio of ownership in the Company upon completion of the Merger (Note 3).

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

(4) Includes 572,567 shares of class A common stock issued upon redemption of an equivalent number of OP Units that were issued for settlement of the contingent consideration in connection with the Internalization (Note 17).

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 December 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 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
			57,464	$ 575	$ 1,436,605	

(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 the Company are payable quarterly in arrears, in the case of the Series B and E preferred stock, in February, May, August and November, and in the case of Series G, H, I and J preferred stock, in January, April, July and October.

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

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

Issuance and Redemption of Preferred Stock

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.

In May 2018, the Company issued a notice of redemption for all outstanding Series D preferred stock, with the redemption settled in July 2018.

All preferred stock redemptions were at $25.00 per share liquidation preference plus accrued and unpaid dividends prorated to their respective redemption dates. The excess or deficit of the $25.00 per share liquidation preference over the carrying value of the respective 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 May 23, 2018, the Company announced that its 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 newly announced program is in addition to the $300 million share repurchase program the Company announced in February 2018, which program was completed in May 2018.

During the year ended December 31, 2018, the Company repurchased 61,417,755 shares of its class A common stock, at an aggregate cost of approximately $350.1 million (excluding commissions), or a weighted-average price of $5.70 per share.

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 form of new issuances during the years ended December 31, 2018 and 2017.

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)

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, 2015	$ —	$ —	$ (245)	$ (42,125)	$ 23,948	$ (18,422)
Other comprehensive income (loss) before reclassifications	131	(112)	7	(34,234)	21,123	(13,085)
Amounts reclassified from AOCI	(46)	—	197	(67)	(686)	(602)
AOCI at December 31, 2016	$ 85	$ (112)	$ (41)	$ (76,426)	$ 44,385	$ (32,109)
Other comprehensive income (loss) before reclassifications	5,450	(22,014)	41	124,846	(68,581)	39,742
Amounts reclassified from AOCI	81	36,544	—	(2,489)	5,547	39,683
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	(1,785)	(16,238)	(91)	(46,183)	34,113	(30,184)
Amounts reclassified from AOCI	—	(3,951)	—	6,870	(8,446)	(5,527)
Deconsolidation of N-Star CDO	—	2,596	—	—	—	2,596
AOCI at December 31, 2018	$ 3,629	$ (3,175)	$ (91)	$ 6,618	$ 7,018	$ 13,999

Changes in Components of AOCI—Noncontrolling Interests in Investment Entities

(In thousands)	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, 2015	$ —	$ (149)	$ 51	$ (1)	$ (99)
Other comprehensive income (loss) before reclassifications	(527)	—	(56,479)	12,669	(44,337)
Amounts reclassified from AOCI	—	149	(785)	(870)	(1,506)
AOCI at December 31, 2016	$ (527)	$ —	$ (57,213)	$ 11,798	$ (45,942)
Other comprehensive income (loss) before reclassifications	981	—	97,840	(10,659)	88,162
Amounts reclassified from AOCI	(454)	—	(1,679)	1,988	(145)
AOCI at December 31, 2017	$ —	—	$ 38,948	$ 3,127	$ 42,075
Other comprehensive income (loss) before reclassifications	—	(390)	(39,621)	8,696	(31,315)
Amounts reclassified from AOCI	—	—	73	(2,179)	(2,106)
AOCI at December 31, 2018	$ —	$ (390)	$ (600)	$ 9,644	$ 8,654

Reclassifications out of AOCI—Stockholders

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

(In thousands)	Year Ended December 31,			
Component of AOCI reclassified into earnings	2018	2017	2016	Affected Line Item in the Consolidated Statements of Operations
Realized gain (loss) on marketable securities	$ 10,100	$ (5,285)	$ 46	Other gain (loss), net
Other-than-temporary impairment and write-offs of securities	(6,149)	(31,259)	—	Other gain (loss), net
Deconsolidation of N-Star CDO	(2,596)	— —	—	Other gain (loss), net
Unrealized gain on ineffective cash flow hedge	—	—	(197)	Other gain (loss), net
Release of cumulative translation adjustments	(6,870)	2,489	67	Other gain (loss), net
Unrealized gain (loss) on dedesignated net investment hedges	1,454	(1,829)	634	Other gain (loss), net
Realized gain (loss) on net investment hedges	6,992	(3,718)	52	Other gain (loss), net
Release of equity in AOCI of unconsolidated ventures	—	(81)	—	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 were fully redeemed.

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

	Year Ended December 31,	
(In thousands)	2018	2017
Beginning balance	$ 34,144	$ —
Assumed through the Merger	—	78,843
Assumed through consolidation of sponsored private fund	—	24,763
Contributions	354	8,550
Distributions and redemptions	(21,405)	(100,830)
Net income (loss)	(3,708)	23,543
Currency translation adjustment and other	—	(725)
Ending balance	$ 9,385	$ 34,144

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.

The Company's investment in the real estate portfolio of its industrial segment is made alongside third party limited partners through a joint venture consolidated by the Company. Over time, additional capital contributions from limited partners reduce the Company's ownership interest in the joint venture. New limited partners are admitted at the net asset value of the joint venture, based upon valuations determined by independent third parties, at the time of their contributions. For the years ended December 31, 2018 and 2017, the difference between contributions received and the limited partners' share of the joint venture resulted in an increase to additional paid-in capital of $34.1 million and $21.8 million, respectively.

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.

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 year ended December 31, 2018, the Company redeemed 2,870,422 OP Units, of which 2,074,457 OP Units were redeemed in exchange for an equal number of shares of class A common stock on a one-for-one basis, and 795,965 OP Units were redeemed in exchange for cash of $4.8 million to satisfy the tax obligations of OP unitholders. The redemptions included 1.0 million OP Units issued for settlement of the contingent consideration in connection with the Internalization (Note 14).

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 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.

The properties held for sale in the THL Hotel Portfolio that constituted discontinued operations were fully disposed in the second quarter of 2018.

Net income generated from operations of these held for sale asset groups is presented below. There were no discontinued operations during the year ended December 31, 2016.

	Year Ended December 31,	
(In thousands)	2018	2017
Revenues		
Property operating income	$ 1,186	$ 43,269
Other income	—	2,352
Expenses		
Property operating expenses	1,159	20,530
Interest expense	—	9,028
Loss on sale of real estate assets	—	2,108
Other expenses	129	400
Net income (loss) from discontinued operations	(102)	13,555
Income tax expense	—	—
Net income (loss) from discontinued operations after tax	(102)	13,555
Net income (loss) from discontinued operations attributable to:		
Noncontrolling interests in investment entities	(45)	427
Noncontrolling interests in Operating Company	(4)	31
Net income (loss) from discontinued operations attributable to Colony Capital, Inc.	$ (53)	$ 13,097

19. Earnings per Share

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

	Year Ended December 31,		
(In thousands, except per share data)	2018	2017	2016
Net income (loss) allocated to common stockholders			
Income (loss) from continuing operations	$ (495,073)	$ (78,168)	$ 290,726
Income (loss) from discontinued operations	(102)	13,555	—
Net income (loss)	(495,175)	(64,613)	290,726
Net (income) loss attributable to noncontrolling interests:			
Redeemable noncontrolling interests	3,708	(23,543)	—
Investment entities	(67,994)	(129,996)	(163,084)
Operating Company	39,854	20,261	(12,324)
Net income (loss) attributable to Colony Capital, Inc.	(519,607)	(197,891)	115,318
Preferred stock redemption	3,995	(4,530)	—
Preferred dividends	(117,097)	(130,672)	(48,159)
Net income (loss) attributable to common stockholders	(632,709)	(333,093)	67,159
Net income allocated to participating securities	(2,504)	(9,168)	(2,293)
Net income (loss) allocated to common stockholders—basic	(635,213)	(342,261)	64,866
Interest expense attributable to convertible notes [(1)]	—	—	—
Net income (loss) allocated to common stockholders—diluted	$ (635,213)	$ (342,261)	$ 64,866
Weighted average common shares outstanding [(2)]			
Weighted average number of common shares outstanding—basic	496,993	532,600	164,570
Weighted average effect of dilutive shares [(1)(3)(4)]	—	—	—
Weighted average number of common shares outstanding—diluted	496,993	532,600	164,570
Basic earnings (loss) per share			
Income (loss) from continuing operations	$ (1.28)	$ (0.66)	$ 0.39
Income from discontinued operations	—	0.02	—
Net income (loss) attributable to common stockholders per basic common share	$ (1.28)	$ (0.64)	$ 0.39
Diluted earnings (loss) per share			
Income (loss) from continuing operations	$ (1.28)	$ (0.66)	$ 0.39
Income from discontinued operations	—	0.02	—
Net income (loss) attributable to common stockholders per diluted common share	$ (1.28)	$ (0.64)	$ 0.39

(1) For the years ended December 31, 2018, 2017 and 2016, excluded from the calculation of diluted earnings per share is the effect of adding back $28.6 million, $28.9 million and $27.3 million of interest expense, respectively, and 38,112,100, 38,564,400 and 36,582,700 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 the Company. Accordingly, the historical share counts used to calculate the weighted average number of shares post-Merger reflect the exchange ratio of 1.4663 applied to shares outstanding prior to the Closing Date.

(3) The calculation of diluted earnings per share excludes the effect of weighted average unvested non-participating restricted shares of 571,500, 534,100 and 0 for the years ended December 31, 2018, 2017 and 2016, as well as the weighted average shares of class A common stock that are contingently issuable in relation to PSUs (Note 21) of 532,900 for the year ended December 31, 2018, as the effect would be antidilutive.

(4) 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 December 31, 2018, 2017 and 2016, there were 31,358,500, 32,282,500 and 30,296,100 redeemable OP Units, respectively. These OP Units would not be dilutive and were not included in the computation of diluted earnings per share for all periods presented.

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 I and NorthStar II were terminated; concurrently, the Company entered into a new management agreement with Colony Credit. On April 30, 2018, the Company combined NorthStar Securities, LLC ("NorthStar Securities"), the Company's captive broker-dealer platform that raises capital in the retail market, with a third party joint venture partner, S2K Financial Holdings, LLC ("S2K") to form Colony S2K Holdings, LLC ("Colony S2K"). Colony S2K distributes current and future investment products sponsored by the Company and S2K as well as third party sponsored products. Beginning in May 2018, the Company's share of income and expense from Colony S2K is reflected as earnings from investments in unconsolidated ventures.

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

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Institutional funds	$ 56,002	$ 60,988	$ 67,731
Non-traded REITs	29,597	88,081	—
Public companies (Colony Credit, NRE)	65,258	14,003	—
Broker-dealer, Townsend and other clients	964	57,717	—
	$ 151,821	$ 220,789	$ 67,731

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

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Base management fees ($137,762, $165,436 and $63,212 from affiliates, respectively)	$ 138,784	$ 183,838	$ 63,212
Asset management fees—from affiliates	2,078	3,069	4,519
Acquisition and disposition fees—from affiliates	1,922	16,237	—
Incentive fees ($5,445, $172, $0 from affiliates, respectively)	5,445	1,043	—
Other fee income ($3,389, $0 and $0 from affiliates, respectively)	3,592	16,602	—
Total fee income	$ 151,821	$ 220,789	$ 67,731

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, 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 (through its liquidation in October 2018) and for NorthStar I and NorthStar II (through January 31, 2018 upon closing of the Combination), 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 NAV per share (as may be subsequently adjusted for any special distribution);
- NRE—a variable fee of 1.5% per annum of NRE's reported European Public Real Estate Association Net Asset Value ("EPRA NAV" as defined in its management agreement) for EPRA NAV up to and including $2.0 billion, and 1.25% per annum for EPRA NAV amounts exceeding $2.0 billion. 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. The management agreement had provided for the Company's management of NRE through at least January 1, 2023. On November 7, 2018, NRE and the Company reached an agreement to terminate the management agreement upon a sale of NRE or, if no sale is consummated, upon internalization of the management of NRE. Such termination will result in a termination payment to the Company of $70 million, less any incentive fees. The strategic review committee of NRE's board of directors is in the process of evaluating strategic alternatives to maximize NRE's shareholder value, which includes the potential sale of NRE; and
- Colony Credit—1.5% per annum of Colony 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 I and NorthStar II (through January 31, 2018 upon closing of the Combination) and a disposition fee of 1% to 2% of the contractual sales price for disposition of an investment by NorthStar I and NorthStar II (through January 31, 2018 upon closing of the Combination) and by NorthStar Healthcare (through December 31, 2017 following an amendment to its advisory agreement).

Incentive Fees—The Company may earn incentive fees from NRE and Colony Credit (and in 2017, from Townsend segregated mandate accounts). 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 40% to 50%) is allocable to senior management, investment professionals, certain other employees and former employees of the Company, included in carried interest and incentive fee compensation expense.

Other Fee Income—Other fees include advisory fees from affiliated and/or unaffiliated third parties, and prior to May 2018, selling commission and dealer manager fees. The Company, through NorthStar Securities, had earned 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 also 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 restricted stock award of the Company, 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 were settled through the issuance of 44,464 shares of the Company's class A common stock. The Colony Director Stock Plan was assumed by the Company 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 the Company's 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 the Company's 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 vest 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 December 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 Partnership—In January 2014, NRF entered into a partnership with James F. Flaherty, III, with the intention of expanding the Company's healthcare business ("Healthcare 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 the Company's 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 and servicing 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 award agreement.

CLNY Equity Incentive Plan

Following the Merger, the Company adopted the NSAM 2014 Stock Plan as the Company's successor equity incentive plan and named such plan the Colony NorthStar 2014 Omnibus Stock Incentive Plan, thereafter renamed Colony Capital 2014 Omnibus Stock Incentive Plan in June 2018 (the "CLNY Equity Incentive Plan"). The CLNY 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 CLNY 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 December 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 CLNY Equity Incentive Plan.

In 2017, the Company issued certain equity awards, which had 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 generally subject to annual time-based vesting in equal tranches over a three-year period. Restricted stock is entitled to dividends declared and paid on the Company's class A common stock and such dividends are not forfeitable prior to vesting of the award. Restricted stock awards are valued based on the Company's class A common stock price on grant date and equity-based compensation expense is recognized on a straight-line basis over the requisite three-year service period.

Performance Stock Units ("PSUs")—PSUs are granted to senior executives and certain employees, and are subject to both a service condition and market condition. Following the end of the measurement period for the PSUs, the recipient of PSUs who remain employed will vest in, and be issued a number of shares of the Company's class A common stock, ranging from 0% to 200% of the number of PSUs granted, to be determined based upon the performance of the Company's class A common stock relative to that of a specified peer group over a three-year measurement period (such measurement metric the "total shareholder return"). In addition, recipients of PSUs who terminate after the first anniversary of the PSU grant are eligible to vest in a portion of the PSU award following the end of the measurement period based on achievement of the total shareholder return metric otherwise applicable to the award. PSUs also contain dividend equivalent rights which entitle the recipients to a payment equal to the amount of dividends that would have been paid on the shares that are ultimately issued at the end of the measurement period. In February 2019, the PSUs issued in 2018 were modified to, among other things, reduce the potential maximum number of shares of the Company’s class A common stock to be issued upon final vesting from 200% to 125% of the number of PSUs granted. This modification is not expected to have a material impact on the Company’s financial condition or results of operations.

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 the Company's class A common stock [(1)]	38%
Expected 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:

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Compensation expense (including $270, $0 and $0 amortization of fair value of dividend equivalent right)	$ 41,876	$ 149,820	$ 13,638
Earnings from investments in unconsolidated ventures	—	61	—
Investment and servicing expense	—	4,070	—
	$ 41,876	$ 153,951	$ 13,638

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

						Weighted Average Grant Date Fair Value	
	Restricted Stock	LTIP Units	DSUs	PSUs [1]	Total	PSUs	All Other Awards
Unvested shares and units at December 31, 2017	9,149,516	3,506,387	78,267	—	12,734,170	$ —	$ 14.53
Granted	3,605,137	—	263,506	2,138,858	6,007,501	5.09	6.19
Vested	(7,121,545)	(3,506,387)	(158,639)	—	(10,786,571)	—	14.27
Forfeited	(211,018)	—	—	(94,909)	(305,927)	5.09	11.42
Unvested shares and units at December 31, 2018	5,422,090	—	183,134	2,043,949	7,649,173	$ 5.09	$ 9.39

(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. No PSUs were granted during 2017 and 2016.

Fair value of equity awards that vested, determined based on their respective fair values at vesting date, was $111.2 million, $31.9 million and $9.9 million for the year ended December 31, 2018, 2017 and 2016, respectively.

At December 31, 2018, aggregate unrecognized compensation cost for all unvested equity awards was $35.7 million, which is expected to be recognized over a weighted-average period of 2.0 years.

Awards Granted by Managed Companies

In March 2018, NRE and Colony Credit issued restricted stock and performance stock units to the Company and certain of the Company's employees (collectively, "managed company awards"). NRE awards generally have similar terms as the Company's stock 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 conditions are met. Colony Credit awards are primarily restricted stock grants that typically vest over a three-year period, subject to service conditions. Generally, the Company then grants the managed company awards that it receives in its capacity as manager to its employees with substantially the same terms and service requirements. Such grants are made at the discretion of the Company, and the Company may consult with the board of directors or compensation committees of the respective managed companies as to final allocation of awards to its employees.

Managed company awards granted to the Company, pending the grant by the Company to its employees, are recognized based upon their fair value at grant date as an investment in unconsolidated ventures and other liabilities on the consolidated balance sheet. The deferred revenue liability is amortized into other income as the awards vest to the Company. Managed company awards granted to employees, directly by NRE or Colony Credit, or through the Company, are recorded as other asset and other liability, and amortized on a straight-line basis as equity-based compensation expense and as other income, respectively, as the awards vest to the employees. The other asset and other liability associated with managed company awards granted to employees are subject to adjustment to fair value at each reporting period, with changes reflected in equity-based compensation and other income, respectively.

Equity-based compensation expense recognized in relation to managed company awards was $9.6 million for the year ended December 31, 2018. A corresponding amount is recognized in other income for managed company awards granted to employees (Note 22). At December 31, 2018, aggregate unrecognized compensation cost for unvested managed company awards was $14.4 million, which is expected to be recognized over a weighted-average period of 2.3 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").

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

(In thousands)	December 31, 2018	December 31, 2017
Due from Affiliates		
Investment vehicles and unconsolidated ventures		
Fee income	$ 34,429	$ 19,366
Cost reimbursements and recoverable expenses	10,754	30,749
Employees and other affiliates	596	1,403
	$ 45,779	$ 51,518
Due to Affiliates		
Investment vehicles and unconsolidated ventures	$ —	$ 2,884
Employees	—	20,650
	$ —	$ 23,534

Transactions with affiliates include the following:

Fee Income—Fee income earned from investment vehicles that the Company manages and/or sponsors, and may have an equity interest or co-investment, are presented in Note 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 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;
- Costs 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 Credit to employees of the Company, which are presented 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. These amounts include $4.0 million for the year ended December 31, 2018 of costs incurred by the Company and reimbursed by its managed private funds that are presented gross on the consolidated statement of operations beginning in 2018 pursuant to the new revenue recognition guidance (Note 2).

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Retail companies	$ 4,672	$ 19,545	$ —
Public companies—NRE and Colony Credit	10,747	—	—
Private funds and other	9,198	3,779	4,296
Equity awards of NRE and Colony Credit (Note 21)	10,078	—	—
Townsend	—	2,306	—
	$ 34,695	$ 25,630	$ 4,296

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

NorthStar Healthcare Credit Facility—The Company has committed to provide NorthStar Healthcare with an unsecured revolving credit facility at market terms with a maximum principal amount of $35.0 million. The credit facility matures in December 2020, with a six-month extension option. Advances under the credit facility accrue interest at LIBOR plus 3.5%. There is no commitment fee for the unused portion of the facility. The credit facility is intended to provide additional liquidity to NorthStar Healthcare on an as needed basis. At December 31, 2018 and 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, amounting to $1.0 million for the year ended December 31, 2018.

Sales to Colony Credit—In May 2018, the Company sold a preferred equity investment sponsored by the Company's equity method investee, RXR Realty, to Colony Credit at the unpaid principal amount of the investment of $89.1 million.

In July 2018, the Company sold to Colony Credit its interest in a subsidiary holding a net lease property in Norway that was partially financed by a non-callable bond for $121.5 million based on an appraised value of the property, resulting in a gain on sale of real estate of $28.6 million.

Healthcare Partnership—The Healthcare Partnership was previously formed by NRF with the intention of expanding the Company’s healthcare business (see Note 21). The Healthcare Partnership is entitled to incentive fees ranging from 20% to 25% of distributions above certain hurdles for new and existing healthcare real estate investments held by the Company and a portion of incentive fees earned from NorthStar Healthcare. To date, no incentive fees have been earned by the Healthcare Partnership.

American Healthcare Investors Joint Venture—The Company has an equity method investment in AHI, through a joint venture with the principals of AHI and Mr. Flaherty (see Note 21). AHI had previously provided certain healthcare-focused real estate investment management and related services to the Company and NorthStar Healthcare. The management agreement with AHI was terminated effective October 2018. For the years ended December 31, 2018 and 2017, the Company incurred property management fees and sub-advisory fees to AHI totaling $4.1 million and $4.8 million, respectively.

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 years ended December 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 was payable to certain senior management personnel 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, amounting to $20.7 million at December 31, 2017. As discussed in Note 14, the final contingent consideration was measured at the end of its earnout period on June 30, 2018, with the common stock and OP Units issuable to the senior management personnel valued at $12.5 million reclassified out of liabilities into equity, while the associated dividends of approximately $6.4 million remained in due to affiliates liability. Contingent consideration, including the accrued dividends thereon, was settled in August 2018 in a combination of class A and class B common stock, OP Units and cash.

Equity Awards of NRE and Colony Credit—As discussed in Note 21, NRE and Colony Credit grant equity awards to the Company and certain of the Company's employees, either directly by NRE and Colony Credit, or indirectly through the Company, are recognized as a gross-up of equity-based compensation expense over the vesting period with a corresponding amount in other income.

Investment in Managed Investment Vehicles—Subject to the Company's related party policies and procedures, senior management, investment professionals and certain other employees may participate on a discretionary basis in investment vehicles sponsored by the Company, either directly in the vehicle or indirectly through the general partner entity. These investments are generally not subject to management fees, but otherwise bear their proportionate share of other operating expenses of the investment vehicles. At December 31, 2018 and 2017, such investments amounted to $5.7 million and $4.8 million, respectively, reflected in redeemable noncontrolling interests and noncontrolling interests on the consolidated balance sheet. Their share of net income was $0.4 million for the year ended December 31, 2018 and was immaterial in 2017.

Corporate Aircraft—The Company, through its subsidiary, Colony Capital Advisors, LLC, has entered into a time sharing agreement with Thomas J. Barrack, Jr., the Company's Executive Chairman and Chief Executive Officer, under which Mr. Barrack may use the Company's aircraft for personal travel. Under this arrangement, Mr. Barrack pays the Company for personal usage based on the incremental cost to the Company, including direct and indirect variable costs, but in no case more than the maximum reimbursement permitted by the Federal Aviation Regulations under the agreement. Mr. Barrack has reimbursed the Company $0.7 million, $1.9 million and $0.9 million for personal flights taken during the years ended December 31, 2018, 2017 and 2016, respectively.

23. Income Taxes

The Company is subject to income tax laws of the various jurisdictions in which it operates, including U.S. federal, state and local and non-U.S. jurisdictions, primarily in Europe. The Company's current primary sources of income subject to tax are income from its investment management business, operations of its hotel and healthcare portfolios as well as real estate and loan investments in Europe.

On December 22, 2017, the Tax Cuts and Jobs Act was enacted, which provides for a reduction in the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018. At December 31, 2017, the Company recognized a provisional amount of $24.9 million relating to the effects of the tax rate change on our existing deferred tax balances, which is included as a component of income tax benefit. The Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21% for U.S. federal corporate income tax purposes. During the fourth quarter of 2018, the Company completed its analysis of the Tax Cuts and Jobs Act, which resulted in the recognition of an additional $2.2 million of income tax benefit relating to the effects of the tax rate change on the Company's existing deferred tax balances.

Income Tax Benefit (Expense)

	Year ended December 31,		
(In thousands)	2018	2017	2016
Current			
Federal	$ 2,881	$ (20,316)	$ (2,720)
State and local	1,168	(3,606)	(1,436)
Foreign	(13,698)	(16,138)	(8,244)
Total current tax benefit (expense)	(9,649)	(40,060)	(12,400)
Deferred			
Federal	64,962	110,711	6,214
State and local	1,320	18,235	(713)
Foreign	3,148	9,513	2,117
Total deferred tax benefit	69,430	138,459	7,618
Total income tax benefit (expense)	$ 59,781	$ 98,399	$ (4,782)

Deferred Income Tax Assets and Liabilities

Deferred tax asset is included in other assets while deferred tax liability is included in accrued and other liabilities.

Through the Merger, the Company assumed approximately $218.2 million of deferred tax liabilities as well as deferred tax assets which were fully reserved with a valuation allowance of $31.9 million.

Valuation allowances are established against net operating losses and capital losses when it is more likely than not that these carry forward losses will not be utilized. As of December 31, 2018, the Company believes that it is more likely than not that the carry forward net operating losses on certain hotel portfolios will be utilized prior to their expiration based on the Company's reassessment of expected future profitability on these portfolios, therefore the related valuation allowance that was previously established of $10.7 million was released in 2018.

The components of deferred tax assets and deferred tax liabilities arising from temporary differences were as follows.

(In thousands)	December 31, 2018	December 31, 2017
Deferred tax assets		
Net operating and capital loss carry forwards [1]	$ 56,609	$ 30,019
Equity-based compensation	17,162	28,071
Basis difference—investment in partnerships	7,745	—
Foreign tax credits [2]	892	1,682
Straight-line and prepaid rent expense	7,850	3,601
Deferred income	—	1,932
Deferred interest expense	472	1,924
Other	2,904	7,947
Gross deferred tax assets	93,634	75,176
Valuation allowance [3]	(22,062)	(23,852)
Deferred tax assets, net of valuation allowance	71,572	51,324
Deferred tax liabilities		
Management contract intangibles	33,693	90,605
Basis difference—investment in partnerships	—	5,822
Basis difference—real estate	63,901	68,687
Deferred income	1,263	—
Other	108	1,643
Gross deferred tax liabilities	98,965	166,757
Net deferred tax liability	$ (27,393)	$ (115,433)

(1) At December 31, 2018 and 2017, deferred tax asset was recognized on net operating losses of $251.2 million and $121.3 million, respectively. Net operating losses attributable to U.S. federal and state, where applicable, generally begin to expire in 2030, or can be carried forward indefinitely. Net operating losses attributable to foreign operations can generally be carried forward indefinitely.

(2) Foreign tax credits expire beginning 2026.

(3) The ending balance of the valuation allowance at December 31, 2017 reflects a $12.3 million reduction resulting from the impact of the Tax Cuts and Jobs Act.

Effective Income Tax

The Company's income tax benefit varied from the amount computed by applying the statutory income tax rate to income from continuing operations before income taxes. Income tax expense associated with income from discontinued operations was immaterial. A reconciliation of the statutory U.S. income tax to the Company's effective income tax is presented as follows:

	Year Ended December 31,		
(Amounts in thousands)	2018	2017	2016
Income (loss) from continuing and discontinued operations before income taxes	$ (554,956)	$ (163,012)	$ 295,508
Pre-tax income attributable to pass-through subsidiaries	312,939	(89,104)	(306,644)
Pre-tax loss attributable to taxable subsidiaries	(242,017)	(252,116)	(11,136)
Federal tax benefit at statutory tax rate (21%, 35% and 35%, respectively)	50,824	88,241	3,365
State and local income taxes, net of federal income tax benefit	10,983	9,380	88
Foreign income tax differential	(3,533)	6	(5,441)
Nondeductible expenses	(4,648)	(20,372)	(1,128)
Excess inclusion income tax expense	—	—	(1,311)
Valuation allowance, net	2,874	(3,555)	(692)
Impact of Tax Cuts and Jobs Act	2,190	24,908	—
Other	1,091	(209)	337
Income tax benefit (expense)	$ 59,781	$ 98,399	$ (4,782)

Tax Examinations

The Company is no longer subject to U.S. federal, state and local or foreign income tax examinations by tax authorities for years prior to 2015.

24. 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 $10.5 million, $13.7 million and $5.6 million for the years ended December 31, 2018, 2017 and 2016, respectively. Future contractual minimum rental payments for office leases at December 31, 2018 are as follows:

Year Ending December 31,	(In thousands)
2019	$ 9,380
2020	9,007
2021	8,617
2022	7,602
2023	7,045
2024 and thereafter	29,615
Total	$ 71,266

Contingent Consideration

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 December 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.

25. Segment Reporting

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

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

- *Industrial*—The Company's industrial segment is composed of and primarily invests in light industrial assets throughout the U.S. that serve as the “last mile” of the logistics chain, which are vital for e-commerce and tenants that require increasingly quick delivery times. These properties are generally multi-tenant warehouses that are less than 250,000 square feet.

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

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

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

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

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 for administrative use, corporate level financing and related interest expense, income and expense related to cost reimbursement arrangements with certain affiliates, costs in connection with unconsummated investments, compensation expense not directly attributable to reportable segments, corporate level administrative and overhead costs as well as 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
Year Ended December 31, 2018								
Total revenues	$ 592,455	$ 290,956	$ 849,513	$ —	$ 739,167	$ 183,946	$ 9,239	$ 2,665,276
Property operating expenses	271,166	83,003	563,453	—	316,037	—	—	1,233,659
Interest expense	194,898	42,713	153,395	—	150,032	—	54,513	595,551
Depreciation and amortization	164,389	129,104	144,528	—	99,525	28,653	6,207	572,406
Provision for loan losses	213	—	—	—	42,821	—	—	43,034
Impairment loss	217,524	948	72,469	—	79,432	217,850	—	588,223
Gain on sale of real estate	—	7,633	—	—	159,598	—	—	167,231
Equity method earnings (losses)	—	—	—	(65,366)	99,400	(43,435)	—	(9,401)
Equity method earnings—carried interest	—	—	—	—	—	19,961	—	19,961
Income tax benefit (expense)	(4,991)	(40)	9,875	—	(4,298)	59,030	205	59,781
Income (loss) from continuing operations	(283,516)	26,749	(90,581)	(65,366)	268,870	(128,255)	(222,974)	(495,073)
Loss from discontinued operations	—	—	—	—	(102)	—	—	(102)
Net income (loss)	(283,516)	26,749	(90,581)	(65,366)	268,768	(128,255)	(222,974)	(495,175)
Net income (loss) attributable to Colony Capital, Inc.	(199,277)	4,246	(82,798)	(61,457)	143,065	(120,286)	(203,100)	(519,607)

(In thousands)	Healthcare	Industrial	Hospitality	CLNC	Other Equity and Debt	Investment Management	Amounts Not Allocated to Segments	Total
Year Ended December 31, 2017								
Total revenues	$ 613,169	$ 243,172	$ 815,831	$ —	$ 873,046	$ 244,654	$ 6,862	$ 2,796,734
Property operating expenses	274,528	67,196	537,884	—	233,901	—	—	1,113,509
Interest expense	185,256	38,566	134,729	—	161,993	—	54,278	574,822
Depreciation and amortization	183,897	109,265	133,269	—	128,942	56,616	5,790	617,779
Provision for loan losses	1,588	—	—	—	18,153	—	—	19,741
Impairment loss	14,375	44	—	—	30,867	375,074	—	420,360
Gain on sale of real estate	—	24,612	—	—	112,758	—	—	137,370
Equity method earnings	—	—	—	—	265,079	20,072	—	285,151
Income tax benefit (expense)	(5,639)	(2,252)	(2,779)	—	(3,950)	111,205	1,814	98,399
Income (loss) from continuing operations	(64,767)	37,497	(9,863)	—	567,752	(170,168)	(438,619)	(78,168)
Income from discontinued operations	—	—	—	—	995	—	12,560	13,555
Net income (loss)	(64,767)	37,497	(9,863)	—	568,747	(170,168)	(426,059)	(64,613)
Net income (loss) attributable to Colony Capital, Inc.	(51,428)	12,537	(9,199)	—	426,052	(182,038)	(393,815)	(197,891)
Year Ended December 31, 2016								
Total revenues	$ —	$ 196,357	$ —	$ —	$ 569,780	$ 68,331	$ 4,389	$ 838,857
Property operating expenses	—	55,924	—	—	62,537	—	—	118,461
Interest expense	—	44,834	—	—	80,503	—	44,746	170,083
Depreciation and amortization	—	88,854	—	—	63,480	14,767	4,581	171,682
Provision for loan losses	—	—	—	—	35,005	—	—	35,005
Impairment loss	—	407	—	—	10,990	320	—	11,717
Gain on sale of real estate	—	2,888	—	—	70,728	—	—	73,616
Equity method earnings	—	—	—	—	97,188	2,187	—	99,375
Income tax benefit (expense)	—	(586)	—	—	(10,143)	6,608	(661)	(4,782)
Net income (loss)	—	(3,003)	—	—	431,903	21,229	(159,403)	290,726
Net income (loss) attributable to Colony Capital, Inc.	—	(911)	—	—	226,202	17,903	(127,876)	115,318

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
December 31, 2018								
Total assets	$ 5,395,550	$ 3,185,906	$ 3,980,988	$ 1,037,754	$ 6,371,999	$ 1,983,911	$ 259,141	$ 22,215,249
Equity method investments	—	—	—	1,037,754	1,054,295	194,304	3,742	2,290,095
December 31, 2017								
Total assets	$ 5,813,552	$ 2,810,135	$ 4,094,596	$ —	$ 9,251,963	$ 2,714,840	$ 100,564	$ 24,785,650
Equity method investments	—	—	—	—	1,315,670	207,642	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)	Year Ended December 31, 2018	2017	2016
Total income by geography:			
United States	$ 2,311,230	$ 2,741,862	$ 732,928
Europe	329,609	310,783	194,923
Other	302	3,610	6,083
Total [1]	$ 2,641,141	$ 3,056,255	$ 933,934

(In thousands)	December 31, 2018	December 31, 2017
Long-lived assets by geography:		
United States	$ 12,454,871	$ 13,244,197
Europe	1,600,623	1,749,282
Total [2]	$ 14,055,494	$ 14,993,479

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[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, assets held for sale and investment management related intangible assets.

26. Supplemental Disclosure of Cash Flow Information

(In thousands)	Year Ended December 31, 2018	2017	2016
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest, net of amounts capitalized	$ 507,495	$ 452,726	$ 118,365
Cash paid for income taxes, net of refunds	14,476	53,017	7,190
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Dividends and distributions payable	$ 84,013	$ 188,202	$ 65,972
Net assets of CLNY Investment Entities deconsolidated, net of cash and restricted cash contributed (Note 4)	936,547	—	—
Redemption of OP Units for common stock	29,034	22,831	18,571
Improvements in operating real estate in accrued and other liabilities	2,249	18,221	—
Deconsolidation of net assets of securitization trusts (Note 15)	131,386	—	—
Increase in contributions receivable from noncontrolling interests	29,721	—	—
Assets held for sale contributed to equity method investee	20,350	—	—
Deferred tax liabilities assumed by buyer of related real estate	26,629	—	—
Debt assumed by buyer in sale of real estate	196,416	1,258,558	—
Foreclosures and exchanges of loans receivable for real estate	47,097	54,615	128,124
Share repurchase payable	7,567	—	—
Proceeds from loan repayments and asset sales held in escrow	19,425	27,426	—
Distributions payable to noncontrolling interests included in other liabilities	19,297	10,786	—
Net assets of investment entity deconsolidated, net of cash and restricted cash contributed	—	153,368	—
Investment deposits applied to acquisition of loans receivable, real estate and CPI Group	—	66,020	—
Assets acquired in Merger, net of cash and restricted cash assumed (Note 3)	—	16,684,675	—
Liabilities assumed in Merger (Note 3)	—	11,249,183	—
Noncontrolling interests assumed in Merger (Note 3)	—	592,690	—
Common stock issued for acquisition of NSAM and NRF (Note 3)	—	5,710,134	—
Preferred stock issued for acquisition of NRF (Note 3)	—	1,010,320	—

(In thousands)	Year Ended December 31, 2018	2017	2016
Net assets acquired in CPI restructuring, net of cash and restricted cash assumed (Note 3)	—	219,278	—
Net assets acquired in THL Hotel Portfolio, net of cash and restricted cash assumed (Note 3)	—	326,679	—
Net assets of sponsored fund consolidated, net of cash and restricted cash assumed (Note 15)	—	13,370	—
Contributions receivable from noncontrolling interests		25,501	—
Exchange of notes for class A common shares	—	3,279	—
Assets of consolidated securitization trust	—	58,296	—
Liabilities of consolidated securitization trust	—	56,928	—
Net settlement of redemption and investment in equity method investee	—	—	117,241

27. Subsequent Events

Common Stock Repurchase

Between January 1, 2019 and February 25, 2019, the Company repurchased 652,311 shares of its class A common stock at an aggregate cost of $3.2 million, excluding commissions, or a weighted average price of $4.84 per share. As of February 25, 2019, $246.7 million of the previously authorized $300 million was remaining in its stock repurchase program.

Acquisition of Real Estate

In February 2019, the Company acquired 54 buildings in its industrial segment (of which four buildings are under construction and expected to close over the next six months) at a purchase price of $1.16 billion, part of which includes the initiation of a new bulk industrial strategy that is expected to be complementary to, and synergistic with, the existing light industrial platform. In connection with the acquisition, the Company closed on a $500 million floating rate unsecured term debt and replaced the existing $400 million credit facility within its industrial segment with a $600 million facility that was $142 million drawn at closing. The combined financing is secured by the light industrial portfolio and is non-recourse to the Company. Separately, the Company also obtained a $235 million first mortgage debt secured by the bulk industrial portfolio.

COLONY CAPITAL, INC.
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 2018, 2017 and 2016

The following table summarizes the activities in the allowance for doubtful accounts established on all of the Company's receivable balances, including non-interest receivables from borrowers, receivables from tenants including base rents, expense reimbursements and straight-line rents, receivables from hotel guest and city ledgers, resident fees, and fees and other receivables from managed companies and funds. The balances include allowances on receivables related to held for sale properties.

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Balance at January 1	$ 6,869	$ 1,708	$ 1,786
Allowance for doubtful accounts	26,860	14,602	3,314
Charge-offs	(19,155)	(9,531)	(3,316)
Effect of changes in foreign exchange rates	(60)	90	(76)
Balance at December 31	$ 14,514	$ 6,869	$ 1,708

COLONY CAPITAL, INC.
SCHEDULE III—REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2018

(Amounts in thousands)			Initial Cost		Costs Capitalized Subsequent to Acquisition (1)	Gross Cost Basis at December 31, 2018					
Property Description / Location	Number of Properties	Encumbrances	Land	Buildings and Improvements		Land	Buildings and Improvements	Total	Accumulated Depreciation (2)	Net Carrying Amount (3)	Date of Acquisition (4)
Healthcare											
Assisted Living Facilities											
Alabama	1	$ 4,540	$ 337	$ 2,583	$ 1,469	$ 337	$ 4,052	$ 4,389	$ 233	$ 4,156	2017
Arizona	1	8,998	536	14,434	1,234	536	15,668	16,204	851	15,353	2017
California	5	36,361	12,157	76,393	809	12,157	77,202	89,359	4,151	85,208	2017
Colorado	2	104,052	7,734	138,276	2,228	7,734	140,504	148,238	7,574	140,664	2017
Florida	2	725	419	303	—	419	303	722	51	671	2017
Georgia	1	7,227	516	14,220	314	516	14,534	15,050	853	14,197	2017
Illinois	23	161,951	9,433	289,465	6,289	9,433	295,754	305,187	16,235	288,952	2017
Indiana	9	25,835	7,170	26,900	100	7,170	27,000	34,170	1,826	32,344	2017
Kansas	1	6,128	915	12,105	(5,203)	915	6,902	7,817	768	7,049	2017
Massachusetts	5	9,900	1,346	1,523	198	1,346	1,721	3,067	182	2,885	2017
Minnesota	11	31,436	3,763	66,922	(27,784)	3,763	39,138	42,901	3,669	39,232	2017
North Carolina	8	99,712	11,656	151,555	297	11,656	151,852	163,508	8,141	155,367	2017
Nebraska	1	2,602	559	3,161	104	559	3,265	3,824	207	3,617	2017
Ohio	30	186,107	16,108	247,227	2,705	16,108	249,932	266,040	14,253	251,787	2017
Oklahoma	5	10,580	1,419	17,467	1,400	1,419	18,867	20,286	1,370	18,916	2017
Oregon	25	181,352	20,905	269,521	(2,254)	20,905	267,267	288,172	15,364	272,808	2017
South Carolina	1	16,183	1,105	17,975	238	1,105	18,213	19,318	1,022	18,296	2017
Tennessee	2	12,269	2,179	24,880	735	2,179	25,615	27,794	1,487	26,307	2017
Texas	8	119,707	18,144	138,400	4,495	18,144	142,895	161,039	8,422	152,617	2017
Washington	6	45,483	3,765	68,188	757	3,765	68,945	72,710	3,824	68,886	2017
United Kingdom	45	272,529	124,664	492,612	20,957	124,664	513,569	638,233	25,107	613,126	2017-2018
Hospitals											
California	5	103,968	17,079	135,979	—	17,079	135,979	153,058	6,976	146,082	2017
Georgia	1	13,566	2,047	16,650	—	2,047	16,650	18,697	855	17,842	2017
Louisiana	1	11,993	1,591	13,991	—	1,591	13,991	15,582	713	14,869	2017
Missouri	3	31,264	3,586	22,684	—	3,586	22,684	26,270	1,209	25,061	2017
Oklahoma	1	11,499	536	15,954	—	536	15,954	16,490	811	15,679	2017
Texas	2	35,222	3,191	52,444	2,037	3,191	54,481	57,672	2,699	54,973	2017
Utah	1	14,464	2,151	7,073	—	2,151	7,073	9,224	374	8,850	2017
Medical Office Buildings											
Alabama	2	31,466	—	56,271	(23,484)	—	32,787	32,787	3,116	29,671	2017
Arkansas	1	494	—	1,343	—	—	1,343	1,343	200	1,143	2017
California	2	20,908	5,708	33,859	982	5,708	34,841	40,549	2,139	38,410	2017

(Amounts in thousands)			Initial Cost		Costs Capitalized Subsequent to Acquisition (1)	Gross Cost Basis at December 31, 2018					
Property Description / Location	Number of Properties	Encumbrances	Land	Buildings and Improvements		Land	Buildings and Improvements	Total	Accumulated Depreciation (2)	Net Carrying Amount (3)	Date of Acquisition (4)
Colorado	6	37,735	8,330	57,631	1,578	8,330	59,209	67,539	4,001	63,538	2017
Florida	3	23,299	2,119	41,291	(5,226)	2,119	36,065	38,184	2,470	35,714	2017
Georgia	13	58,308	12,976	100,200	2,249	12,976	102,449	115,425	6,486	108,939	2017
Hawaii	1	8,175	519	14,030	4	519	14,034	14,553	732	13,821	2017
Idaho	1	22,459	—	30,473	—	—	30,473	30,473	1,769	28,704	2017
Illinois	6	63,246	9,809	97,777	43	9,809	97,820	107,629	6,018	101,611	2017
Indiana	27	178,317	18,106	297,968	(5,048)	18,106	292,920	311,026	19,388	291,638	2017
Louisiana	4	33,777	2,406	52,423	(5,421)	2,406	47,002	49,408	3,332	46,076	2017
Michigan	3	31,508	3,856	48,736	(9,680)	3,856	39,056	42,912	2,849	40,063	2017
Minnesota	2	6,828	1,144	9,348	126	1,144	9,474	10,618	598	10,020	2017
Mississippi	1	13,720	—	21,465	—	—	21,465	21,465	1,353	20,112	2017
New Mexico	3	14,751	—	16,344	173	—	16,517	16,517	1,772	14,745	2017
Ohio	5	48,534	5,036	99,147	(10,879)	5,036	88,268	93,304	5,865	87,439	2017
Oklahoma	2	11,865	—	18,382	—	—	18,382	18,382	1,114	17,268	2017
South Carolina	2	9,681	761	22,966	(5,174)	761	17,792	18,553	1,496	17,057	2017
Tennessee	2	11,342	449	20,215	(3,887)	449	16,328	16,777	1,201	15,576	2017
Texas	21	102,014	5,808	169,067	1,353	5,808	170,420	176,228	12,135	164,093	2017
Washington	1	22,470	998	47,052	89	998	47,141	48,139	2,647	45,492	2017
Skilled Nursing Facilities											
Alabama	1	9,074	433	7,169	—	433	7,169	7,602	474	7,128	2017
Arizona	1	10,781	1,043	17,013	—	1,043	17,013	18,056	984	17,072	2017
California	2	19,987	1,936	37,612	—	1,936	37,612	39,548	4,646	34,902	2017
Florida	24	173,422	25,304	347,560	—	25,304	347,560	372,864	19,902	352,962	2017
Georgia	7	100,169	12,140	130,707	—	12,140	130,707	142,847	7,270	135,577	2017
Illinois	4	54,744	6,546	137,591	(62,141)	6,546	75,450	81,996	7,871	74,125	2017
Indiana	19	95,295	5,634	132,921	—	5,634	132,921	138,555	8,404	130,151	2017
Kentucky	1	8,979	362	17,493	3,084	362	20,577	20,939	1,195	19,744	2017
Louisiana	1	18,866	1,068	28,675	—	1,068	28,675	29,743	1,637	28,106	2017
Massachusetts	3	17,145	6,179	8,966	(960)	6,179	8,006	14,185	434	13,751	2017
Maryland	1	6,908	1,219	14,556	—	1,219	14,556	15,775	836	14,939	2017
Michigan	2	8,188	1,717	13,988	1	1,717	13,989	15,706	857	14,849	2017
North Carolina	1	5,735	286	10,549	—	286	10,549	10,835	622	10,213	2017
Oregon	6	26,190	4,330	38,024	(6,359)	4,330	31,665	35,995	2,238	33,757	2017
Pennsylvania	11	188,683	20,010	240,922	—	20,010	240,922	260,932	13,747	247,185	2017
Tennessee	4	40,869	4,236	62,156	2,975	4,236	65,131	69,367	3,545	65,822	2017
Virginia	8	50,168	7,650	88,135	—	7,650	88,135	95,785	5,124	90,661	2017
Washington	3	13,927	3,647	16,108	(1,263)	3,647	14,845	18,492	1,062	17,430	2017
	413	3,165,680	456,776	4,945,018	(115,740)	456,776	4,829,278	5,286,054	290,756	4,995,298	

(Amounts in thousands) Property Description / Location	Number of Properties	Encumbrances	Initial Cost Land	Initial Cost Buildings and Improvements	Costs Capitalized Subsequent to Acquisition (1)	Gross Cost Basis at December 31, 2018 Land	Gross Cost Basis at December 31, 2018 Buildings and Improvements	Gross Cost Basis at December 31, 2018 Total	Accumulated Depreciation (2)	Net Carrying Amount (3)	Date of Acquisition (4)
Industrial											
Atlanta	50	200,821	52,210	345,503	11,278	52,210	356,781	408,991	43,624	365,367	2014-2018
Austin	6	—	9,174	60,537	955	9,174	61,492	70,666	6,066	64,600	2014-2017
Chicago	25	—	29,857	116,251	7,549	29,857	123,800	153,657	19,082	134,575	2014
Dallas	59	192,007	69,662	335,274	11,673	69,662	346,947	416,609	44,688	371,921	2014-2018
Denver	8	38,689	14,253	60,415	4,359	14,253	64,774	79,027	7,565	71,462	2014-2017
Houston	8	21,446	20,934	109,946	2,980	20,934	112,926	133,860	13,147	120,713	2014-2017
Jacksonville	13	5,474	21,565	103,560	12,400	21,565	115,960	137,525	3,755	133,770	2017-2018
Kansas City	14	49,000	13,423	75,709	3,635	13,423	79,344	92,767	9,902	82,865	2014-2017
Las Vegas	8	—	24,553	77,093	11,394	24,553	88,487	113,040	2,670	110,370	2017-2018
Maryland-BWI	20	113,198	51,042	170,623	1,537	51,042	172,160	223,202	11,158	212,044	2015-2018
Minneapolis	13	102,755	23,064	130,113	6,258	23,064	136,371	159,435	19,831	139,604	2014-2016
New Jersey, Northern	10	—	20,133	70,432	812	20,133	71,244	91,377	1,645	89,732	2018
New Jersey, South / Philadelphia	24	58,852	34,023	135,624	4,680	34,023	140,304	174,327	22,618	151,709	2014-2017
Oakland	2	60,000	20,648	74,993	1,660	20,648	76,653	97,301	1,907	95,394	2018
Orlando	16	131,500	27,610	180,144	5,996	27,610	186,140	213,750	17,726	196,024	2014-2017
Phoenix	22	59,000	31,983	181,795	5,068	31,983	186,863	218,846	16,429	202,417	2014-2018
Salt Lake City	15	44,453	18,892	85,594	3,131	18,892	88,725	107,617	10,206	97,411	2014-2017
San Antonio	3	—	11,045	61,638	459	11,045	62,097	73,142	1,596	71,546	2018
St. Louis	8	—	8,813	43,702	3,140	8,813	46,842	55,655	7,403	48,252	2014
Tampa	4	—	4,278	32,138	2,317	4,278	34,455	38,733	5,505	33,228	2014
	328	1,077,195	507,162	2,451,084	101,281	507,162	2,552,365	3,059,527	266,523	2,793,004	
Hospitality											
Extended Stay											
Arizona	1	12,861	1,897	15,843	249	1,897	16,092	17,989	1,146	16,843	2017
California	8	220,715	59,120	241,574	6,846	59,120	248,420	307,540	18,276	289,264	2017
Colorado	3	61,776	13,163	67,804	5,736	13,163	73,540	86,703	5,757	80,946	2017
Connecticut	2	25,056	3,454	30,231	1,498	3,454	31,729	35,183	2,356	32,827	2017
Florida	2	12,943	2,991	50,761	621	2,991	51,382	54,373	3,884	50,489	2017
Georgia	2	43,517	7,278	52,967	505	7,278	53,472	60,750	3,760	56,990	2017
Illinois	1	27,884	4,375	34,567	317	4,375	34,884	39,259	2,729	36,530	2017
Kentucky	2	16,809	2,956	29,407	(8,126)	2,956	21,281	24,237	2,169	22,068	2017
Louisiana	1	12,168	1,874	15,043	719	1,874	15,762	17,636	1,683	15,953	2017
Massachusetts	3	60,054	8,274	74,973	637	8,274	75,610	83,884	5,294	78,590	2017
Maryland	1	19,889	3,003	24,644	302	3,003	24,946	27,949	1,903	26,046	2017
Maine	1	13,346	1,572	15,610	1,735	1,572	17,345	18,917	1,426	17,491	2017
Michigan	2	32,982	4,521	39,797	1,776	4,521	41,573	46,094	2,880	43,214	2017
North Carolina	1	18,108	1,693	23,893	423	1,693	24,316	26,009	2,295	23,714	2017
New Hampshire	3	48,084	7,167	59,440	801	7,167	60,241	67,408	4,437	62,971	2017

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(Amounts in thousands) Property Description / Location	Number of Properties	Encumbrances	Initial Cost: Land	Initial Cost: Buildings and Improvements	Costs Capitalized Subsequent to Acquisition (1)	Gross Cost Basis at December 31, 2018: Land	Gross Cost Basis at December 31, 2018: Buildings and Improvements	Gross Cost Basis at December 31, 2018: Total	Accumulated Depreciation (2)	Net Carrying Amount (3)	Date of Acquisition (4)
New Jersey	7	123,033	20,639	145,058	8,689	20,639	153,747	174,386	13,119	161,267	2017
New Mexico	1	17,594	2,125	22,446	733	2,125	23,179	25,304	2,262	23,042	2017
New York	3	39,657	4,108	48,124	3,584	4,108	51,708	55,816	3,606	52,210	2017
Ohio	1	8,761	575	11,747	235	575	11,982	12,557	1,080	11,477	2017
Pennsylvania	2	30,727	4,526	36,759	1,925	4,526	38,684	43,210	2,630	40,580	2017
Tennessee	1	23,898	4,118	28,471	912	4,118	29,383	33,501	2,150	31,351	2017
Texas	11	137,555	19,932	165,947	9,474	19,932	175,421	195,353	14,905	180,448	2017
Virginia	3	33,075	5,981	38,545	2,375	5,981	40,920	46,901	3,346	43,555	2017
Washington	4	102,182	22,388	116,391	3,036	22,388	119,427	141,815	7,931	133,884	2017
Full Service											
Florida	2	45,001	12,328	133,394	24,026	12,328	157,420	169,748	12,072	157,676	2017
Maryland	1	11,765	3,086	12,964	276	3,086	13,240	16,326	918	15,408	2017
New Jersey	1	39,893	16,282	35,308	3,786	16,282	39,094	55,376	3,118	52,258	2017
Select Service											
Alabama	1	14,962	1,134	19,213	651	1,134	19,864	20,998	1,404	19,594	2017
Arizona	2	30,561	7,831	34,616	585	7,831	35,201	43,032	3,009	40,023	2017
California	10	202,529	45,970	232,362	5,248	45,970	237,610	283,580	18,215	265,365	2017
Colorado	1	15,962	2,018	20,047	430	2,018	20,477	22,495	1,591	20,904	2017
Connecticut	3	53,877	6,735	67,148	1,696	6,735	68,844	75,579	5,013	70,566	2017
Florida	8	124,232	16,852	219,288	7,347	16,852	226,635	243,487	15,947	227,540	2017
Georgia	4	58,264	11,505	77,275	(6,466)	9,932	72,382	82,314	6,012	76,302	2017
Illinois	1	18,501	2,738	22,368	801	2,738	23,169	25,907	1,678	24,229	2017
Kentucky	1	29,201	6,660	31,618	2,456	6,660	34,074	40,734	2,483	38,251	2017
Louisiana	2	19,355	2,409	23,780	1,534	2,409	25,314	27,723	2,376	25,347	2017
Massachusetts	1	25,131	3,272	31,343	490	3,272	31,833	35,105	2,194	32,911	2017
Maryland	3	39,090	10,405	78,892	(34,838)	4,994	49,465	54,459	3,267	51,192	2017
Michigan	4	79,189	10,430	97,029	3,738	10,430	100,767	111,197	7,487	103,710	2017
North Carolina	6	100,253	13,689	123,653	3,224	13,689	126,877	140,566	9,260	131,306	2017
New Hampshire	3	41,159	6,092	50,557	854	6,092	51,411	57,503	3,601	53,902	2017
New Jersey	4	93,153	18,073	110,251	2,182	18,073	112,433	130,506	8,484	122,022	2017
New York	5	102,426	30,292	107,812	5,838	30,292	113,650	143,942	9,803	134,139	2017
Ohio	1	16,534	7,655	56,496	(40,120)	2,633	21,398	24,031	1,693	22,338	2017
Oklahoma	1	4,569	447	5,387	767	447	6,154	6,601	615	5,986	2017
Pennsylvania	3	41,918	7,469	47,626	3,641	7,469	51,267	58,736	3,841	54,895	2017
Tennessee	2	35,092	5,699	42,462	1,284	5,699	43,746	49,445	3,489	45,956	2017
Texas	15	132,938	27,974	177,156	(13,879)	24,389	166,862	191,251	16,039	175,212	2017
Virginia	6	101,057	23,071	140,115	(21,833)	17,577	123,776	141,353	9,009	132,344	2017
Washington	1	28,786	2,125	36,312	368	2,125	36,680	38,805	1,107	37,698	2017
	158	2,648,072	509,971	3,424,514	(912)	488,886	3,444,687	3,933,573	264,749	3,668,824	

(Amounts in thousands) Property Description / Location	Number of Properties	Encumbrances	Initial Cost: Land	Initial Cost: Buildings and Improvements	Costs Capitalized Subsequent to Acquisition (1)	Gross Cost Basis at December 31, 2018: Land	Gross Cost Basis at December 31, 2018: Buildings and Improvements	Gross Cost Basis at December 31, 2018: Total	Accumulated Depreciation (2)	Net Carrying Amount (3)	Date of Acquisition (4)
Other Equity and Debt											
Hotel—Arizona	5	41,363	10,917	43,884	7,124	10,917	51,008	61,925	3,596	58,329	2017
Hotel—California	21	290,323	57,970	274,907	19,254	57,970	294,161	352,131	20,202	331,929	2017
Hotel—Florida	3	25,822	8,508	24,764	4,281	8,508	29,045	37,553	2,051	35,502	2017
Hotel—Georgia	1	10,753	1,905	9,296	751	1,905	10,047	11,952	759	11,193	2017
Hotel—Iowa	3	17,346	—	15,832	71	—	15,903	15,903	1,066	14,837	2017
Hotel—Illinois	5	28,805	4,553	30,274	261	4,553	30,535	35,088	2,672	32,416	2017
Hotel—Indiana	1	9,183	1,232	9,325	410	1,232	9,735	10,967	693	10,274	2017
Hotel—Kansas	1	4,866	517	4,930	1,065	517	5,995	6,512	498	6,014	2017
Hotel—Kentucky	1	6,122	1,358	5,576	11	1,358	5,587	6,945	429	6,516	2017
Hotel—Massachusetts	1	9,183	1,152	9,261	1,846	1,152	11,107	12,259	721	11,538	2017
Hotel—Michigan	3	23,860	3,276	22,820	773	3,276	23,593	26,869	1,815	25,054	2017
Hotel—Missouri	1	4,788	471	5,597	561	471	6,158	6,629	509	6,120	2017
Hotel—Nevada	4	84,687	27,160	71,823	2,951	27,160	74,774	101,934	5,211	96,723	2017
Hotel—New Jersey	2	15,776	3,572	13,553	2,154	3,572	15,707	19,279	1,514	17,765	2017
Hotel—New York	8	28,962	3,791	25,267	6,863	3,791	32,130	35,921	2,991	32,930	2019
Hotel—Ohio	7	24,488	4,557	31,786	4,554	4,557	36,340	40,897	3,127	37,770	2017
Hotel—Oklahoma	1	2,826	—	4,751	42	—	4,793	4,793	488	4,305	2017
Hotel—Oregon	1	16,247	2,413	12,142	71	2,413	12,213	14,626	796	13,830	2017
Hotel—Pennsylvania	8	60,592	12,148	71,347	4,238	12,148	75,585	87,733	5,689	82,044	2017
Hotel—Rhode Island	1	6,750	910	7,017	972	910	7,989	8,899	728	8,171	2017
Hotel—Tennessee	1	9,575	2,020	8,803	58	2,020	8,861	10,881	713	10,168	2017
Hotel—Texas	14	115,140	16,720	90,428	10,909	16,720	101,337	118,057	6,738	111,319	2017
Hotel—Virginia	3	38,459	8,446	37,575	171	8,446	37,746	46,192	2,733	43,459	2017
Industrial—France	4	37,075	13,034	36,185	604	13,034	36,789	49,823	1,960	47,863	2017
Industrial—Spain	1	—	—	2,346	9	—	2,355	2,355	146	2,209	2017
Mixed-Use—Italy	1	10,467	13,293	18,972	4,232	13,293	23,204	36,497	1,521	34,976	2015
Multifamily—US	1	—	1,659	269	14,156	1,659	14,425	16,084	392	15,692	2017
Office—France	33	142,126	60,301	139,169	15,448	60,301	154,617	214,918	7,573	207,345	2016-2017
Office—Spain	2	12,931	96,002	88,770	168	96,002	88,938	184,940	4,731	180,209	2017
Office—US	6	73,015	24,510	198,612	11,508	24,510	210,120	234,630	28,039	206,591	2013-2017
Office/Industrial—France	206	346,727	109,406	329,735	663	109,406	330,398	439,804	1,798	438,006	2018
Retail—France	1	11,349	4,876	8,871	62	4,876	8,933	13,809	427	13,382	2017
Retail—UK	1	8,405	911	11,766	(3,705)	911	8,061	8,972	1,563	7,409	2015
	352	1,518,011	497,588	1,665,653	112,536	497,588	1,778,189	2,275,777	113,889	2,161,888	
Real estate held for investment	1,251	$ 8,408,958	$1,971,497	$12,486,269	$ 97,165	$1,950,412	$12,604,519	$14,554,931	$ 935,917	13,619,014	

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(Amounts in thousands) Property Description / Location	Number of Properties	Encumbrances	Initial Cost: Land	Initial Cost: Buildings and Improvements	Costs Capitalized Subsequent to Acquisition (1)	Gross Cost Basis at December 31, 2018: Land	Gross Cost Basis at December 31, 2018: Buildings and Improvements	Gross Cost Basis at December 31, 2018: Total	Accumulated Depreciation (2)	Net Carrying Amount (3)	Date of Acquisition (4)
Real estate held for sale											
Hotel										69,699	2017
Industrial										131,400	2014
Other Equity & Debt—US										180,029	Various
Other Equity & Debt—Europe										471,274	Various
Total real estate assets										$14,471,416	

(1) Includes adjustment for impairment of real estate.

(2) Depreciation is calculated using a useful life ranging from 4 months based on the shortest remaining lease term for improvements and up to 51 years for buildings.

(3) The aggregate gross cost of total real estate assets for federal income tax purposes is $13.2 billion at December 31, 2018.

(4) Properties consolidated upon the Internalization reflect an acquisition date of April 2, 2015, the effective date of consolidation.

The following tables summarize the activity in real estate assets and accumulated depreciation:

(In thousands)	Year Ended December 31, 2018	2017	2016
Real Estate, at Gross Cost Basis			
Balance at January 1	$ 15,791,144	$ 3,656,094	$ 3,518,682
Assumed through the Merger	—	11,730,087	—
Foreclosures and exchanges of loans receivable for real estate	45,617	1,867,655	128,124
Acquisitions	984,844	1,027,889	434,266
Improvements and capitalized costs [1]	276,210	237,125	16,072
Deconsolidation of real estate held by investment entity (Note 4)	(226,004)	(407,653)	—
Dispositions [2]	(933,217)	(2,484,616)	(313,982)
Impairment	(357,629)	(59,652)	(11,391)
Measurement period adjustments for real estate acquired in 2015 business combination	—	—	(16,688)
Effect of changes in foreign exchange rates	(80,163)	224,215	(98,989)
Balance at December 31	15,500,802	15,791,144	3,656,094
Classified as held for sale, net [3]	(945,871)	(748,589)	(235,541)
Balance at December 31, held for investment	$ 14,554,931	$ 15,042,555	$ 3,420,553

(In thousands)	Year Ended December 31, 2018	2017	2016
Accumulated Depreciation			
Balance at January 1	$ 606,200	$ 188,509	$ 88,577
Depreciation	471,599	453,331	108,298
Deconsolidation of real estate held by investment entity (Note 4)	(6,256)	(3,212)	—
Dispositions [2]	(42,873)	(34,854)	(6,025)
Effect of changes in foreign exchange rates	716	2,426	(2,341)
Balance at December 31	1,029,386	606,200	188,509
Classified as held for sale, net [3]	(93,469)	(27,903)	(11,587)
Balance at December 31, held for investment	$ 935,917	$ 578,297	$ 176,922

[1] Includes transaction costs capitalized for asset acquisitions.

[2] Includes amounts classified as held for sale during the year and disposed before the end of the year.

[3] Amounts classified as held for sale during the year and remain as held for sale at the end of the year.

COLONY CAPITAL, INC.
SCHEDULE IV—MORTGAGE LOANS ON REAL ESTATE
December 31, 2018

(Dollars in thousands)

Loan Type / Collateral / Location (1)	Number of Loans	Payment Terms (2)	Interest Rate Range (3)	Maturity Date Range (4)	Prior Liens (5)	Unpaid Principal Balance	Carrying Amount (6)(7)	Principal Amount Subject to Delinquent Principal or Interest (8)
Loans at amortized cost								
First mortgage:								
Residential—France	1	I/O	15.0%	October 2020	$ —	$ 19,254	$ 18,788	$ —
Multifamily—Ireland	1	I/O	3.1%	January 2018	—	83,220	83,218	83,220
Office—France	1	I/O	4.0%	December 2018	—	866	732	—
Office—Ireland	1	I/O	2.3%	January 2018	—	45,220	45,216	45,220
Office—Ireland	1	I/O	12.5%	December 2021	—	125,594	125,594	—
Retail—Various, USA	1	I/O	8.6%	May 2019	—	45,575	46,038	—
Retail—France	1	I/O	3.5%	June 2018	—	2,497	2,920	2,497
Hospitality—France	1	I/O	10.0%	December 2021	—	91,652	91,470	—
Hospitality—Spain	1	I/O	11.0%	July 2019	—	42,692	44,392	—
Healthcare—UK	5	I/O	7.5%	March 2022	—	48,330	48,330	—
Land—TX, USA	1	I/O	14.0%	May 2019	—	34,745	34,639	—
Other—France	3	I/O	3.5% - 15.0%	June 2018 to December 2020	—	6,743	6,866	1,633
	18				—	546,388	548,203	132,570
Subordinated mortgage and mezzanine:								
Multifamily—CA, USA	2	I/O	13.4%	April 2021 to September 2021	—	27,772	27,417	—
Office—Various, USA	2	I/O	8.0% - 12.0%	July 2019 to April 2025	78,000	31,027	28,107	—
Office—Ireland / France	1	I/O	11.0%	January 2022	161,854	124,020	136,009	—
Retail—NC, USA	1	P&I	5.7%	December 2018	74,712	37,766	21,500	37,766
Retail—Germany	1	I/O	10.0%	June 2020	126,485	114,449	123,282	—
Retail—UK	1	I/O	12.0%	August 2019	118,314	64,161	64,161	64,161
Mixed Use—CA, USA	1	I/O	12.9%	July 2020	254,297	262,402	262,061	—
	9				813,662	661,597	662,537	101,927

(Dollars in thousands)

Loan Type / Collateral / Location (1)	Number of Loans	Payment Terms (2)	Interest Rate Range (3)	Maturity Date Range (4)	Prior Liens (5)	Unpaid Principal Balance	Carrying Amount (6)(7)	Principal Amount Subject to Delinquent Principal or Interest (8)
Purchased credit-impaired loans (9)								
Residential—WI, USA	1					444	—	—
Multifamily—Various, USA	99					43,913	29,140	7,425
Multifamily—Ireland	2					5,360	739	—
Industrial—Ireland	3					89,477	14,740	—
Office—NC, USA	1					475	—	—
Office—France	1					6,032	4,578	—
Office—Ireland	7					73,206	20,318	—
Office—Ireland	1					182,569	168,940	182,569
Office—Spain	1					9,585	4,733	—
Retail—VA, USA	1					19,555	19,455	—
Retail—Ireland	7					101,862	22,168	—
Hospitality—France	1					16,259	17,581	—
Hospitality—Ireland	7					55,293	—	—
Land—Ireland	4					107,099	25,642	—
Other—NY, USA	1					3,216	2,628	—
Other—Bahamas	1					25,397	2,997	25,397
Other—Ireland	38					591,970	7,022	—
	176				—	1,331,712	340,681	215,391
Corporate loans								
N/A (10)	2	I/O	8.0% - 13.0%	March 2019 to January 2027	—	41,935	41,608	—
N/A (10)	1	I/O	14.0%	January 2025	—	67,009	66,188	—
	3				—	108,944	107,796	—
Total	206				$ 813,662	$2,648,641	$1,659,217	$ 449,888

(1) Loans with carrying amounts that are individually less than 3% of the total carrying amount have been aggregated according to collateral type and location.

(2) Payment terms: P&I = Periodic payment of principal and interest; I/O = Periodic payment of interest only with principal at maturity

(3) Variable rate loans are determined based on the applicable index in effect at December 31, 2018.

(4) Represents contractual maturity that does not contemplate exercise of extension option.

(5) Prior liens represent loan amounts owned by third parties that are senior to the Company's subordinated or mezzanine positions and are approximate.

(6) Carrying amounts at December 31, 2018 are presented net of $32.9 million of allowance for loan losses.

(7) The aggregate cost basis of loans held for investment for federal income tax purposes was approximately $1.7 billion at December 31, 2018.

(8) Represents principal balance of loans which are 90 days or more past due as to principal or interest. For purchased credit-impaired loans, amounts represent principal balance of loans on nonaccrual status for which the Company is not able to determine a reasonable expectation of cash flows to be collected.

(9) Purchased credit-impaired 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. Payment terms, stated interest rate and contractual maturity are not presented as they are not meaningful for purchased credit-impaired loans.

(10) Corporate loans are either unsecured or secured by the assets of the parent entities that own the underlying real estate operations but are not secured by mortgages on the real estate.

Activity in loans held for investment is summarized below:

(In thousands)	Year Ended December 31, 2018	2017	2016
Balance at January 1	$ 3,223,762	$ 3,430,608	$ 4,046,093
Loans acquired in Merger	—	359,541	—
Loan acquisitions and originations	386,532	991,239	551,456
Paid-in-kind interest added to loan principal	52,234	56,131	43,864
Discount and net loan fee amortization	14,524	43,877	27,038
Loan repayments	(166,267)	(902,190)	(735,162)
Payments received from PCI loans	(187,140)	(419,232)	(197,453)
Accretion on PCI loans	27,911	61,809	65,911
Transfer to loans held for sale	—	(50,894)	(56,357)
Carrying value of loans sold	(111,864)	—	(118,068)
Transfer to real estate assets upon foreclosure	(47,097)	(515,055)	(128,124)
Loans receivable contributed to Colony Credit (Note 4)	(1,287,994)	—	—
Deconsolidation of loans receivable in securitization trusts	(149,447)	—	—
Provision for loan losses	(43,034)	(19,741)	(34,864)
Other loss	—	(2,309)	—
Consolidation of loans receivable held by investment entities and securitization trusts (Notes 3 and 6)	—	58,296	—
Effect of changes in foreign exchange rates	(52,903)	131,682	(33,726)
Balance at December 31	$ 1,659,217	$ 3,223,762	$ 3,430,608

Item 16. Form 10-K Summary

Omitted at Registrant’s option.

EXHIBIT INDEX

Exhibit Number	Description
2.1	Contribution and Implementation Agreement, dated as of December 23, 2014, by and among Colony Financial, Inc., CFI RE Masterco, LLC, Colony Capital, LLC, Colony Capital Holdings, LLC, Colony Capital OP Subsidiary, LLC, CCH Management Partners I, LLC, FHB Holding LLC and Richard B. Saltzman (incorporated by reference to Exhibit 2.1 to Colony Capital, Inc.’s Current Report on Form 8-K filed on December 23, 2014)
2.2	Agreement and Plans of Merger, dated as of June 2, 2016, among NorthStar Asset Management Group Inc., Colony Capital, Inc., NorthStar Realty Finance Corp., Colony NorthStar, Inc. (formerly known as New Polaris Inc.), New Sirius Inc., NorthStar Realty Finance Limited Partnership, Sirius Merger Sub-T, LLC and New Sirius Merger Sub, LLC (incorporated by reference to Exhibit 2.1 to Colony NorthStar, Inc.’s Registration Statement on Form S-4 (No. 333-212739) effective November 18, 2016, which is included as Annex A to such Registration Statement)
2.3	Letter Agreement, dated as of July 28, 2016, by and among NorthStar Realty Finance Corp., Colony Capital, Inc., NorthStar Asset Management Group Inc., Colony NorthStar, Inc. (formerly known as New Polaris Inc.), Sirius Merger Sub-T, LLC, NorthStar Realty Finance Limited Partnership, New Sirius Inc. and New Sirius Merger Sub LLC (incorporated by reference to Exhibit 2.2 to Colony NorthStar, Inc.’s Registration Statement on Form S-4 (No. 333-212739) effective November 18, 2016, which is included as Annex A to such Registration Statement)
2.4	Letter Agreement, dated as of October 16, 2016, among NorthStar Realty Finance Corp., Colony Capital, Inc., NorthStar Asset Management Group Inc., Colony NorthStar, Inc. (formerly known as New Polaris Inc.), Sirius Merger Sub-T, LLC, NorthStar Realty Finance Limited Partnership, New Sirius Inc. and New Sirius Merger Sub LLC (incorporated by reference to Exhibit 2.3 to Colony NorthStar, Inc.’s Registration Statement on Form S-4 (No. 333-212739) effective November 18, 2016, which is included as Annex A to such Registration Statement)
2.5	Master Combination Agreement, dated as of August 25, 2017, among Colony Capital Operating Company, LLC, NRF RED REIT Corp., NorthStar Real Estate Income Trust, Inc., NorthStar Real Estate Income Trust Operating Partnership, LP, NorthStar Real Estate Income II, Inc., NorthStar Real Estate Income Operating Partnership II, LP, Colony NorthStar Credit Real Estate, Inc. and Credit RE Operating Company, LLC (incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K filed on August 28, 2017)
2.6	Amended and Restated Master Combination Agreement, dated as of November 20, 2017, among Colony Capital Operating Company, LLC, NRF RED REIT Corp., NorthStar Real Estate Income Trust, Inc., NorthStar Real Estate Income Trust Operating Partnership, LP, NorthStar Real Estate Income II, Inc., NorthStar Real Estate Income Operating Partnership II, LP, Colony NorthStar Credit Real Estate, Inc. and Credit RE Operating Company, LLC (incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K filed on November 21, 2017)
3.1	Articles of Amendment and Restatement of Colony NorthStar, Inc. (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed on January 10, 2017)
3.2	Articles of Amendment of Colony Capital, Inc. (fka Colony NorthStar, Inc.), as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on August 9, 2018)
3.3	Amended and Restated Bylaws of Colony Capital, Inc. (fka Colony NorthStar, Inc.) (incorporated by reference to Exhibit 3.2 to the Company’s Current Report on Form 8-K filed on June 25, 2018)
3.4	Articles Supplementary designating Colony NorthStar, Inc.’s 7.15% Series I Cumulative Redeemable Perpetual Preferred Stock, liquidation preference $25.00 per share, par value $0.01 per share (incorporated by reference to Exhibit 3.2 to the Company’s Form 8-A filed on June 5, 2017)
3.5	Articles Supplementary designating Colony NorthStar, Inc.’s 7.125% Series J Cumulative Redeemable Perpetual Preferred Stock, liquidation preference $25.00 per share, par value $0.01 per share (incorporated by reference to Exhibit 3.3 to Colony NorthStar, Inc.’s Registration Statement on Form 8-A filed on September 22, 2017)
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)
4.3	Indenture, dated as of April 10, 2013, between Colony Capital, Inc. and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to Colony Financial, Inc.’s Current Report on Form 8-K filed on April 10, 2013)
4.4	First Supplemental Indenture, dated as of April 10, 2013, by and between Colony Capital, Inc. and The Bank of New York Mellon (incorporated by reference to Exhibit 4.2 to Colony Capital, Inc.’s Current Report on Form 8-K filed on April 10, 2013)
4.5	Second Supplemental Indenture, dated as of January 28, 2014, by and between Colony Capital, Inc. and The Bank of New York Mellon (incorporated by reference to Exhibit 4.2 to Colony Capital, Inc.’s Current Report on Form 8-K filed on January 28, 2014)
4.6	Third Supplemental Indenture, dated as of January 10, 2017, between Colony NorthStar, Inc. and The Bank of New York Mellon (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed on January 10, 2017)

Exhibit Number	Description
4.7	Form of 3.875% Convertible Senior Notes due 2021 (included in Exhibit 4.3) (incorporated by reference to Exhibit 4.6 to Colony Capital, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015)
4.8	Registration Rights Agreement relating to the 7.25% Exchangeable Senior Notes due 2027 of NorthStar Realty Finance Limited Partnership, dated as of June 18, 2007 (incorporated by reference to Exhibit 4.2 to NorthStar Realty Finance Corp.'s Registration Statement on Form S-3 (File No. 333-146679))
4.9	Indenture, dated as of June 18, 2007, by and among NorthStar Realty Finance Limited Partnership, NorthStar Realty Finance Corp. and Wilmington Trust Company (incorporated by reference to Exhibit 4.1 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on June 22, 2007 (File No. 001-32330))
4.10	Supplemental Indenture, dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. and Wilmington Trust Company (incorporated by reference to Exhibit 4.9 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.11	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and Wilmington Trust Company (incorporated by reference to Exhibit 4.1 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.12	Third Supplemental Indenture, dated as of January 10, 2017, by and between NRF Holdco, LLC, Colony NorthStar, Inc. and Wilmington Trust Company (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.13	Registration Rights Agreement relating to the 5.375% Exchangeable Senior Notes due 2033 of NorthStar Realty Finance Limited Partnership, dated as of June 19, 2013 (incorporated by reference to Exhibit 4.4 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on June 19, 2013)
4.14	Indenture, dated as of June 19, 2013, by and among NorthStar Realty Finance Limited Partnership, NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.1 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on June 19, 2013)
4.15	Supplemental Indenture, dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.3 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.16	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.3 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.17	Third Supplemental Indenture, dated as of January 10, 2017, by and between NRF Holdco, LLC, Colony NorthStar, Inc. and Wilmington Trust, National Association (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.18	Junior Subordinated Indenture, dated as of April 12, 2005, between NorthStar Realty Finance Corp. (as successor in interest to NorthStar Realty Finance Limited Partnership) and The Bank of New York Mellon Trust Company, N.A. (as successor trustee to JPMorgan Chase Bank, National Association) (incorporated by reference to Exhibit 10.17 to NorthStar Realty Finance Corp.'s Amendment No. 1 to its Annual Report on Form 10-K/A for the year ended December 31, 2004 (File No. 001-32330))
4.19	Supplemental Indenture dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. (renamed NorthStar Realty Finance Corp.) and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.12 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.20	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and The Bank of New York Mellon Trust Company, N.A., further supplementing the Indenture, dated as of April 12, 2005 and supplemented by the first Supplemental Indenture thereto dated as of June 30, 2014, between NorthStar Realty Finance Corp. and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.4 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.21	Third Supplemental Indenture, dated as of January 10, 2017, by and among NRF Holdco, LLC, Colony NorthStar, Inc. and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.22	Junior Subordinated Indenture, dated as of May 25, 2005, between NorthStar Realty Finance Limited Partnership and The Bank of New York Mellon Trust Company, N.A. (as successor trustee to JPMorgan Chase Bank, National Association) (incorporated by reference to Exhibit 10.19 to NorthStar Realty Finance Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-32330))
4.23	Supplemental Indenture dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. (renamed NorthStar Realty Finance Corp.) and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.14 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.24	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and The Bank of New York Mellon Trust Company, N.A., further supplementing the Indenture, dated as of May 25, 2005 and supplemented by the first Supplemental Indenture thereto dated as of June 30, 2014, between NorthStar Realty Finance Corp. and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.5 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.25	Third Supplemental Indenture, dated as of January 10, 2017, by and among NRF Holdco, LLC, Colony NorthStar, Inc. and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)

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Exhibit Number	Description
4.26	Junior Subordinated Indenture, dated as of November 22, 2005, between NorthStar Realty Finance Corp. (as successor in interest to NorthStar Realty Finance Limited Partnership) and The Bank of New York Mellon Trust Company, N.A. (as successor trustee to JPMorgan Chase Bank, National Association) (incorporated by reference to Exhibit 10.30 to NorthStar Realty Finance Corp.'s Registration Statement on Form S-11 (File No. 333-128962))
4.27	Supplemental Indenture dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. (renamed NorthStar Realty Finance Corp.) and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.16 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.28	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and The Bank of New York Mellon Trust Company, N.A., further supplementing the Indenture, dated as of November 22, 2005 and supplemented by the first Supplemental Indenture thereto dated as of June 30, 2014, between NorthStar Realty Finance Corp. and The Bank of New York Mellon Trust Company, N.A. (as successor trustee to JPMorgan Chase Bank, National Association) (incorporated by reference to Exhibit 4.6 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.29	Third Supplemental Indenture, dated as of January 10, 2017, by and among NRF Holdco, LLC, Colony NorthStar, Inc. and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.30	Junior Subordinated Indenture, dated as of March 10, 2006, between NorthStar Realty Finance Corp. (as successor in interest to NorthStar Realty Finance Limited Partnership and NorthStar Realty Finance Corp.) and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.31 to NorthStar Realty Finance Corp.'s Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-32330))
4.31	Supplemental Indenture dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. (renamed NorthStar Realty Finance Corp.) and Wilmington Trust Company (incorporated by reference to Exhibit 4.18 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.32	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and Wilmington Trust Company, further supplementing the Indenture, dated as of March 10, 2006 and supplemented by the first Supplemental Indenture thereto dated as of June 30, 2014, between NorthStar Realty Finance Corp. and Wilmington Trust Company (incorporated by reference to Exhibit 4.7 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.33	Third Supplemental Indenture, dated as of January 10, 2017, by and among NRF Holdco, LLC, Colony NorthStar, Inc. and Wilmington Trust Company (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.34	Junior Subordinated Indenture, dated as of August 1, 2006, between NorthStar Realty Finance Corp. (as successor in interest to NorthStar Realty Finance Limited Partnership and NorthStar Realty Finance Corp.) and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.39 to NorthStar Realty Finance Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 001-32330))
4.35	Supplemental Indenture dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. (renamed NorthStar Realty Finance Corp.) and Wilmington Trust Company (incorporated by reference to Exhibit 4.20 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.36	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and Wilmington Trust Company, further supplementing the Indenture, dated as of August 1, 2006 and supplemented by the first Supplemental Indenture thereto dated as of June 30, 2014, between NorthStar Realty Finance Corp. and Wilmington Trust Company (incorporated by reference to Exhibit 4.8 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.37	Third Supplemental Indenture, dated as of January 10, 2017, by and among NRF Holdco, LLC, Colony NorthStar, Inc. and Wilmington Trust Company (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.38	Junior Subordinated Indenture, dated as of October 6, 2006, between NorthStar Realty Finance Corp. (as successor in interest to NorthStar Realty Finance Limited Partnership and NorthStar Realty Finance Corp.) and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.42 to NorthStar Realty Finance Corp.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-32330))
4.39	Supplemental Indenture dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. (renamed NorthStar Realty Finance Corp.) and Wilmington Trust Company (incorporated by reference to Exhibit 4.22 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.40	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and Wilmington Trust Company, further supplementing the Indenture, dated as of October 6, 2006 and supplemented by the first Supplemental Indenture thereto dated as of June 30, 2014, between NorthStar Realty Finance Corp. and Wilmington Trust Company (incorporated by reference to Exhibit 4.9 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.41	Third Supplemental Indenture, dated as of January 10, 2017, by and among NRF Holdco, LLC, Colony NorthStar, Inc. and Wilmington Trust Company (incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.42	Junior Subordinated Indenture, dated as of March 30, 2007, between NorthStar Realty Finance Corp. (as successor in interest to NorthStar Realty Finance Limited Partnership and NorthStar Realty Finance Corp.) and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.46 to NorthStar Realty Finance Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 001-32330))

Exhibit Number	Description
4.43	Supplemental Indenture dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. (renamed NorthStar Realty Finance Corp.) and Wilmington Trust Company (incorporated by reference to Exhibit 4.24 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.44	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and Wilmington Trust Company, further supplementing the Indenture, dated as of March 30, 2007 and supplemented by the first Supplemental Indenture thereto dated as of June 30, 2014, between NorthStar Realty Finance Corp. and Wilmington Trust Company (incorporated by reference to Exhibit 4.10 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.45	Third Supplemental Indenture, dated as of January 10, 2017, by and among NRF Holdco, LLC, Colony NorthStar, Inc. and Wilmington Trust Company (incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.46	Junior Subordinated Indenture, dated as of June 7, 2007, between NorthStar Realty Finance Corporation (as successor in interest to NorthStar Realty Finance Limited Partnership and NorthStar Realty Finance Corp.) and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.52 to NorthStar Realty Finance Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-32330))
4.47	Supplemental Indenture dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. (renamed NorthStar Realty Finance Corp.) and Wilmington Trust Company (incorporated by reference to Exhibit 4.26 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.48	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and Wilmington Trust Company, further supplementing the Indenture, dated as of June 7, 2007 and supplemented by the first Supplemental Indenture thereto dated as of June 30, 2014, between NorthStar Realty Finance Corp. and Wilmington Trust Company (incorporated by reference to Exhibit 4.11 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.49	Third Supplemental Indenture, dated as of January 10, 2017, by and among NRF Holdco, LLC, Colony NorthStar, Inc. and Wilmington Trust Company (incorporated by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
Certain Instruments defining the rights of holders of long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Registrant hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.	
10.1	Third Amended and Restated Limited Liability Company Agreement of Colony Capital Operating Company, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 10, 2017)
10.2	Amendment No. 1 to the Third Amended and Restated Limited Liability Company Agreement of Colony Capital Operating Company, LLC, dated as of June 23, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 9, 2017)
10.3	Amendment No. 2 to the Third Amended and Restated Limited Liability Company Agreement of Colony Capital Operating Company, LLC, dated as of October 13, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2017)
10.4	Amendment No. 3 to the Third Amended and Restated Limited Liability Company Agreement of Colony Capital Operating Company, LLC, dated as of October 18, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2017)
10.5	Amendment No. 4 to the Third Amended and Restated Limited Liability Company Agreement of Colony Capital Operating Company, LLC, dated as of November 5, 2018 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2018)
10.6†*	Colony Capital, Inc. 2014 Omnibus Stock Incentive Plan
10.7	Second Amended and Restated Credit Agreement, dated as of January 10, 2017, 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 10.13 to the Company's Current Report on Form 8-K filed on January 10, 2017)
10.8	First Amendment to the Second Amended and Restated Credit Agreement, 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)
10.9*	Second Amendment, dated as of January 8, 2019, among Colony Capital Operating Company, LLC, the several lenders from time to time parties thereto and JPMorgan Chase Bank, N.A., as administrative agent
10.10	Tax Protection Agreement, dated as of January 10, 2017, by and among Colony Capital, Inc., Colony Capital Operating Company, LLC, Colony Capital, LLC, CCH Management Partners I, LLC, FHB Holding LLC and Richard B. Saltzman (incorporated by reference to Exhibit 10.14 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
10.11	Form of Indemnification Agreement, by and between Colony NorthStar, Inc. and the Officers and Directors of Colony NorthStar, Inc. (incorporated by reference to Exhibit 10.17 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
10.12	Advisory Agreement, dated as of June 30, 2014, by and among NSAM J-NSHC Ltd, NorthStar Healthcare Income, Inc., NorthStar Healthcare Income Operating Partnership, LP and NorthStar Asset Management Group Inc. (incorporated by reference to Exhibit 10.8 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on July 1, 2014)

Exhibit Number	Description
10.13	Amendment No. 1 to Advisory Agreement, dated as of December 20, 2017, by and among NorthStar Healthcare Income, Inc., NorthStar Healthcare Income Operating Partnership, LP, CNI NSHC Advisors, LLC and Colony NorthStar, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 27, 2017)
10.14	Amended and Restated Asset Management Agreement, dated as of November 9, 2017, between NorthStar Realty Europe Corp. and CNI NRE Advisors, LLC (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10K for the year ended December 31, 2017 filed on March 1, 2018)
10.15	Amendment No. 1 to Amended and Restated Asset Management Agreement between NorthStar Realty Europe Corp. and CNI NRE Advisors, LLC, dated as of November 7, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2018)
10.16	Third Amended and Restated Limited Liability Company Agreement of Townsend Holdings LLC, dated as of January 14, 2016 and effective as of January 29, 2016, by and among Townsend Holdings LLC, NorthStar Asset Management Group Inc. and the other unitholders named therein (incorporated by reference to Exhibit 10.1 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on February 2, 2016)
10.17	Colony Mark Transfer Agreement, dated as of December 23, 2014, by and among New Colony Holdings LLC, Colony Financial, Inc. and CFI RE Masterco, LLC (incorporated by reference to Exhibit 10.1 to Colony Capital, Inc.'s Current Report on Form 8-K filed on December 23, 2014)
10.18†	Employment Agreement, dated as of December 23, 2014, by and between Colony Financial, Inc. and Thomas J. Barrack, Jr. (incorporated by reference to Exhibit 10.2 to Colony Capital, Inc.'s Current Report on Form 8-K filed on December 23, 2014)
10.19†	Employment Agreement, dated as of December 23, 2014, by and between Colony Financial, Inc. and Richard B. Saltzman (incorporated by reference to Exhibit 10.3 to Colony Capital, Inc.'s Current Report on Form 8-K filed on December 23, 2014)
10.20†	Share Transfer and Liquidated Damages Agreement, dated as of December 23, 2014, by and among Colony Financial, Inc., Colony Capital Holdings, LLC, Colony Capital, LLC and Richard B. Saltzman (incorporated by reference to Exhibit 10.5 to Colony Capital, Inc.'s Current Report on Form 8-K filed on December 23, 2014)
10.21†	First Amendment to Employment Agreement, Share Transfer Agreement and Restrictive Covenant Agreement, dated as of June 2, 2016, by and among Colony Capital, Inc. and Richard B. Saltzman (incorporated by reference to Exhibit 10.3 to Colony Capital, Inc.'s Current Report on Form 8-K filed on June 8, 2016)
10.22†	Lock-Up and Liquidated Damages Agreement, dated as of December 23, 2014, by and among Colony Financial, Inc., CFI RE Masterco, LLC, Colony Capital, LLC and Thomas J. Barrack, Jr. (incorporated by reference to Exhibit 10.4 to Colony Capital, Inc.'s Current Report on Form 8-K filed on December 23, 2014)
10.23†	First Amendment to Employment Agreement, Lock-Up Agreement and Restrictive Covenant Agreement, dated as of June 2, 2016, by and among Colony and Thomas J. Barrack, Jr. (incorporated by reference to Exhibit 10.2 to Colony Capital, Inc.'s Current Report on Form 8-K filed on June 8, 2016)
10.24	Waiver and Acknowledgment to Contribution and Implementation Agreement, entered into as of April 1, 2015 (incorporated by reference to Exhibit 10.2 to Colony Capital, Inc.'s Current Report on Form 8-K filed on April 2, 2015)
10.25†	Employment Agreement, dated as of March 16, 2015, by and between Colony Capital, Inc. and Ronald M. Sanders (incorporated by reference to Exhibit 10.3 to Colony Capital, Inc.'s Current Report on Form 8-K filed on April 2, 2015)
10.26†	Employment Agreement, dated as of March 16, 2015, by and between Colony Capital, Inc. and Darren J. Tangen (incorporated by reference to Exhibit 10.4 to Colony Capital, Inc.'s Current Report on Form 8-K filed on April 2, 2015)
10.27†	Employment Agreement, dated as of March 16, 2015, by and between Colony Capital, Inc. and Kevin Traenkle (incorporated by reference to Exhibit 10.5 to Colony Capital, Inc.'s Current Report on Form 8-K filed on April 2, 2015)
10.28†	Employment Agreement, dated as January 14, 2019, between Colony Capital, Inc. and Mark M. Hedstrom (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 18, 2019)
10.29†	Employment Agreement, dated as January 14, 2019, between Colony Capital, Inc. and Neale W. Redington (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 18, 2019)
10.30†*	Form of Restricted Stock Agreement
10.31†*	Form of Performance Restricted Stock Unit Agreement
10.32	Separation Agreement and Release of Claims, dated as of December 18, 2018, between Colony Capital, Inc. and Richard B. Saltzman (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 21, 2018)
10.33	Separation Agreement, dated as of October 31, 2015, by and between NorthStar Realty Finance Corp. and NorthStar Realty Europe Corp. (incorporated by reference to Exhibit 10.3 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on November 2, 2015)
10.34	First Amendment to Contribution and Implementation Agreement, dated as of June 2, 2016, by and among Colony, Colony Capital OP, Colony Capital, LLC, Colony Capital Holdings, LLC, Colony Capital OP Subsidiary, LLC, CCH Management Partners I, LLC, FHB Holding LLC and Richard B. Saltzman (incorporated by reference to Exhibit 10.1 to Colony Capital, Inc.'s Current Report on Form 8-K filed on June 8, 2016)
10.35†	NorthStar Realty Finance Corp. Third Amended and Restated 2004 Omnibus Stock Incentive Plan (incorporated by reference to Appendix A to NorthStar Realty Finance Corp.'s definitive Proxy Statement on Schedule 14A filed on May 13, 2016)

Exhibit Number	Description
10.36†	Colony Financial, Inc. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Colony Financial, Inc.'s Form S-8 filed on August 5, 2014)
10.37	Purchase and Sale Agreement, dated as of November 4, 2016, by and among NorthStar Realty Finance Limited Partnership, NorthStar Healthcare JV Holdings, LLC, NorthStar Healthcare REIT, LLC, NorthStar TK Healthcare Operating Company, LLC, NorthStar Healthcare JV, LLC and NRFC Healthcare Holding Company, LLC and Derwood Limited (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 25, 2017)
10.38	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)
10.39	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)
10.40	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)
10.41*	Amended and Restated Aircraft Time Sharing Agreement, dated as of January 16, 2019, by and among Colony Capital Advisors, LLC and Thomas J. Barrack, Jr.
10.42	Cooperation Agreement, dated as of February 10, 2019, by and among Colony Capital, Inc. and Blackwells Capital, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 14, 2019)
21.1*	List of Subsidiaries of Colony Capital, Inc.
23.1*	Consent of Ernst & Young LLP
31.1*	Certification of Thomas J. Barrack Jr., Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Mark M. Hedstrom, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Thomas J. Barrack Jr., Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Mark M. Hedstrom, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101**	Financial statements from the Annual Report on Form 10-K of Colony Capital, Inc. for the year ended December 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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† Denotes a management contract or compensatory plan contract or arrangement.

* 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 Section 13 or 15(d) 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.

COLONY CAPITAL, INC.

Dated:	March 1, 2019	By:	/s/ Thomas J. Barrack, Jr.
			Thomas J. Barrack, Jr.
			Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Darren J. Tangen and Ronald M. Sanders and each of them severally, her or his true and lawful attorney-in-fact with power of substitution and re-substitution to sign in her or his name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the U.S. Securities and Exchange Commission in connection with this Annual Report on Form 10-K and any and all amendments hereto, as fully for all intents and purposes as she or he might or could do in person, and hereby ratifies and confirms all said attorneys-in-fact and agents, each acting alone, and her or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Thomas J. Barrack, Jr. **Thomas J. Barrack, Jr.**	Executive Chairman of Board of Directors and Chief Executive Officer (Principal Executive Officer)	March 1, 2019
/s/ Mark M. Hedstrom **Mark M. Hedstrom**	Chief Financial Officer (Principal Financial Officer)	March 1, 2019
/s/ Neale W. Redington **Neale W. Redington**	Chief Accounting Officer (Principal Accounting Officer)	March 1, 2019
/s/ Douglas Crocker II **Douglas Crocker II**	Director	March 1, 2019
/s/ Nancy A. Curtin **Nancy A. Curtin**	Director	March 1, 2019
/s/ Jon A. Fosheim **Jon A. Fosheim**	Director	March 1, 2019
/s/ Craig Hatkoff **Craig Hatkoff**	Director	March 1, 2019
/s/ Justin Metz **Justin Metz**	Director	March 1, 2019
/s/ Raymond Mikulich **Raymond Mikulich**	Director	March 1, 2019
/s/ George G.C. Parker **George G.C. Parker**	Director	March 1, 2019
/s/ Charles W. Schoenherr **Charles W. Schoenherr**	Director	March 1, 2019
/s/ John A. Somers **John A. Somers**	Director	March 1, 2019
/s/ John L. Steffens **John L. Steffens**	Director	March 1, 2019

Exhibit 10.6

COLONY CAPITAL, INC. [1]

2014 OMNIBUS STOCK INCENTIVE PLAN[2]

Section 1. General Purpose of Plan.

The name of this plan is the Colony Capital, Inc. 2014 Omnibus Stock Incentive Plan (the "Plan"). The purpose of the Plan is to enable the Company to attract and retain highly qualified personnel who will contribute to the Company's success and to provide incentives to Participants (hereinafter defined) that are linked directly to increases in stockholder value and will therefore inure to the benefit of all stockholders of the Company. To accomplish the foregoing, the Plan provides that the Company may grant awards of Stock, Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Dividend Equivalent Rights, Cash-Based Awards and Other Awards (each as hereinafter defined).

Section 2. Definitions.

For purposes of the Plan, the following terms shall be defined as set forth below:

(a) "Administrator" means, except as provided in Section 3(a), the Board, or the compensation committee of the Board or a similar committee performing the functions of the compensation committee and which is comprised of not less than two Non-Employee Directors who are independent.

(b) "Award" means an award of Stock, Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Dividend Equivalent Rights, Cash-Based Award or Other Awards under the Plan.

(c) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

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[1] Effective June 25, 2018, Colony NorthStar, Inc. changed its name to "Colony Capital, Inc."

[2] As adjusted to reflect the series of merger and reorganization transactions (collectively, the "CLNS Merger") contemplated by that certain Agreement and Plans of Merger, dated as of June 2, 2016, by and among NorthStar Asset Management Group Inc. ("NSAM"), Colony Capital, Inc., NorthStar Realty Finance Corp. and other signatories thereto, as amended from time to time, pursuant to which Colony Capital, Inc. (fka Colony NorthStar, Inc.) survived the CLNS Merger and succeeded to the obligations of NSAM under the NorthStar Asset Management Group Inc. 2014 Omnibus Stock Incentive Plan (the "NSAM Plan"). The Colony Capital, Inc. 2014 Omnibus Stock Incentive Plan, as adjusted, will govern future Awards to eligible recipients subsequent to the CLNS Merger. Awards granted under the NSAM Plan prior to the CLNS Merger will continue to be governed, to the extent applicable, by the terms of the NSAM Plan prior to the adjustments made herein.

(d) "<u>Board</u>" means the Board of Directors of the Company.

(e) "<u>Cash-Based Award</u>" means an Award entitling the recipient to receive a cash-denominated payment.

(f) "<u>Change in Control</u>" means:

(i) The acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than fifty percent (50%) of either (i) the then outstanding shares of Stock (the "<u>Outstanding Company Stock</u>") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of Directors (the "<u>Outstanding Company Voting Securities</u>"), each as determined on a fully diluted basis; <u>provided</u>, <u>however</u>, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (A) any acquisition by the Company; (B) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation or trust controlled by the Company; and (C) any acquisition by any entity pursuant to a transaction which complies with clauses (A), (B), and (C) of subsection (iii) of this Section 2(f); or

(ii) Individuals who, as of the date hereof, constitute the Board (the "<u>Incumbent Board</u>") cease for any reason to constitute at least a majority of the Board; <u>provided</u>, <u>however</u>, that any individual becoming a Director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Consummation of a reorganization, merger, or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "<u>Business Combination</u>"), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of Directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, a corporation that as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Stock and Outstanding Company Voting Securities, as the case may be; (B) no Person (excluding any corporation or trust resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation or trust resulting from such Business Combination) beneficially owns, directly or indirectly, thirty-five percent (35%) or more of the then outstanding shares of the corporation or trust resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation or trust except to the extent that such ownership existed prior to the Business Combination; and (C) at least a majority of the members of the board of directors of the corporation or trust resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company and consummation of such transaction.

(g) "CLNS Merger" means the series of merger and reorganization transactions contemplated by that certain Agreement and Plans of Merger, dated as of June 2, 2016, by and among NSAM, Colony Capital, Inc., NorthStar Realty Finance Corp. and other signatories thereto, as amended from time to time, pursuant to which the Company survived the CLNS Merger and succeeded to the obligations of NSAM under the Plan.

(h) "Code" means the Internal Revenue Code of 1986, as amended from time-to-time, or any successor thereto.

(i) "Company" means Colony Capital, Inc. (fka Colony NorthStar, Inc.), a Maryland corporation (or any successor corporation), as successor in interest to NSAM.

(j) "Covered Employee" means an employee who is a "Covered Employee" within the meaning of Section 162(m) of the Code.

(k) "Dividend Equivalent Right" means an Award entitling the Participant to receive credits based on cash dividends that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other award to which it relates) if such shares had been issued to and held by the Participant.

(l) "Effective Date" means the date on which the Plan was approved by stockholders as set forth in Section 18.

(m) "Eligible Recipient" means an officer, director (including a Non-Employee Director), employee, co-employee, consultant or advisor of the Company or of any Parent or Subsidiary who provides services to the Company.

(n) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time-to-time.

(o) "Fair Market Value" means, as of any given date, the fair market value of a share of Stock as determined by the Administrator using any reasonable method and in good faith; provided that if shares of Stock are admitted to trading on a national securities exchange, the fair market value of a share of Stock on any date shall be the closing sale price reported for such share on the exchange on such date on which a sale was reported.

(p) "Free Standing Rights" has the meaning set forth in Section 8 hereof.

(q) "Free Standing Stock Appreciation Rights" has the meaning set forth in Section 8 hereof.

(r) "Incentive Stock Option" means any Stock Option intended to be designated as an "incentive stock option" within the meaning of Section 422 of the Code.

(s) "NSAM" means NorthStar Asset Management Group Inc., a Delaware corporation and the predecessor of the Company, which merged with and into the Company in connection with the CLNS Merger.

(t) "Non-Employee Director" means a director of the Company who is not an employee of the Company who qualifies as a "non-employee director" as defined in Rule 16b-3 under the Exchange Act and as an "outside director" as defined in Section 162(m) of the Code.

(u) "Non-Qualified Stock Option" means any Stock Option that is not an Incentive Stock Option, including any Stock Option that provides (as of the time such Stock Option is granted) that it will not be treated as an Incentive Stock Option.

(v) "Other Awards" means an award granted pursuant to Section 12 hereof.

(w) "Parent" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations in the chain (other than the Company) owns stock possessing 50% or more of the combined voting power of all classes of stock in one of the other corporations in the chain.

(x) "Participant" means any Eligible Recipient selected by the Administrator, pursuant to the Administrator's authority in Section 3 below, to receive an Award.

(y) "Performance-Based Award" means any Award of Restricted Stock, Restricted Stock Units, Cash-Based Award or Other Award granted to a Covered

Employee that is intended to qualify as "performance-based compensation" under Section 162(m) of the Code and the regulations promulgated thereunder.

(z) "Performance Criteria" means the criteria that the Administrator selects for purposes of establishing the Performance Goal or Performance Goals for an individual for a Performance Cycle. The Performance Criteria (which shall be applicable to the organizational level or entity specified by the Administrator, including, but not limited to, the Company's Parent, the Company or a unit, division, group, or Subsidiary of the Company or any entity managed by the Company or its Subsidiary and/or any combination of the foregoing) that will be used to establish Performance Goals are limited to the following: total shareholder return; cash available for distribution; earnings before interest, taxes, depreciation and amortization; net income (loss) (either before or after interest, taxes, depreciation and/or amortization or any other adjustment); changes in the market price of the Stock or stock of any entity managed by the Company or its subsidiary; economic value-added; funds from operations or similar measures, including adjusted funds from operations and equity adjusted funds from operations; sales or revenue; acquisitions or strategic transactions; operating income (loss); cash flow (including, but not limited to, operating cash flow and free cash flow); return on capital, assets, equity, or investment; return on sales; liquidity; balance sheet liquidity; CDO liquidity; discounted payoff; non-listed REIT capital-raise; gross or net profit levels; productivity; expense; margins; operating efficiency; working capital; earnings (loss) per share of Stock or stock of any entity managed by the Company or its subsidiary; sales or market shares and assets under management; any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group or index. The Administrator may appropriately adjust any evaluation of performance under a Performance Goal to exclude any of the following events that occurs during the applicable performance period: (i) asset write-downs or impairments, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reporting results, (iv) accruals for reorganizations and restructuring programs, (v) any non-recurring items, including those described in the Financial Accounting Standards Board's authoritative guidance and/or in management's discussion and analysis of financial condition of operations appearing the Company's (or other applicable entity's) annual report to stockholders for the applicable year, and (vi) any other extraordinary items adjusted from the Company U.S. GAAP results.

(aa) "Performance Cycle" means one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more Performance Criteria will be measured for the purpose of determining a grantee's right to and the payment of an Award of Restricted Stock, Restricted Stock Units, Cash-Based Award or Other Award, the vesting and/or payment of which is subject to the attainment of one or more Performance Goals.

(ab) "Performance Goals" means, for a Performance Cycle, the specific goals established in writing by the Administrator for a Performance Cycle based upon the Performance Criteria.

(ac) "Person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, other entity or "group" (as defined in the Exchange Act).

(ad) "Plan" has the meaning set forth to it in Section 1 hereof.

(ae) "Related Rights" has the meaning set forth in Section 8 hereof.

(af) "Related Stock Appreciation Rights" has the meaning set forth in Section 8 hereof.

(ag) "Restricted Period" has the meaning set forth in Section 9 hereof.

(ah) "Restricted Stock" means shares of Stock subject to certain restrictions granted pursuant to Section 9 below.

(ai) "Restricted Stock Unit" means an Award of phantom stock units subject to certain restrictions granted pursuant to Section 10 below, which may be settled in Stock.

(aj) "Sale Price" means the value as determined by the Administrator of the consideration payable, or otherwise to be received by stockholders, per share of Stock pursuant to a transaction described in Section 5(b) below.

(ak) "Securities Act" means the Securities Act of 1933, as amended.

(al) "Stock" means the common stock, par value $0.01 per share, of the Company.

(am) "Stock Appreciation Right" means the right pursuant to an award granted under Section 8 below to receive an amount equal to the excess, if any, of (A) the Fair Market Value, as of the date such Stock Appreciation Right or portion thereof is surrendered, of the shares of Stock covered by such right or such portion thereof, over (B) the aggregate exercise price of such right or such portion thereof.

(an) "Stock Option" means an option to purchase shares of Stock granted pursuant to Section 7 below.

(ao) "Subsidiary" means any corporation or other entity (other than the Company) in which the Company has a controlling interest, either directly or indirectly.

(ap) "Unit" or "Units" means units, membership units or other equity interests in the operating partnership or limited liability company subsidiary of the Company.

Section 3. Administration.

(a) The Plan shall be administered in accordance with the requirements of Section 162(m) of the Code (but only to the extent necessary and desirable to maintain qualification of Awards under the Plan under Section 162(m) of the Code) and, to the extent applicable, Rule 16b-3 under the Exchange Act by the Administrator.

(b) The Administrator shall have the power and authority to grant Stock, Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Dividend Equivalent Rights, Cash-Based Awards, Other Awards or any combination of the foregoing hereunder to Eligible Recipients pursuant to the terms of the Plan. In particular, but without limitation, the Administrator shall have the authority:

(i) to select those Eligible Recipients who shall be Participants;

(ii) to determine whether and to what extent Awards are to be granted hereunder to Participants;

(iii) to determine the number of shares of Stock to be covered by each Award granted hereunder;

(iv) to determine the terms and conditions, not inconsistent with the terms of the Plan, of each Award granted hereunder, including the waiver or modification of any such terms or conditions;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, which shall govern all written instruments evidencing Awards granted hereunder, including the waiver or modification of any such terms or conditions;

(vi) to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time-to-time deem advisable; and

(vii) to interpret the terms and provisions of the Plan and any Award issued under the Plan (and any award certificates relating thereto) and to otherwise supervise the administration of the Plan.

(c) The Administrator may, in its absolute discretion, without amendment to the Plan: (i) accelerate the date on which any Stock Option or Stock Appreciation Right granted under the Plan becomes exercisable, waive or amend the operation of Plan provisions respecting exercise after termination of employment or otherwise adjust any of the terms of such Stock Option or Stock Appreciation Right; and (ii) accelerate the lapse of restrictions or waive any condition imposed hereunder, with respect to any share of Restricted Stock, Restricted Stock Unit or Other Award or otherwise adjust any of the terms applicable to any such Award; provided, however, that no action under this Section 3(c) shall adversely affect any outstanding Award without the consent of the holder thereof.

(d) All decisions made by the Administrator pursuant to the provisions of the Plan shall be final, conclusive and binding on all persons, including the Company and the Participants. No member of the Administrator, nor any officer or employee of the Company acting on behalf of the Administrator, shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to the Plan and all members of the Administrator and each and any officer or employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

Section 4. Shares Reserved for Issuance Under the Plan.

The total number of shares of Stock reserved and available for issuance under the Plan shall be 33,841,967 shares of Stock, subject to adjustment as provided in Section 5(a), which represents 22,500,000 shares of Stock originally authorized and reserved for issuance (the "Initial Limit"), plus 11,341,967 additional shares of Stock added as a result of Annual Increases (as defined below) occurring pursuant to the terms of the Plan prior to the effective time of the CLNS Merger. For the avoidance of doubt, the total number of shares of Stock available for issuance under the Plan following the effective time of the CLNS Merger will be reduced by the number of shares of common stock of NSAM issued prior to the effective time of the CLNS Merger pursuant to Awards granted under the Plan. In addition, on January 1, 2018 and each January 1 thereafter, the number of shares of Stock reserved and available for issuance under the Plan shall be cumulatively increased by two percent (2%) of the number of shares of Stock issued and outstanding on the immediately preceding December 31 (the "Annual Increase"). For purposes of this limitation, the shares of Stock underlying any Awards that are forfeited, canceled, held back upon exercise of a Stock Option or settlement of an Award to cover the exercise price or tax withholding, reacquired by the Company prior to vesting, satisfied without the issuance of Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan. Subject to such overall limitations, shares of Stock may be issued up to the Initial Limit pursuant to Incentive Stock Options, and Stock Options or Stock Appreciation Rights with respect to no more than the Initial Limit may be granted to any one individual Eligible Recipient during any one calendar year period. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company.

Section 5. Equitable Adjustments; Sale Events

(a) Upon the occurrence of any merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure affecting the Stock, the Administrator shall make appropriate equitable adjustments, which may include, without limitation, adjustments to: (i) the aggregate number of shares of Stock reserved for issuance under the Plan; (ii) the kind, number and exercise price of outstanding Stock Options and Stock Appreciation Rights granted under the Plan; and (iii) the kind, number and purchase price of shares of Stock subject to outstanding awards of Restricted Stock, Restricted Stock Units, Dividend Equivalent Rights and Other Awards granted under the Plan, in each case as may be determined by the Administrator, in its sole discretion. The Administrator shall also make appropriate equitable adjustments in the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration cash dividends paid other than in the ordinary course or any other extraordinary corporate event. Such other substitutions or adjustments shall be made as may be determined by the Administrator, in its sole discretion. The adjustment by the Administrator shall be final, binding and conclusive.

(b) Except as the Administrator may otherwise specify with respect to particular Awards in the relevant award certificate, in the case of and subject to the consummation of (1) a merger, share exchange, reorganization or consolidation or (2) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated Person, all Stock Options and Stock Appreciation Rights that are not exercisable immediately prior to the effective time of such transaction shall become fully exercisable as of the effective time of such transaction, all other Awards with time-based vesting, conditions or restrictions shall become fully vested and nonforfeitable as of the effective time of such transaction and all Awards with conditions and restrictions relating to the attainment of performance goals may become vested and nonforfeitable in connection with such transaction in the Administrator's discretion, unless, in any case, the parties to such transaction agree that Awards will be assumed or continued by the successor entity or new Awards of the successor entity or parent thereof will be substituted for such Awards with appropriate adjustment as to the number and kind of shares and, if appropriate, the per share exercise prices, as such parties shall agree. Upon the effective time of any such transaction, the Plan and all outstanding Awards granted hereunder shall terminate, unless provision is made in connection with such transaction in the sole discretion of the parties thereto for the assumption or continuation of such Awards by the successor entity, or the substitution of such Awards with new Awards of the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and, if appropriate, the per share exercise prices, as such parties shall agree. In the event of such termination: (1) the Company shall have the option (in its sole discretion) to make or provide for a cash payment to the holders of Stock Options and Stock Appreciation Rights, in exchange for the cancellation thereof, in an amount equal to the difference between (A) the Sale Price multiplied by the number of shares of Stock subject to outstanding Options and Stock Appreciation Rights (to the extent then exercisable (after taking into account any acceleration hereunder) at prices not in excess of the Sale Price) and (B) the aggregate exercise price of all such outstanding Options and Stock Appreciation Rights; or (2) each Participant shall be permitted, within a specified period of time prior to the consummation of such transaction as determined by the Administrator, to exercise all outstanding Options and Stock Appreciation Rights held by such Participant. In connection with any such transaction in which the shares of Stock are exchanged for or converted into the right to receive cash, the parties to any such transaction may also provide that some or all outstanding Awards that would otherwise not be fully vested and exercisable in full after giving effect to the transaction will be converted (a "Converted Award") into the right to receive the Sale Price multiplied by the number of shares subject to such Awards (net of the applicable exercise price), subject to any remaining vesting provisions relating to such Awards and the other terms and conditions of such transaction (such as indemnification obligations and purchase price adjustments) to the extent provided by the parties to such transaction.

Section 6. Eligibility.

Eligible Recipients shall be eligible to be granted Stock, Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Dividend Equivalent Rights, Cash-Based Awards, Other Awards or any combination of the foregoing hereunder. The Participants under the Plan shall be selected from time-to-time by the Administrator, in its sole discretion, from among the Eligible Recipients, and the Administrator shall determine, in its sole discretion, the number of shares of Stock covered by each such Award.

Section 7. Stock Options.

Stock Options may be granted alone or in addition to other Awards granted under the Plan. Any Stock Option granted under the Plan shall be in such form as the Administrator may from time-to-time approve, and the provisions of Stock Option awards need not be the same with respect to each Participant. Each participant who is granted a Stock Option shall receive an award certificate of the Stock Option, in such form as the Administrator shall determine, which shall set forth, among other things, the option price of the Stock Option, the term of the Stock Option and provisions regarding exercisability of the Stock Option granted thereunder.

The Stock Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Non-Qualified Stock Options.

The Administrator shall have the authority to grant to any officer or employee of the Company or of any Parent or Subsidiary (including directors who are also officers of the Company) Incentive Stock Options, Non-Qualified Stock Options or both types of Stock Options (in each case with or without Stock Appreciation Rights). Directors who are not also employees or officers of the Company or of any Parent or Subsidiary, consultants or advisors to the Company or to any Parent or Subsidiary may only be granted Non-Qualified Stock Options (with or without Stock Appreciation Rights). To the extent that any Stock Option does not qualify as an Incentive Stock

Option, it shall constitute a separate Non-Qualified Stock Option. More than one Stock Option may be granted to the same Participant and be outstanding concurrently hereunder.

Stock Options granted under the Plan shall be subject to the following terms and conditions and to the award certificate evidencing each Award which shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable:

(a) Option Price. The option exercise price per share of Stock underlying each Stock Option shall be determined by the Administrator in its sole discretion at the time of grant but shall not be less than 100% of the Fair Market Value of the Stock on such date (or with respect to Incentive Stock Options, 110% of the Fair Market Value per share on such date if, on such date, the Eligible Recipient owns, or is deemed to own under the Code, stock possessing more than ten percent (10%) (a "Ten Percent Owner") of the total combined voting power of all classes of Stock).

(b) Option Term. The term of each Stock Option shall be fixed by the Administrator, but no Stock Option shall be exercisable more than ten years after the date such Stock Option is granted; provided, however, that if the Eligible Recipient is a Ten Percent Owner, an Incentive Stock Option may not be exercisable after the expiration of five years from the date such Incentive Stock Option is granted.

(c) Exercisability. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator at or after the time of grant; provided, however, that no action following the time of grant shall adversely affect any outstanding Stock Option without the consent of the holder thereof. The Administrator may provide at the time of grant, in its sole discretion, that any Stock Option shall be exercisable only in installments, and the Administrator may waive such installment exercise provisions at any time, in whole or in part, based on such factors as the Administrator may determine, in its sole discretion, including but not limited to in connection with any change in control of the Company.

(d) Method of Exercise. Subject to Section 7(c), Stock Options may be exercised in whole or in part at any time during the option period, by giving written notice of exercise to the Company specifying the number of shares of Stock to be purchased, accompanied by payment in full of the purchase price in cash or its equivalent, as determined by the Administrator. As determined by the Administrator, in its sole discretion, payment in whole or in part may also be made: (i) by certified or bank check or other instrument acceptable to the Administrator; (ii) in the form of unrestricted Stock already owned by the Participant which has a Fair Market Value on the date of surrender equal to the aggregate option price of the Stock as to which such Stock Option shall be exercised and subject to such other terms and conditions as the Administrator may provide, provided, however, that in the case of an Incentive Stock Option, the right to make payment in the form of already owned shares of Stock may be authorized only at the time of grant; (iii) by the Participant delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; provided that in the event the Participant chooses to pay the purchase price as so provided, the Participant and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; (iv) with respect to Stock Options that are not Incentive Stock Options, by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; (v) any other form of consideration approved by the Administrator and permitted by applicable law; or (vi) any combination of the foregoing.

(e) Rights as Stockholder. A Participant shall generally have the rights to dividends and any other rights of a stockholder with respect to the Stock subject to the Stock Option only after the Participant has given written notice of exercise, has paid in full for such shares, and, if requested, has given the representation described in paragraph (b) of Section 17 below.

(f) Termination of Employment or Service. In the event that a Participant ceases to be employed by or to provide services to any of the Company, any Parent or any Subsidiary, any outstanding Stock Options previously granted to such Participant shall be exercisable at such time or times and subject to such terms and conditions as set forth in the award certificate governing such Awards. Unless otherwise provided in the award certificate, Stock Options granted to such Participant, to the extent they were not vested and exercisable at the time of such termination, shall expire on the date of such termination.

(g) Annual Limit on Incentive Stock Options. In addition to the limitation applicable to Stock Options in Section 4 above, to the extent that the aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of shares of Stock with respect to which Incentive Stock Options granted to a Participant under this Plan and all other option plans of the Company or of any Parent or Subsidiary become exercisable for the first time by the Participant during any calendar year exceeds $100,000 (as determined in accordance with Section 422(d) of the Code), the portion of such Incentive Stock Options in excess of $100,000 shall be treated as Non-Qualified Stock Options.

Section 8. Stock Appreciation Rights.

Stock Appreciation Rights may be granted either alone ("Free Standing Rights") or in conjunction with all or part of any Stock Option granted under the Plan ("Related Rights"). In the case of a Non-Qualified Stock Option, Related Rights may be granted either at or after the time of the grant of such Stock Option. In the case of an Incentive Stock Option, Related Rights may be granted only at the time of the grant of the Incentive Stock Option. The Administrator shall determine the Eligible Recipients to whom, and the time or times at which, grants of Stock Appreciation Rights shall be made;

the number of shares of Stock to be awarded, the exercise price and all other conditions of Stock Appreciation Rights. The provisions of Stock Appreciation Rights need not be the same with respect to each Participant.

Stock Appreciation Rights granted under the Plan shall be subject to the following terms and conditions and to the award certificate evidencing such Award which shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable:

(a) Awards. Participants who are granted Stock Appreciation Rights shall have no rights as stockholders of the Company with respect to the grant or exercise of such rights.

(b) Exercisability.

(i) Stock Appreciation Rights that are Free Standing Rights ("Free Standing Stock Appreciation Rights") shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator at or after grant.

(ii) Stock Appreciation Rights that are Related Rights ("Related Stock Appreciation Rights") shall be exercisable only at such time or times and to the extent that the Stock Options to which they relate shall be exercisable in accordance with the provisions of Section 7 above and this Section 8 of the Plan; provided, however, that a Related Stock Appreciation Right granted in connection with an Incentive Stock Option shall be exercisable only if and when the Fair Market Value of the Stock subject to the Incentive Stock Option exceeds the option price of such Stock Option.

(c) Payment Upon Exercise.

(i) Upon the exercise of a Free Standing Stock Appreciation Right, the Participant shall be entitled to receive up to, but not more than, an amount in cash or that number of shares of Stock (or any combination of cash and shares of Stock) equal in value to the excess of the Fair Market Value of one share of Stock as of the date of exercise over the price per share specified in the Free Standing Stock Appreciation Right (which price shall be no less than 100% of the Fair Market Value of the Stock on the date of grant) multiplied by the number of shares of Stock in respect of which the Free Standing Stock Appreciation Right is being exercised, with the Administrator having the right to determine the form of payment.

(ii) A Related Right may be exercised by a Participant by surrendering the applicable portion of the related Stock Option. Upon such exercise and surrender, the Participant shall be entitled to receive up to, but not more than, an amount in cash or that number of shares of Stock (or any combination of cash and shares of Stock) equal in value to the excess of the Fair Market Value of one share of Stock as of the date of exercise over the option price per share specified in the related Stock Option multiplied by the number of shares of Stock in respect of which the Related Stock Appreciation Right is being exercised, with the Administrator having the right to determine the form of payment. Stock Options which have been so surrendered, in whole or in part, shall no longer be exercisable to the extent the Related Rights have been so exercised.

(d) Termination of Employment or Service.

(i) In the event that a Participant ceases to be employed by or to provide services to any of the Company, any Parent or any Subsidiary, any outstanding Stock Appreciation Rights previously granted to such Participant shall be exercisable at such time or times and subject to such terms and conditions as set forth in the award certificate governing such Awards. Unless otherwise provided in the award certificate, Stock Appreciation Rights granted to such Participant, to the extent they were not vested and exercisable at the time of such termination, shall expire on the date of such termination.

(ii) In the event of the termination of employment or service of a Participant who has been granted one or more Related Stock Appreciation Rights, such rights shall be exercisable at such time or times and subject to such terms and conditions as applicable to the related Stock Options.

(e) Term.

(i) The term of each Free Standing Stock Appreciation Right shall be fixed by the Administrator, but no Free Standing Stock Appreciation Right shall be exercisable more than ten years after the date such right is granted.

(ii) The term of each Related Stock Appreciation Right shall be the term of the Stock Option to which it relates, but no Related Stock Appreciation Right shall be exercisable more than ten years after the date such right is granted.

Section 9. Restricted Stock.

Awards of Restricted Stock may be issued either alone or in addition to other Awards granted under the Plan and shall be evidenced by an award certificate. The Administrator shall determine the Eligible Recipients to whom, and the time or times at which, Restricted Stock awards shall be made; the number of shares to be awarded; the price, if any, to be paid by the Participant for the acquisition of Restricted Stock; the Restricted Period (as defined in Section 9 (c)) applicable to Restricted Stock awards; and all other conditions applicable to Restricted Stock awards. The provisions of the awards of Restricted Stock need not be the same with respect to each Participant.

(a) Purchase Price. The price per share, if any, that a Participant must pay for shares purchasable under an award of Restricted Stock shall be determined by the Administrator in its sole discretion at the time of grant.

(b) Awards and Certificates. If such Restricted Stock is certificated, each Participant who is granted an award of Restricted Stock shall be issued a stock certificate in respect of such shares of Restricted Stock, which certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to any such Award; provided that the Company may require that the stock certificates evidencing Restricted Stock granted hereunder be held in the custody of the Company until the restrictions thereon shall have lapsed, and that, as a condition of any Restricted Stock award, the Participant shall have delivered a stock power, endorsed in blank, relating to the shares covered by such Award. Uncertificated Restricted Stock shall be accompanied by a notation on the records of the Company or the transfer agent to the effect that they are subject to forfeiture until such shares of Restricted Stock are vested.

(c) Nontransferability; Restrictions. The Restricted Stock awards granted pursuant to this Section 9 shall be subject to the restrictions on transferability set forth in this Section 9(c) and Section 17(c) during such period as may be set by the Administrator in the award certificate (the "Restricted Period"); provided that the Administrator may, in its sole discretion, provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions in whole or in part based on such factors and such circumstances as the Administrator may determine in its sole discretion. The Administrator may also impose such other restrictions and conditions, including the achievement of pre-established corporate performance goals on awarded Restricted Stock as it deems appropriate. Any attempt to dispose of any Restricted Shares in contravention of any such restrictions shall be null and void and without effect.

(d) Rights as a Stockholder. Except as provided in Section 9(b) or as otherwise provided in an award certificate, the Participant shall possess all incidents of ownership with respect to shares of Restricted Stock during the Restricted Period, including the right to receive dividends with respect to such shares and to vote such shares. If certificated, certificates for unrestricted shares of Stock shall be delivered to the Participant promptly after, and only after, the Restricted Period shall expire without forfeiture in respect of such awards of Restricted Stock except as the Administrator, in its sole discretion, shall otherwise determine.

(e) Termination of Employment. In the event that a Participant ceases to be employed by or to provide services to any of the Company, any Parent or any Subsidiary during the Restricted Period, any rights pursuant to any Award of Restricted Stock previously granted to such Participant shall be subject to such terms and conditions as set forth in the award certificate governing such Awards. Unless otherwise provided in the award certificate, the Restricted Stock awards granted to such Participant, to the extent that restrictions have not lapsed or applicable conditions have not been met at the time of such cessation of employment or provision of services, shall expire on the date of such termination.

Section 10. Restricted Stock Units.

(a) Nature of Restricted Stock Units. The Administrator shall determine the restrictions and conditions applicable to each Restricted Stock Unit at the time of grant. Conditions may be based on continuing employment (or other service relationship) and/or achievement of pre-established performance goals and objectives. Each grant of Restricted Stock Units shall be evidenced by an award certificate. The terms and conditions of each such grant of Restricted Stock Units shall be determined by the Administrator and such terms and conditions may differ among individual Awards and Participants. At the time and upon the terms and conditions set forth in the award certificate with respect to Restricted Stock Units, the Restricted Stock Units shall be settled in the form of shares of Stock; provided that, to the extent permitted in the award certificate, the Restricted Stock Units may be settled in cash or such other consideration as may be specified in such award certificate. To the extent that an award of Restricted Stock Units is subject to Section 409A of the Code, it may contain such additional terms and conditions as the Administrator shall determine in its sole discretion in order for such Award to comply with the requirements of Section 409A of the Code.

(b) Election to Receive Restricted Stock Units in Lieu of Compensation. The Administrator may, in its sole discretion, permit a Participant to elect to receive a portion of future cash compensation otherwise due to such Participant in the form of an award of Restricted Stock Units. Any such election shall be made in writing and shall be delivered to the Company no later than the date specified by the Administrator and in accordance with Section 409A of the Code and such other rules and procedures established by the Administrator. Any such future cash compensation that the Participant elects to defer shall be converted to a fixed number of Restricted Stock Units based on the Fair Market Value of Stock on the date the compensation would otherwise have been paid to the Participant if such payment had not been deferred as provided herein. The Administrator shall have the sole right to determine whether and under what circumstances to permit such elections and to impose such limitations and other terms and conditions thereon as the Administrator deems appropriate. Any Restricted Stock Units that are elected to be received in lieu of cash compensation shall be fully vested, unless otherwise provided in the applicable award certificate.

(c) Rights as a Stockholder. A Participant shall have the rights as a stockholder only as to shares of Stock acquired by the Participant upon settlement of Restricted Stock Units; provided, however, that the Participant may be credited with Dividend Equivalent Rights with respect to the stock units underlying his Restricted Stock Units, subject to such terms and conditions as the Administrator may determine.

Section 11. Dividend Equivalent Rights

(a) Dividend Equivalent Rights. A Dividend Equivalent Right may be granted hereunder to any Eligible Recipient as a component of an Award or as a freestanding award. The terms and conditions of Dividend Equivalent Rights shall be specified in an award certificate with respect to the Award. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Stock, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment or such other price as may then apply under a dividend reinvestment plan sponsored by the Company, if any, as specified in the applicable Award. The Administrator may provide that Dividend Equivalent Rights may be settled in cash or shares of Stock or a combination thereof, in a single installment or installments. A Dividend Equivalent Right granted as a component of an Award may provide that such Dividend Equivalent Right shall be settled upon settlement or payment of, or lapse of restrictions on, such other Award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other Award. A Dividend Equivalent Right granted as a component of an Award may also contain terms and conditions different from such other Award.

(b) Termination. Except as may otherwise be provided by the Administrator either in the applicable award certificate or, subject to Section 15 below, in writing after the Award is issued, a Participant’s rights in all Dividend Equivalent Rights granted as a component of an Award that has not vested shall automatically terminate upon the Participant’s termination of employment (or cessation of service relationship) with the Company and its Subsidiaries for any reason.

Section 12. Other Awards.

(a) Nature of Other Awards. Other forms of Awards (“Other Awards”) that may be granted under the Plan include Awards that are valued in whole or in part by reference to, or are otherwise calculated by reference to or based on, shares of Stock, including without limitation: (i) Units; (ii) convertible preferred stock, convertible debentures and other convertible, exchangeable or redeemable securities or equity interests (including Units); (iii) membership interests in a Subsidiary or operating partnership; and (iv) Awards valued by reference to book value, fair value or performance parameters relative to the Company or any Subsidiary or group of Subsidiaries. For purposes of calculating the number of shares of Stock underlying an Other Award relative to the total number of shares of Stock reserved and available for issuance under Section 4, the Administrator shall establish in good faith the maximum number of shares of Stock to which a grantee of such Other Award may be entitled upon fulfillment of all applicable conditions set forth in the relevant Award documentation, including vesting, accretion factors, conversion ratios, exchange ratios and the like. If and when any such conditions are no longer capable of being met, in whole or in part, the number of shares of Stock underlying such Other Award shall be reduced accordingly by the Administrator and the related shares of Stock shall be added back to the shares of Stock available for issuance under the Plan. Other Awards may be issued either alone or in addition to other Awards granted under the Plan and shall be evidenced by an Award certificate. The Administrator shall determine the Eligible Recipients to whom, and the time or times at which, Other Awards shall be made; the number of shares of Stock or Units to be awarded; the price, if any, to be paid by the Participant for the acquisition of Other Awards; and the restrictions and conditions applicable to Other Awards. Conditions may be based on continuing employment (or other service relationship), computation of financial metrics and/or achievement of pre-established performance goals and objectives. The Administrator may require that Other Awards be held through a limited partnership or a similar "look-through" entity and the Administrator may require such limited partnership or similar entity to impose restrictions on its partners or other beneficial owners that are not inconsistent with the provisions of this Section 12. The provisions of the grant of Other Awards need not be the same with respect to each Participant.

(b) Rights as Stockholder. Until such time as an Other Award is actually converted into, exchanged for, or paid out in shares of Stock, a Participant shall have no rights as a holder of Stock.

(c) Termination of Employment or Service. In the event that a Participant ceases to be employed by or to provide services to the Company, any Parent, or any Subsidiary, any outstanding Other Awards previously granted to such Participant shall be subject to such terms and conditions as set forth in the Award certificate governing such Other Awards. Except as may otherwise be provided by the Administrator either in the Award certificate, or subject to Section 15 below, in writing after the Award certificate is issued, a Participant's rights in all Other Awards that have not vested shall automatically terminate upon the Participant's termination of employment (or cessation of service relationship) with the Company, its Parents and its Subsidiaries for any reason.

Section 13. Cash-Based Awards.

The Administrator may grant Cash-Based Awards under the Plan. A Cash-Based Award is an Award that entitles the Participant to a payment in cash upon the attainment of specified Performance Goals. The Administrator shall determine the maximum duration of the Cash-Based Award, the amount of cash to which the Cash-Based Award pertains, the conditions upon which the Cash-Based Award shall become vested or payable, and such other provisions as the Administrator shall determine. Each Cash-Based Award shall specify a cash-denominated payment amount, formula or payment ranges as determined by the Administrator. Payment, if any, with respect to a Cash-Based Award shall be made in accordance with the terms of the Award and may be made in cash.

Section 14. Performance Based Awards to Covered Employees.

(a) Performance-Based Awards. The Administrator may grant one or more Performance-Based Awards in the form of Restricted Stock, Restricted Stock Units, Other Awards or Cash-Based Awards payable upon the attainment of Performance Goals that are established by the Administrator and relate to one or more of the Performance Criteria, in each case on a specified date or dates or over any period or periods determined by the Administrator. The Administrator shall define in an objective fashion the manner of calculating the Performance Criteria it selects to use for any Performance Cycle. Each Performance-Based Award shall comply with the provisions set forth below.

(b) Grant of Performance-Based Awards. With respect to each Performance-Based Award granted to a Covered Employee, the Administrator shall select, within the first ninety (90) days of a Performance Cycle (or if the Performance Cycle is other than one year, within the maximum period allowed under Section 162(m) of the Code) the Performance Criteria for such grant, and the Performance Goals with respect to each Performance Criterion (including a threshold level of performance below which no amount will become payable with respect to such Award). Each Performance-Based Award will specify the amount payable, or the formula for determining the amount payable, upon achievement of the various applicable performance targets. The Performance Criteria established by the Administrator may be (but need not be) different for each Performance Cycle and different Performance Goals may be applicable to Performance-Based Awards to different Covered Employees.

(c) Payment of Performance-Based Awards. Following the completion of a Performance Cycle, the Administrator shall meet to review and certify in writing whether, and to what extent, the Performance Goals for the Performance Cycle have been achieved and, if so, to also calculate and certify in writing the amount of the Performance-Based Awards earned for the Performance Cycle. The Administrator shall then determine the actual size of each Covered Employee’s Performance-Based Award.

(d) Maximum Award Payable. The maximum Performance-Based Award payable to any one Covered Employee under the Plan for a Performance Cycle is the Initial Limit (subject to adjustment as provided in Section 5(a) hereof) or $100,000,000 in the case of a Performance-Based Award that is payable in cash.

Section 15. Amendment and Termination.

The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the Participant’s consent. Except as provided in Section 5, in no event may the Administrator exercise its discretion to reduce the exercise price of outstanding Stock Options or Stock Appreciation Rights or cancel, exchange, substitute, buyout or surrender outstanding Stock Options or Stock Appreciation Rights in exchange for cash, other awards or Stock Options or Stock Appreciation Rights with an exercise price that is less than the exercise price of the original Stock Options or Stock Appreciation Rights without shareholder approval. The Board, in its discretion, may determine to make any Plan amendments subject to approval by the Company’s stockholders for purposes of complying with applicable stock exchange requirements, ensuring that compensation earned under Awards qualifies as performance-based compensation under Section 162(m) of the Code or ensuring that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code. Nothing in this Section 15 shall limit the Administrator's authority to take any action permitted pursuant to Section 5.

Section 16. Unfunded Status of Plan.

The Plan is intended to constitute an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company.

Section 17. General Provisions.

(a) Securities Laws Compliance. Shares of Stock shall not be issued pursuant to the exercise or settlement of any Award granted hereunder unless the exercise or settlement of such Award and the issuance and delivery of such shares of Stock pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act, the Exchange Act and the requirements of any stock exchange upon which the Stock may then be listed and shall be further subject to the approval of counsel for the Company with respect to such compliance. Stock Option exercises and other Awards under the Plan shall be subject to the Company's insider trading policy and procedures, as in effect from time-to-time.

(b) Delivery of Stock. Certificated Stock granted under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed certificates evidencing such Stock in the United States mail, addressed to the Participant, at the Participant's last known address on file with the Company. Uncertificated Stock shall be deemed delivered for all purposes when the Company or a transfer agent of the Company shall have given to the Participant by electronic mail (with proof of receipt) or by United States mail, addressed to the Participant, at the Participant's last known address on file with the Company, notice of issuance and recorded the issuance in its records (which may include electronic "book entry" records). Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any Stock pursuant to the exercise of any Award, unless and until the Administrator has determined, with advice of counsel (to the extent the Administrator deems such advice necessary or advisable), that the issuance and delivery of such Stock is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed, quoted or traded. All Stock delivered pursuant to the Plan shall be subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state or foreign jurisdiction, securities or other laws, rules and quotation system on which the Stock is listed, quoted or traded. The Administrator may place legends on any Stock certificate to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the

Administrator may require that an individual make such reasonable covenants, agreements and representations as the Administrator, in its discretion, deems necessary or advisable in order to comply with any such laws, regulations or requirements. The Administrator shall have the right to require any individual to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Administrator.

(c) Transferability of Awards.

(i) Transferability. Except as provided in Section 17(c)(ii) below, during a Participant's lifetime, his or her Awards shall be exercisable only by the Participant or by the Participant's legal representative or guardian in the event of the Participant's incapacity. No Awards shall be sold, assigned, transferred or otherwise encumbered or disposed of by a Participant other than by will or by the laws of descent and distribution or pursuant to a domestic relations order. No Awards shall be subject, in whole or in part, to attachment, execution or levy of any kind and any purported transfer in violation hereof shall be null and void.

(ii) Administrator Action. Notwithstanding Section 17(c)(i), the Administrator, in its discretion, may provide either in the award certificate regarding a given Award or by subsequent written approval that the Participant (who is an employee or director) may transfer his or her Awards (other than any Incentive Stock Options or Restricted Stock Units) to his or her immediate family members, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Award. In no event may an Award be transferred by a Participant for value.

(iii) Family Member. For purposes of Section 17(c)(ii), "immediate family member" shall mean a Participant's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant of the Participant), a trust in which these persons (or the Participant) have more than fifty percent (50%) of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets and any other entity in which these persons (or the Participant) own more than fifty percent (50%) of the voting interests.

(iv) Designation of Beneficiary. Each Participant to whom an Award has been made under the Plan may designate a beneficiary or beneficiaries to exercise any Award or receive any payment under any Award payable on or after the Participant's death. Any such designation shall be on a form provided for that purpose by the Administrator and shall not be effective until received by the Administrator. If no beneficiary has been designated by a deceased Participant or if the designated beneficiaries have predeceased the Participant, the beneficiary shall be the Participant's estate.

(d) Company Actions; No Right to Employment. Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval, if such approval is necessary and desirable; and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of the Plan shall not confer upon any Eligible Recipient any right to continued employment or service with the Company or any Parent or Subsidiary, as the case may be, nor shall it interfere in any way with the right of the Company or any Parent or Subsidiary to terminate the employment or service of any of its Eligible Recipients at any time.

(e) Payment of Taxes. Each Participant shall, no later than the date as of which the value of an Award first becomes includible in the gross income of the Participant for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator regarding payment of any federal, state or local taxes of any kind required by law to be withheld with respect to such Award. The obligations of the Company under the Plan shall be conditional on the making of such payments or arrangements, and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant. Subject to approval by the Administrator, a Participant may elect to have the minimum tax withholding obligation satisfied, in whole or in part, by authorizing the Company to withhold from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the minimum withholding amount due. The Administrator may also require Awards to be subject to mandatory share withholding up to the required withholding amount. For purposes of share withholding, the Fair Market Value of withheld shares shall be determined in the same manner as the value of Stock includible in income of the Participants.

Section 18. Effective Date of Plan.

This Plan was approved by the board of directors of NorthStar Asset Management Group Inc. on March 28, 2014, and became effective upon approval by the stockholders of NorthStar Asset Management Group Inc. on March 28, 2014, in accordance with applicable state law, the bylaws and articles of incorporation of NorthStar Asset Management Group Inc. and applicable stock exchange rules. No grants of Stock Options and other Awards may be made hereunder after the tenth anniversary of the Effective Date and no grants of Incentive Stock Options may be made hereunder after the tenth anniversary of the date the amended and restated Plan is approved by the Board.

Section 19. Term of Plan.

No Award shall be granted pursuant to the Plan on or after the tenth anniversary of the Effective Date but Awards theretofore granted may extend beyond that date.

Section 20. Governing Law.

The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of New York, without giving effect to the conflict of laws principles thereof.

Exhibit 10.9

EXECUTION VERSION

SECOND AMENDMENT

This Second Amendment, dated as of January 8, 2019 (this "Amendment"), to the Second Amended and Restated Credit Agreement dated as of January 10, 2017 (as amended, supplemented or otherwise modified from time to time prior to the date hereof, including pursuant to the First Amendment, dated as of January 12, 2018, the "Credit Agreement"), among COLONY CAPITAL OPERATING COMPANY, LLC (the "Parent Borrower"), the Subsidiary Borrowers from time to time party thereto, the several banks and other financial institutions or entities from time to time parties thereto (the "Lenders") and JPMORGAN CHASE BANK, N.A., as administrative agent (in such capacity, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, the Parent Borrower, the Lenders and the Administrative Agent are parties to the Credit Agreement, and the Parent Borrower has requested that the Credit Agreement be amended as set forth herein;

WHEREAS, as permitted by Section 10.1 of the Credit Agreement, the Administrative Agent and the Required Lenders are willing to agree to this Amendment upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises contained herein, the parties hereto agree as follows:

SECTION 1. Defined Terms. Unless otherwise defined herein, capitalized terms are used herein as defined in the Credit Agreement as amended hereby.

SECTION 2. Amendments to the Credit Agreement. Subject to the satisfaction of the conditions set forth in Section 3:

(a) Section 7.11 of the Credit Agreement is hereby amended by amending and restating clause (a) in its entirety as follows "Swap Agreements entered into to hedge or mitigate risks to which the Parent Borrower or any Subsidiary has actual exposure (other than those in respect of Capital Stock of the Parent Borrower and its Subsidiaries, or any direct or indirect parent thereof (provided that any Swap Agreement entered into with respect to any index that includes Capital Stock of the REIT Entity shall not be considered a Swap Agreement in respect of Capital Stock of a direct or indirect parent of the Parent Borrower for purposes of this parenthetical))".

(b) The definition of "Secured Swap Agreement" is hereby amended by adding the language "(other than those in respect of Capital Stock)" immediately after "any Swap Agreement permitted under Section 7.11" and before "that is entered into by and between the Parent Borrower or any other Loan Party and any Swap Bank".

SECTION 3. Conditions to Effectiveness of this Amendment. This Amendment shall become effective on the date on which the following conditions precedent have been satisfied or waived (the date on which such conditions shall have been so satisfied or waived, the "Second Amendment Effective Date"):

(a) The Administrative Agent shall have received a counterpart of this Amendment, executed and delivered by a duly authorized officer of the Parent Borrower and each Lender party hereto (who, for the avoidance of doubt, constitute Required Lenders).

(b) The Administrative Agent shall have received all fees required to be paid, and all expenses for which invoices have been presented (including the reasonable and documented out-of-pocket fees and expenses of legal counsel), on or before the Second Amendment Effective Date.

(c) Immediately prior to and after giving effect to this Amendment (i) no Default or Event of Default shall have occurred and be continuing and (ii) each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date (except that any representations and warranties which expressly relate to an earlier date shall be true and correct in all material respects as of such earlier date).

(d) The Administrative Agent shall have received a certificate signed by a duly authorized officer of the Parent Borrower certifying that the conditions specified in clause (c) of this Section 3 have been satisfied as of the Second Amendment Effective Date.

SECTION 4. Representations and Warranties. On and as of the date hereof, the Parent Borrower hereby confirms, reaffirms and restates that, after giving effect to this Amendment (i) each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents are true and correct in all material respects (or, in the case of such representations and warranties qualified by materiality, in all respects) on and as of the date hereof as if made on and as of such date (except that any representations and warranties which expressly relate to an earlier date shall be true and correct in all material respects (or, in the case of such representations and warranties qualified by materiality, in all respects) as of such earlier date) and (ii) no Default or Event of Default shall have occurred or be continuing on the date hereof.

SECTION 5. Continuing Effect; No Other Amendments or Consents.

(a) Except as expressly provided herein, all of the terms and provisions of the Credit Agreement are and shall remain in full force and effect. The amendments provided for herein are limited to the specific subsections of the Credit Agreement specified herein and shall not constitute a consent, waiver or amendment of, or an indication of the Administrative Agent's or the Lenders' willingness to consent to any action requiring consent under any other provisions of the Credit Agreement or the same subsection for any other date or time period. Upon the effectiveness of the amendments set forth herein, on and after the Second Amendment Effective Date, each reference in the Credit Agreement to "this Agreement," "the Agreement," "hereunder," "hereof" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to "Credit Agreement," "thereunder," "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended hereby.

(b) The Parent Borrower and the other parties hereto acknowledge and agree that this Amendment shall constitute a Loan Document.

SECTION 6. Expenses. The Parent Borrower agrees to pay and reimburse the Administrative Agent for all its reasonable and documented out-of-pocket costs and expenses incurred in connection with the preparation and delivery of this Amendment, and any other documents prepared in connection herewith and the transactions contemplated hereby, including, without limitation, the reasonable and documented out-of-pocket fees and disbursements of one counsel to the Administrative Agent in accordance with the terms in the Credit Agreement.

SECTION 7. Counterparts. This Amendment may be executed in any number of counterparts by the parties hereto (including by facsimile and electronic (e.g. ".pdf", or ".tif") transmission), each of which counterparts when so executed shall be an original, but all the counterparts shall together constitute one and the same instrument.

SECTION 8. Successors and Assigns. The provisions of this Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Each party hereto acknowledges and agrees that its submission of a signature page to this Amendment is irrevocable and binding on such party and its respective successors and assigns even if such signature page is submitted prior to the effectiveness of any amendment contained herein.

SECTION 9. GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

COLONY CAPITAL OPERATING COMPANY, LLC

By: /s/ Mark M. Hedstrom
Name: Mark M. Hedstrom
Title: Vice President

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent and as a Lender

By: /s/ Matthew Griffith
Name: Matthew Griffith
Title: Executive Director
JPMorgan

BANK OF AMERICA, N.A., as a Lender

By: /s/ Dennis Kwan
Name: Dennis Kwan
Title: Vice President

BARCLAYS BANK PLC, as a Lender

By: /s/ Jake Lam
Name: Jake Lam
Title: Assistant Vice President

CITIBANK, N.A., as a Lender

By: /s/ David Bouton
Name: David Bouton
Title: Authorized Signatory

CREDIT SUISSE AG, CAYMAN ISLANDS
BRANCH, as a Lender

By: /s/ William O’Daly
Name: William O’Daly
Title: Authorized Signatory

By: /s/ Andrew Griffin
Name: Andrew Griffin
Title: Authorized Signatory

MORGAN STANLEY SENIOR FUNDING, INC., as a Lender

By: /s/ Emanuel Ma
Name: Emanuel Ma
Title: Vice President

KEYBANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ Tyrel Regnier
Name: Tyrel Regnier
Title: Assistant Vice President

DEUTSCHE BANK AG NEW YORK BRANCH, as a Lender

By: /s/ Virginia Cosenza
Name: Virginia Cosenza
Title: Vice President

By: /s/ Ming K Chu
Name: Ming K Chu
Title: Director

UBS AG Stamford Branch, as a Lender

By: /s/ Houssem Daly
Name: Houssem Daly
Title: Associate Director

By: /s/ Robert Khan
Name: Robert Khan
Title: Associate Director

CIT BANK N.A., as a Lender

By: /s/ Michael Pedone
Name: Michael Pedone
Title: Managing Director

Exhibit 10.30

COLONY CAPITAL, INC.
2014 OMNIBUS STOCK INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

Colony Capital, Inc., a Maryland corporation (the "**Company**"), through a web-based grant system supported by Bank of America Merrill Lynch, has granted (the "**Grant**") shares of its Class A Common Stock, $0.01 par value per share (the "**Stock**") to you as Grantee, subject to the vesting and other conditions as set forth in the Grant. Additional terms and conditions of the Grant are set forth in the online acceptance form and this Restricted Stock Agreement (collectively, the "**Agreement**") and in the Company's 2014 Omnibus Stock Incentive Plan, as amended from time to time (the "**Plan**"). *This is not a stock certificate or a negotiable instrument.*

Restricted Stock

This Agreement evidences an award of shares of Stock in the number set forth on the online acceptance form accompanying this Agreement and subject to the vesting and other conditions set forth herein, in the Plan, and in the online acceptance form accompanying this Agreement (the "**Restricted Stock**"). The purchase price is deemed paid by your prior Service to the Company.

Transfer of Unvested Restricted Stock

Unvested Restricted Stock may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered, whether by operation of law or otherwise, nor may the Restricted Stock be made subject to execution, attachment, or similar process. If you attempt to do any of these things, you will immediately forfeit the Restricted Stock.

Issuance and Vesting

The Company will issue the Restricted Stock in the name set forth on the online acceptance form accompanying this Agreement.

Your rights to the Restricted Stock under this Agreement shall vest in accordance with the vesting schedule set forth on the online acceptance form accompanying this Agreement, so long as you continue in Service on each applicable vesting date set forth on the online acceptance form accompanying this Agreement; provided, however, that for purposes of vesting, fractional numbers of shares of Stock shall be rounded down to the next nearest whole number.

Notwithstanding the vesting schedule set forth on the online acceptance form accompanying this Agreement, the Restricted Stock will become one hundred percent (100%) vested upon termination of your Service due to your death or Disability**.**

Change in Control

Notwithstanding the vesting schedule set forth on the online acceptance form accompanying this Agreement, upon the consummation of a Change in Control, the Restricted Stock will become one hundred percent (100%) vested (i) if the Restricted Stock is not assumed, or equivalent restricted securities are not substituted for the Restricted Stock, by the Company or its successor, or (ii) if assumed or substituted for, upon your Involuntary Termination within the twelve (12)-month period following the consummation of the Change in Control.

Evidence of Issuance

The issuance of the shares of Stock under the Grant of Restricted Stock evidenced by this Agreement shall be evidenced in such a manner as the Company, in its discretion, deems appropriate, including, without limitation, book-entry, direct registration, or issuance of one or more share certificates, with any unvested Restricted Stock bearing the appropriate restrictions imposed by this Agreement. As your interest in the Restricted Stock vests, the recordation of the number of shares of Restricted Stock attributable to you will be appropriately modified if necessary.

Forfeiture of Unvested Restricted Stock

Unless the termination of your Service triggers accelerated vesting of your Restricted Stock or other treatment pursuant to the terms of this Agreement, the Plan, or any other written agreement between an Applicable Entity and you, you will automatically forfeit to the Company all of the unvested Restricted Stock in the event you are no longer providing Service.

Forfeiture of Rights

If you should take actions in violation or breach of or in conflict with any (a) Services Agreement, (b) secondment agreement, (c) Company policy or procedure, (d) other agreement, or (e) any other obligation to any Applicable Entity, the Company has the right to cause an immediate forfeiture of your rights to the Restricted Stock under this Agreement, and you will immediately forfeit the Restricted Stock to the Company.

In addition, if you have vested in Restricted Stock during the two (2)-year period prior to your actions, you will owe the Company a cash payment (or forfeiture of shares of Stock) in an amount determined as follows: (1) for any shares of Stock that you have sold prior to receiving notice from the Company, the amount will be the proceeds received from the sale(s), and (2) for any shares of Stock that you still own, the amount will be the number of shares of Stock owned times the Fair Market Value of the shares of Stock on the date you receive notice from the Company (provided, that the Company may require you to satisfy your payment obligations hereunder either by forfeiting and returning to the Company the Restricted Stock or any other shares of Stock or making a cash payment or a combination of these methods as determined by the Company in its sole discretion).

Leaves of Absence

For purposes of this Agreement, your Service does not terminate when you go on a *bona fide* leave of absence that was approved by your employer in writing if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. Your Service terminates in any event when the approved leave ends unless you immediately return to active employee work.

Your employer may determine, in its discretion, which leaves count for this purpose, and when your Service terminates for all purposes under the Plan in accordance with the provisions of the Plan. Notwithstanding the foregoing, the Company may determine, in its discretion, that a leave counts for this purpose even if your employer does not agree.

Section 83(b) Election

Under Section 83 of the Code, the difference between the purchase price paid for the shares of Stock and their Fair Market Value on the date any forfeiture restrictions applicable to such shares lapse will be reportable as ordinary income at that time. For this purpose, "forfeiture restrictions" include the forfeiture as to unvested Restricted Stock described above. You may elect to be taxed at the time the Restricted Stock is granted, rather than when such shares cease to be subject to such forfeiture restrictions, by filing an election under Section 83(b) of the Code with the Internal Revenue Service within thirty (30) days after the Grant Date on the online acceptance form accompanying this Agreement. If you are eligible to file an election and elect to do so, you will have to make a tax payment to the extent the purchase price is less than the Fair Market Value of the shares on the Grant Date. No tax payment will have to be made to the extent the purchase price is at least equal to the Fair Market Value of the shares on the Grant Date. Failure to make this filing within the applicable thirty (30)-day period will result in the recognition of ordinary income by you (in the event the Fair Market Value of the shares as of the vesting date exceeds the purchase price) as the forfeiture restrictions lapse.

YOU ACKNOWLEDGE THAT IT IS YOUR SOLE RESPONSIBILITY, AND NOT THE COMPANY'S, TO FILE A TIMELY ELECTION UNDER CODE SECTION 83(b), EVEN IF YOU REQUEST THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON YOUR BEHALF. YOU ARE RELYING SOLELY ON YOUR OWN ADVISORS WITH RESPECT TO THE DECISION AS TO WHETHER OR NOT TO FILE ANY CODE SECTION 83(b) ELECTION.

To obtain a Section 83(b) election form and/or procedures for making the election, please contact Upper_Tier@clns.com.

Withholding Taxes

You agree as a condition of this Grant that you will make acceptable arrangements to pay any withholding or other taxes that may be due as a result of the payment of dividends or the vesting of shares of Stock acquired under this Grant. In the event that any Applicable Entity determines that any federal, state, local, or foreign tax or withholding payment is required relating to the payment of dividends or the vesting of shares of Stock arising from this Grant, the Applicable Entity shall have the right to require such payments from you, or withhold such amounts from other payments due to you from the Applicable Entity (including withholding the delivery of vested shares of Stock otherwise deliverable under this Agreement).

Retention Rights

This Agreement and the Grant evidenced hereby do not give you the right to be retained by any Applicable Entity in any capacity. Unless otherwise specified in an employment or other written agreement between the Applicable Entity and you, the Applicable Entity reserves the right to terminate your Service at any time and for any reason.

Stockholder Rights

You will be entitled to vote such shares of Restricted Stock and to receive, upon the Company's payment of a cash dividend on outstanding shares of Stock, a cash amount equal to the per-share dividend paid on the Restricted Stock, in either case, that you hold as of the applicable record date. Notwithstanding the foregoing, you shall not be entitled to vote or receive any cash dividend on the Restricted Stock you hold if the record date for such cash dividend is on or prior to the date on which your share certificate is issued (or an appropriate entry is made).

Your Grant shall be subject to the terms of any applicable transaction agreement in the event the Company is subject to any merger, reorganization, consolidation, liquidation or other corporate activity.

Legends

If and to the extent that the Restricted Stock is represented by share certificates rather than book entry, all share certificates representing the Stock issued under this Grant shall, where applicable, have endorsed thereon the following legends:

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN VESTING, FORFEITURE, AND OTHER RESTRICTIONS ON TRANSFER SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER, OR HIS OR HER PREDECESSOR IN INTEREST. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY BY THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE."

To the extent the Stock is represented by a book entry, such book entry will contain an appropriate legend or restriction similar to the foregoing.

Clawback

This Grant is subject to mandatory repayment by you to the Company to the extent you are or in the future become subject to any Company "clawback" or recoupment policy that requires the repayment by you to the Company of compensation paid by the Company to you in the event that you fail to comply with, or violate, the terms or requirements of such policy.

If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws and you knowingly engaged in the misconduct, were grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct or were grossly negligent in failing to prevent the misconduct, you shall reimburse the Company the amount of any payment in settlement of this Grant earned or accrued during the twelve (12)-month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document that contained information affected by such material noncompliance.

Applicable Law

This Agreement will be interpreted and enforced under the laws of the State of New York, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

The Plan

The text of the Plan is incorporated into this Agreement by reference.

Certain capitalized terms used in this Agreement are defined in the Plan and have the meaning set forth in the Plan.

This Agreement and the Plan constitute the entire understanding between you and the Company regarding this Grant. Any prior agreements, commitments, or negotiations concerning this Grant are superseded; except that any written employment, consulting, confidentiality, non-competition, non-solicitation, and/or severance agreement between you and any Applicable Entity (each a "**Services Agreement**") shall supersede this Agreement with respect to its subject matter.

Data Privacy

In order to administer the Plan, an Applicable Entity may process personal data about you. Such data includes, but is not limited to, information provided in this Agreement and any changes thereto, other appropriate personal and financial data about you, such as your contact information, payroll information, and any other information that might be deemed appropriate by the Applicable Entity to facilitate the administration of the Plan.

By accepting this Grant, you give explicit consent to any Applicable Entity to process any such personal data.

Code Section 409A

The Grant of Restricted Stock under this Agreement is intended to be exempt from, or to comply with, Code Section 409A to the extent subject thereto, and, accordingly, to the maximum extent permitted, this Agreement will be interpreted and administered to be in compliance with Code Section 409A. Notwithstanding anything to the contrary in the Plan or this Agreement, neither an Applicable Entity nor the Administrator will have any obligation to take any action to prevent the assessment of any excise tax or penalty on you under Code Section 409A, and neither an Applicable Entity nor the Administrator will have any liability to you for such tax or penalty.

Certain Definitions

For the purposes of this Agreement, the following terms shall be defined as set forth below:

"**Affiliate**" means, with respect to the Company, any company or other trade or business that controls, is controlled by, or is under common control with the Company within the meaning of Rule 405 of Regulation C under the Securities Act, including, without limitation, any Subsidiary.

"**Applicable Entity**" means the Company and its Affiliates.

"**Cause**" means, with respect to any Grantee, as determined by the Company unless otherwise provided in an applicable agreement between such Grantee and the Applicable Entity, (a) repeated violations by such Grantee of such Grantee's obligations to the Applicable Entity (other than as a result of incapacity due to physical or mental illness) which are demonstrably willful and deliberate on such Grantee's part, which are committed in bad faith or without reasonable belief that such violations are in the best interests of the Applicable Entity, and which are not remedied within a reasonable period of time after such Grantee's receipt of written notice from the Applicable Entity specifying such violations; (b) the conviction of such Grantee of a felony involving an act of dishonesty intended to result in substantial personal enrichment of such Grantee at the expense of the Applicable Entity; or (c) prior to a Change in Control, such other events as shall be determined by the Administrator in its sole discretion. Any determination by the Administrator whether an event constituting Cause shall have occurred shall be final, binding, and conclusive.

"**Disability**" means the Grantee is unable to perform each of the essential duties of such Grantee's position by reason of a medically determinable physical or mental impairment which is potentially permanent in character or which can be expected to last for a continuous period of not less than twelve (12) months; provided, however, that, with respect to rules regarding expiration of an Incentive Stock Option following termination of the Grantee's Service, Disability shall mean the Grantee is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

“Involuntary Termination” means termination of your service by reason of (i) your involuntary dismissal by an Applicable Entity for reasons other than Cause; or (ii) your voluntary resignation for Good Reason as defined in any applicable employment or severance agreement, plan, or arrangement between you and an Applicable Entity, or if none, then your voluntary resignation following (x) a substantial adverse alteration in your title or responsibilities from those in effect immediately prior to the Change in Control; (y) a reduction in your annual base salary as of immediately prior to the Change in Control (or as the same may be increased from time to time) or a material reduction in your annual target bonus opportunity as of immediately prior to the Change in Control; or (z) the relocation of your principal place of employment to a location more than thirty-five (35) miles from your principal place of employment as of the Change in Control or an Applicable Entity requiring you to be based anywhere other than such principal place of employment (or permitted relocation thereof) except for required travel on the Applicable Entity’s business to an extent substantially consistent with your business travel obligations as of immediately prior to the Change in Control. To qualify as an “Involuntary Termination,” you must provide notice to the Applicable Entity of any of the foregoing occurrences within ninety (90) days of the initial occurrence, and the Applicable Entity shall have thirty (30) days to remedy such occurrence.

“**Service**” means service as a Service Provider to any Applicable Entity. Unless otherwise stated in the applicable Award Agreement, a Grantee’s change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to any Applicable Entity. Notwithstanding any other provision to the contrary, for any individual providing services solely as a director, only service to the Company or any of its Subsidiaries constitutes Service. If the Service Provider’s employment or other service relationship is with an Affiliate of the Company and that entity ceases to be an Affiliate of the Company, a termination of Service shall be deemed to have occurred when the entity ceases to be an Affiliate of the Company unless otherwise determined by the Administrator or the Service Provider transfers his or her employment or other service relationship to the Company or its remaining Affiliates.

“**Service Provider**” means an officer, director (including a Non-Employee Director), employee, co-employee, consultant or advisor providing services to an Applicable Entity.

By signing this Agreement, you agree to all of the terms and conditions described above and in the Plan.

Notice of Restricted Stock Award of Colony Capital, Inc.

Company Name	Colony Capital, Inc.
Plan	2014 Omnibus Stock Incentive Plan
Participant ID	/$OptioneeID$/
Participant Name	/$ParticipantName$/
Participant Address	/$ParticipantAddress$/
Grant/Award Type	Restricted Stock Award
Share Amount	/$AwardsGranted$/
Grant Date	/$GrantDate$/

Vesting Schedule

/$VestingSchedule$/

Exhibit 10.31

COLONY CAPITAL, INC.
2014 OMNIBUS STOCK INCENTIVE PLAN

PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT

Colony Capital, Inc., a Maryland corporation (the "**Company**"), through a web-based grant system supported by Bank of America Merrill Lynch, has granted (the "**Grant**") Restricted Stock Units relating to shares of its Class A Common Stock, $0.01 par value per share (the "**Stock**") to you as Grantee, subject to the vesting and other conditions as set forth in the Grant. Additional terms and conditions of the Grant are set forth in the online acceptance form and this Performance Restricted Stock Unit Agreement (collectively, the "**Agreement**") and in the Company's 2014 Omnibus Stock Incentive Plan, as amended from time to time (the "**Plan**"). Each Restricted Stock Unit is hereby granted in tandem with a corresponding Dividend Equivalent Right, as further described below. *This is not a stock certificate or a negotiable instrument.*

Restricted Stock Units	This Agreement evidences an award of Restricted Stock Units in the number set forth on the online acceptance form accompanying this Agreement, together with an equivalent number of tandem Dividend Equivalent Rights and subject to the vesting and other conditions set forth herein, in the Plan, and in the online acceptance form accompanying this Agreement (the "**Restricted Stock Units**").
Transfer of Unvested Restricted Stock Units	Unvested Restricted Stock Units may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered, whether by operation of law or otherwise, nor may the Restricted Stock Units be made subject to execution, attachment, or similar process. If you attempt to do any of these things, you will immediately forfeit the Restricted Stock Units.
Vesting	Your rights to the Restricted Stock Units under this Agreement shall vest in accordance with the vesting conditions set forth in <u>Exhibit A</u> and the online acceptance form accompanying this Agreement so long as you continue in Service through the Third Anniversary Date, subject to the below. In the event that you experience a termination of your Service for any reason prior to the Third Anniversary Date, except as provided below or in this Agreement, all Restricted Stock Units granted pursuant to this Agreement shall immediately and automatically be forfeited to the Company. Notwithstanding the foregoing, if (a) your Service terminates (i) prior to the First Anniversary Date for a reason other than Cause, or (ii) at any time prior to the Third Anniversary Date for Cause, none of your Target Number of Restricted Stock Units shall remain outstanding and, except to the extent provided below with respect to death or Disability, all of your Target Number of Restricted Stock Units shall thereupon automatically be forfeited without payment of any consideration thereof, (b) your Service terminates on or after the First Anniversary Date but prior to the Second Anniversary Date for a reason other than Cause, the number of Restricted Stock Units equal to one-third (1/3) of your Target Number of Restricted Stock Units shall remain outstanding, and, except to the extent provided below with respect to death or Disability, the remainder of your Target Number of Restricted Stock Units shall thereupon automatically be forfeited without payment of any consideration therefor, (c) if your Service terminates on or after the Second Anniversary Date but prior to the Third Anniversary Date for a reason other than Cause, the number of Restricted Stock Units equal to two-thirds (2/3) of your Target Number of Restricted Stock Units shall remain outstanding, and, except to the extent provided below with respect to death or Disability, the remainder of your Target Number of Restricted Stock Units shall thereupon automatically be forfeited without payment of any consideration therefor, and (d) you continue in Service on the Third Anniversary Date, all of your Target Number of Restricted Stock Units shall remain

outstanding. The reduced number of Restricted Stock Units that remain outstanding on your termination of Service in accordance with this paragraph shall replace your Target Number of Restricted Stock Units and shall be eligible to vest subject to achievement of the Performance Goals.

For any Restricted Stock Units that are forfeited in accordance with the foregoing, you will also automatically forfeit to the Company any Dividend Equivalent Right associated with such forfeited Restricted Stock Unit.

The foregoing is subject to any express provisions provided in this Agreement, the Plan, or a Services Agreement. To the extent a Services Agreement provides for full vesting of the Restricted Stock Units under this Agreement in connection with a termination of your Service for any reason or in the event of a Change in Control (and except as otherwise expressly provided in such Services Agreement), the Target Number of Restricted Stock Units shall remain outstanding and shall be eligible to vest subject to achievement of the Performance Goals.

Death or Disability

Notwithstanding the foregoing, if your Service terminates prior to the Third Anniversary Date on account of your death or Disability, an additional number of Restricted Stock Units equal to a pro-rata percentage of one-third (1/3) of your Target Number of Restricted Stock Units, calculated based on the percentage of the calendar year that elapsed from the beginning of such calendar year through the date of your death or Disability, shall remain outstanding in respect of the calendar year in which the termination of your Service due to death or Disability occurs. The additional pro-rata number of Restricted Stock Units so determined shall be added to the number determined on account of your termination other than for Cause, and this total instead shall remain outstanding, shall replace your Target Number of Restricted Stock Units, and shall be eligible to vest subject to achievement of the Performance Goals. The remainder of your Target Number of Restricted Stock Units shall thereupon automatically be forfeited without payment of any consideration therefor.

Change in Control

If the Company consummates a Change in Control prior to the Cycle End Date and you remain in Service as of such Change in Control, you will vest in the number of Restricted Stock Units equal to a pro-rata percentage of your Target Number of Restricted Stock Units calculated based on the period elapsed from the Grant Date through the date of such Change in Control multiplied by: (a) in the case of a Change in Control that occurs prior to fifty percent of the Performance Cycle having elapsed, one (1), and (b) in the case of a Change in Control that occurs on or after fifty percent of the Performance Cycle having elapsed, the level of achievement of the Performance Goals, treating the consummation of the Change in Control as the Cycle End Date, and assuming no further dividends are paid after the date of the Change in Control, unless such dividends are declared with a record date on or prior to the date of the Change in Control.

If the Company consummates a Change in Control on or after the Cycle End Date but prior to the Third Anniversary Date and you remain in Service as of such Change in Control, you will vest in the number of Restricted Stock Units determined by the Administrator in its reasonable discretion based on achievement of the Performance Goals as of the Change in Control.

If the Company consummates a Change in Control prior to the Third Anniversary Date and you do not remain in Service as of such Change in Control, you will vest in the number of Restricted Stock Units equal to your Target Number of Restricted Stock Units, if any, that then remain outstanding multiplied by: (x) in the case of a Change in Control that occurs prior to fifty percent of the Performance Cycle having elapsed, one (1), and (z) in the case of a Change in Control that occurs on or after fifty percent of the Performance Cycle having elapsed, the level of achievement of the Performance Goals, treating the consummation of the Change in Control as the Cycle End Date, and assuming no further dividends are paid after the date of the Change in Control, unless such dividends are declared with a record date on or prior to the date of the Change in Control.

Forfeiture of Unvested Restricted Stock Units

To the extent that some or all of the Restricted Stock Units do not become vested based on achievement of the Performance Goals set forth in Exhibit A and the online acceptance form accompanying this Agreement for the Performance Cycle or, if earlier, upon an intervening Change in Control prior to the Third Anniversary Date, such unvested Restricted Stock Units and all Dividend Equivalent Rights associated with such unvested Restricted Stock Units shall thereupon automatically be forfeited without payment of any consideration therefor.

Dividend Equivalent Rights

For each Restricted Stock Unit that vests, a Dividend Equivalent Right shall become payable as of the vesting date. Each Dividend Equivalent Right that becomes payable shall be paid in cash, unless otherwise determined by the Company, at the time of settlement of the underlying Restricted Stock Units, in an amount equal to the total dividends per share of Stock with applicable record dates occurring during the period beginning on the Grant Date and ending on the delivery date of the shares of Stock. If the Restricted Stock Unit linked to a Dividend Equivalent Right fails to vest or fails to remain outstanding and is forfeited for any reason, then (a) the linked Dividend Equivalent Right shall be forfeited as well; (b) any amounts otherwise payable in respect of such Dividend Equivalent Right shall be forfeited without payment; and (c) the Company shall have no further obligations in respect of such Dividend Equivalent Right. The Grantee shall not be entitled to any payment under a Dividend Equivalent Right with respect to any dividend with an applicable record date that occurs prior to the Grant Date or after settlement of the Restricted Stock Unit. Any payment in respect of Dividend Equivalent Rights shall be treated separately from the Restricted Stock Units for purposes of the designation of time and form of payments required by Code Section 409A.

Delivery

Delivery of the shares of Stock represented by your vested Restricted Stock Units, if any, shall be made as soon as administratively practicable after the date on which your Restricted Stock Units vest, and in any event, by no later than 15 days following the Certification Date.

Evidence of Issuance

The issuance of the shares of Stock with respect to the Grant of Restricted Stock Units evidenced by this Agreement shall be evidenced in such a manner as the Company, in its discretion, deems appropriate, including, without limitation, book-entry, direct registration, or issuance of one or more share certificates.

Forfeiture of Rights

If you should take actions in violation or breach of or in conflict with any (a) Services Agreement, (b) secondment agreement, (c) Company policy or procedure, (d) other agreement, or (e) any other obligation to any Applicable Entity, the Company has the right to cause an immediate forfeiture of your rights to the Restricted Stock Units under this Agreement, and you will immediately forfeit the Restricted Stock Units to the Company.

In addition, if you have vested in Restricted Stock Units during the two (2)-year period prior to your actions, you will owe the Company a cash payment (or forfeiture of shares of Stock) in an amount determined as follows: (a) for any shares of Stock that you have sold prior to receiving notice from the Company, the amount will be the proceeds received from the sale(s), and (b) for any shares of Stock that you still own, the amount will be the number of shares of Stock owned times the Fair Market Value of the shares of Stock on the date you receive notice from the Company (provided, that the Company may require you to satisfy your payment obligations hereunder either by forfeiting and returning to the Company the Restricted Stock Units or any other shares of Stock or making a cash payment or a combination of these methods as determined by the Company in its sole discretion).

Leaves of Absence

For purposes of this Agreement, your Service does not terminate when you go on a *bona fide* leave of absence that was approved by your employer in writing if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. Your Service terminates in any event when the approved leave ends unless you immediately return to active employee work.

Your employer may determine, in its discretion, which leaves count for this purpose, and when your Service terminates for all purposes under the Plan in accordance with the provisions of the Plan. Notwithstanding the foregoing, the Company may determine, in its discretion, that a leave counts for this purpose even if your employer does not agree.

Withholding Taxes

You agree as a condition of this Grant that you will make acceptable arrangements to pay any withholding or other taxes that may be due as a result of the Restricted Stock Units, the issuance of shares of Stock with respect to the Restricted Stock Units, or the payment of Dividend Equivalent Rights. In the event that any Applicable Entity determines that any federal, state, local, or foreign tax or withholding payment is required relating to the Restricted Stock Units or Dividend Equivalent Rights, the Applicable Entity shall have the right to require such payments from you, or withhold such amounts from other payments due to you from the Applicable Entity (including withholding the delivery of vested shares of Stock otherwise deliverable under this Agreement).

Retention Rights

This Agreement and the Grant evidenced hereby do not give you the right to be retained by any Applicable Entity in any capacity. Unless otherwise specified in an employment or other written agreement between the Applicable Entity and you, the Applicable Entity reserves the right to terminate your Service at any time and for any reason.

Stockholder Rights

You have no rights as a stockholder with respect to the Restricted Stock Units unless and until shares of Stock relating to the Restricted Stock Units have been issued to you and either a certificate evidencing your Stock has been issued or an appropriate entry has been made on the Company's books. Other than with respect to the Dividend Equivalent Rights provided in this Agreement, no adjustment shall be made for a dividend or other right for which the record date is prior to the date on which your share certificate is issued (or an appropriate entry is made).

Your Grant shall be subject to the terms of any applicable agreement of merger, liquidation, or reorganization in the event the Company is subject to such corporate activity.

Clawback

This Grant is subject to mandatory repayment by you to the Company to the extent you are or in the future become subject to any Company "clawback" or recoupment policy that requires the repayment by you to the Company of compensation paid by the Company to you in the event that you fail to comply with, or violate, the terms or requirements of such policy.

If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws and you knowingly engaged in the misconduct, were grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct or were grossly negligent in failing to prevent the misconduct, you shall reimburse the Company the amount of any payment in settlement of this Grant earned or accrued during the twelve (12)-month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material noncompliance.

Applicable Law

This Agreement will be interpreted and enforced under the laws of the State of New York, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

The Plan

The text of the Plan is incorporated into this Agreement by reference.

Certain capitalized terms used in this Agreement are defined in the Plan and have the meaning set forth in the Plan.

This Agreement and the Plan constitute the entire understanding between you and the Company regarding this Grant. Any prior agreements, commitments, or negotiations concerning this Grant are superseded; except that any written employment, consulting, confidentiality, non-competition, non-solicitation, and/or severance agreement between you and any Applicable Entity (each a "**Services Agreement**") shall supersede this Agreement with respect to its subject matter.

Data Privacy

In order to administer the Plan, an Applicable Entity may process personal data about you. Such data includes, but is not limited to, information provided in this Agreement and any changes thereto, other appropriate personal and financial data about you, such as your contact information, payroll information, and any other information that might be deemed appropriate by the Applicable Entity to facilitate the administration of the Plan.

By accepting this Grant, you give explicit consent to any Applicable Entity to process any such personal data.

Code Section 409A

The Grant of Restricted Stock Units under this Agreement is intended to be exempt from, or to comply with, Code Section 409A to the extent subject thereto, and, accordingly, to the maximum extent permitted, this Agreement will be interpreted and administered to be in compliance with Code Section 409A. Notwithstanding anything to the contrary in the Plan or this Agreement, neither an Applicable Entity nor the Administrator will have any obligation to take any action to prevent the assessment of any excise tax or penalty on you under Code Section 409A, and neither an Applicable Entity nor the Administrator will have any liability to you for such tax or penalty.

To the extent that the Restricted Stock Units constitute "deferred compensation" under Section 409A, a termination of Service occurs only upon an event that would be a "Separation from Service" within the meaning of Section 409A. If, at the time of your Separation from Service, (a) you are a "specified employee" within the meaning of Section 409A, and (b) the Company makes a good faith determination that an amount payable on account of your Separation from Service constitutes deferred compensation (within the meaning of Section 409A), the payment of which is required to be delayed pursuant to the six (6)-month delay rule set forth in Section 409A to avoid taxes or penalties under Section 409A (the "**Delay Period**"), then the Company will not pay such amount on the otherwise scheduled payment date but will instead pay it in a lump sum on the first business day after the Delay Period (or upon your death, if earlier), without interest. Each installment of Restricted Stock Units that vest under this Agreement (if there is more than one installment) will be considered one of a series of separate payments for purposes of Section 409A.

Certain Definitions

For the purposes of this Agreement, the following terms shall be defined as set forth below:

"**Affiliate**" means, with respect to the Company, any company or other trade or business that controls, is controlled by, or is under common control with the Company within the meaning of Rule 405 of Regulation C under the Securities Act, including, without limitation, any Subsidiary or, in the Administrator's discretion, any majority-owned Subsidiary of the Company.

"**Applicable Entity**" means the Company and its Affiliates.

"**Cause**" means, with respect to any Grantee, as determined by the Company unless otherwise provided in an applicable agreement between such Grantee and the Applicable Entity, (a) repeated violations by such Grantee of such Grantee's obligations to the Applicable Entity (other than as a result of incapacity due to physical or mental illness) which are demonstrably willful and deliberate on such Grantee's part, which are committed in bad faith or without reasonable belief that such violations are in the best interests of the Applicable Entity, and which are not remedied within a reasonable period of time after such Grantee's receipt of written notice from the Applicable Entity specifying such violations; (b) the conviction of such Grantee of a felony involving an act of dishonesty intended to result in substantial personal enrichment of such Grantee at the expense of the Applicable Entity; or (c) prior to a Change in Control, such other events as shall be determined by the Administrator in its sole discretion. Any determination by the Administrator whether an event constituting Cause shall have occurred shall be final, binding, and conclusive.

"**Disability**" means the Grantee is unable to perform each of the essential duties of such Grantee's position by reason of a medically determinable physical or mental impairment which is potentially permanent in character or which can be expected to last for a continuous period of not less than twelve (12) months; provided, however, that, with respect to rules regarding expiration of an Incentive Stock Option following termination of the Grantee's Service, Disability shall mean the Grantee is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

"**First Anniversary Date**" means the first anniversary of the Grant Date.

"**Second Anniversary Date**" means the second anniversary of the Grant Date.

“**Service**” means service as a Service Provider to any Applicable Entity. Unless otherwise stated in the applicable award agreement, a Grantee’s change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to any Applicable Entity. Notwithstanding any other provision to the contrary, for any individual providing services solely as a director, only service to the Company or any of its Subsidiaries constitutes Service. If the Service Provider’s employment or other service relationship is with an Affiliate of the Company and that entity ceases to be an Affiliate of the Company, a termination of Service shall be deemed to have occurred when the entity ceases to be an Affiliate of the Company unless otherwise determined by the Administrator or the Service Provider transfers his or her employment or other service relationship to the Company or its remaining Affiliates.

“**Service Provider**” means an officer, director (including a Non-Employee Director), employee, co-employee, consultant or advisor providing services to an Applicable Entity.

“**Third Anniversary Date**” means the third anniversary of the Grant Date.

By signing this Agreement, you agree to all of the terms and conditions described above and in the Plan.

EXHIBIT A

COLONY CAPITAL, INC.
2014 OMNIBUS STOCK INCENTIVE PLAN

PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT
PERFORMANCE GOALS

1. The Restricted Stock Units (and their corresponding Dividend Equivalent Rights) shall vest in accordance with the provisions of this **Exhibit A**. The number of Restricted Stock Units that vest on the Certification Date shall be rounded down to the nearest whole Restricted Stock Units, but in no event shall the aggregate number of Restricted Stock Units that vest and become payable in accordance with this award exceed % of the Target Number of Restricted Stock Units.

2. Performance Goals. Except as otherwise provided in this Agreement, the Plan, or a Services Agreement, the Grantee shall be eligible to become vested, on the Certification Date, in a number of Restricted Stock Units determined in accordance with the following Performance Goals:

3. Certification. Promptly following the completion of the Performance Cycle (and no later than seventy-five (75) days following the end of the Performance Cycle) (the "**Certification Date**"), the Administrator will review and certify in writing (a) whether, and to what extent, the Performance Goals for the Performance Cycle have been achieved and (b) the number of Restricted Stock Units, if any, that will vest as of the Certification Date. Such certification will be final, conclusive, and binding.

4. Definitions. The capitalized terms below shall have the following meanings for purposes of the Agreement, including this **Exhibit A**. Capitalized terms that are used but not defined herein shall have the meanings provided in the Plan or in the Agreement to which this **Exhibit A** is attached.

a. "**Commencement Date**" means the first day of the Performance Cycle.

b. "**Fair Market Value**" means, as of a given date, the average of the closing prices of the shares of Stock on a national securities exchange over the five (5) day period beginning five (5) trading days up to and including such date.

c. "**Final Per Share Value**" means the Fair Market Value of one (1) share of Stock as of the Cycle End Date.

d. "**Initial Per Share Value**" means the Fair Market Value of one (1) share of Stock as of the Commencement Date.

e. "**Peer Group Companies**" means, as of the Grant Date, the ( ) companies as listed in the chart below. In the event that a company listed as part of the Peer Group Companies experiences a merger, acquisition, spinoff, or other corporate transaction in which the company is not the surviving entity or ceases to be a company listed on an established securities market, such company shall be eliminated from the Peer Group Companies for the entire Performance Cycle and shall not be treated as a constituent member of the Peer Group Companies for purposes of the calculations under this **Exhibit A**. In such a situation, for purposes of the calculations under this **Exhibit A**, the remaining companies shall constitute the Peer Group Companies.

f. "**TSR**" means the percentage appreciation (positive or negative) in the Fair Market Value of one (1) share of Stock from the Commencement Date to the Cycle End Date, determined by dividing (1) the sum of (A) the excess of the Final Per Share Value over the Initial Per Share Value, plus (B) the aggregate dividends (including special dividends) per share of stock with a record date on or after the Commencement Date and prior to or on the Cycle

End Date (assuming the reinvestment of dividends as calculated by a third party such as Appraisal Economics), by (2) the Initial Per Share Value. In the event of a change in capitalization that occurs during the Performance Cycle, the Administrator shall make appropriate adjustments to TSR or the component measures thereunder as it determines, in its sole discretion, to be necessary to maintain the Grantee's rights hereunder so that they are substantially proportionate to the rights existing under this Agreement prior to such change in capitalization.

g. "**TSR Percentile**" means, as of the Cycle End Date, the percentile ranking (as determined in accordance with standard statistical methodology) of the Company's TSR over the Performance Cycle as compared to the range of total shareholder return of the component companies among the Peer Group Companies (calculated in a manner consistent with TSR calculations under this **Exhibit A**) over the Performance Cycle.

Notice of Restricted Stock Units Award of Colony Capital, Inc.

Company Name	Colony Capital, Inc.
Plan	2014 Omnibus Stock Incentive Plan
Grantee ID	/$OptioneeID$/
Grantee Name	/$ParticipantName$/
Grantee Address	/$ParticipantAddress$/
Grant/Award Type	Restricted Stock Units Award
Target Number of Restricted Stock Units*	/$AwardsGranted$/
Grant Date	/$GrantDate$/
Cycle End Date	
Performance Cycle	The period beginning on and ending on the Cycle End Date.

***Subject to reduction pursuant to the terms of the Award Agreement.**

Vesting Conditions: The vesting conditions for this award are set forth in the Agreement, including Exhibit A.

Exhibit 10.41

AMENDED AND RESTATED AIRCRAFT TIME SHARING AGREEMENT

This AMENDED AND RESTATED AIRCRAFT TIME SHARING AGREEMENT (the "**Agreement**") is made and entered into as of this 16th day of January, 2019, between Colony Capital Advisors, LLC ("**Provider**"), and Thomas J. Barrack, Jr. ("**Recipient**").

In consideration of the mutual promises, agreements, covenants, warranties, representations and provisions contained herein, the parties agree as follows:

1. Time Sharing of the Aircraft. Subject to the terms and conditions of this Agreement, Provider may from time to time provide Recipient with transportation services on a non-exclusive basis using Provider's aircraft identified as a Gulfstream model GV-SP (G550) aircraft, registration number N284CC, serial number 5410 (the "**Aircraft**"). This Agreement is intended to be a time sharing agreement within the meaning of 14 C.F.R. Section 91.501(c)(1).

2. Term. The term of this Agreement (the "**Term**") will commence on January 18, 2019 and end on December 31, 2019 (the "**Expiration Date**"). The Expiration Date (as it may be extended) will be automatically extended by one year if neither party has given notice of non-renewal to the other at least 30 days before the then Expiration Date. Notwithstanding anything to the contrary in this section 2, either party may terminate this Agreement on 30 days' notice, provided that such party is not then in default, and this Agreement will terminate automatically upon Provider entering into an agreement for the sale of the Aircraft.

3. Delivery to Recipient. Upon the request of Recipient, subject to the availability of the Aircraft as determined by Provider, Provider will make the Aircraft available to Recipient at such location as Recipient may reasonably request. Recipient acknowledges that Provider currently bases the Aircraft at Van Nuys Airport, Van Nuys, California (the "**Base**").

4. Reimbursement.

(a) Recipient will pay to Provider, within 30 days of Provider's invoice, for Recipient's flights of the Aircraft during the Term, the following amounts with respect to Recipient's flights of the Aircraft (collectively, the "**Reimbursement**"):

(i) the cost of the fuel, oil and additives consumed;

(ii) handling fees;

(iii) parking, hangar, ramp and tie-down fees;

(iv) governmental fees, including customs, overflight, air navigation and emissions trading fees.

(v) hourly maintenance program expenses, including amounts payable under Rolls-Royce CorporateCare and Honeywell Maintenance Service Plan;

(vi) a hourly fee of $271.23, as adjusted, to account for maintenance overhead expenses;

(vii) the cost of aircraft cleaning;

(viii) the cost of catering and restocking of galley supplies consumed;

(ix) crew travel expenses, including food, lodging, transportation and tips; and

(x) passenger ground transportation.

The hourly fee provided in clause (vi) will be adjusted annually at the beginning of each year to reflect the flight hours and maintenance overhead expenses budgeted for that year.

(b) Notwithstanding section 4(a), Recipient will not pay the portion of the Reimbursement for a Recipient flight of the Aircraft that exceeds the sum of the following:

(i) twice the cost of the fuel, oil and other additives consumed;

(ii) travel expenses of the crew, including food, lodging, and ground transportation;

(iii) hangar and tie-down costs away from the aircraft's base of operation;

(iv) Insurance obtained for the specific flight;

(v) Landing fees, airport taxes, and similar assessments;

(vi) Customs, foreign permit, and similar fees directly related to the flight;

(vii) In flight food and beverages;

(viii) Passenger ground transportation; and

(ix) Flight planning and weather contract services.

(c) For the sake of clarification, flights to ferry the Aircraft to the delivery location specified by Recipient pursuant to section 3, and flights to return the Aircraft to the Base, or such other location as the parties agree pursuant to section 5, will be deemed to be flights of the Aircraft by Recipient.

5. Return to Base. On the Expiration Date and, unless Provider agrees to the contrary, upon the conclusion of each flight of the Aircraft by Recipient under this Agreement, the Aircraft will be returned to the Base, or such other location as Provider and Recipient may agree.

6. Flights of the Aircraft.

(a) Recipient acknowledges that his discretion in determining the origin and destination of flights under this Agreement will be subject to the following limitations: (i) such origin and destination, and the routes to reach such origin and destination, are not within or over (A) an area of hostilities, (B) an area excluded from coverage under the insurance policies maintained by Provider with respect to the Aircraft or (C) a country or jurisdiction for which exports or transactions are subject to specific restrictions under any United States export or other law or United Nations Security Council Directive, including without limitation, the Trading With the Enemy Act, 50 U.S.C. App. Section 1 et seq., the International Emergency Economic Powers Act, 50 U.S.C. Section 1701 et seq. and the Export Administration Act, 50 U.S.C. App. Sections 2401 et seq.; and (ii) in the judgment of Provider, the safety of flight is not jeopardized.

(b) Recipient acknowledges that, if, in the opinion of Provider (including its pilot-in-command), flight safety may be jeopardized, Provider may terminate a flight or refuse to commence it without liability for loss, injury or damage occasioned by such termination or refusal. Recipient acknowledges that Provider will not be liable for any loss, damage, cost or expense arising from or related to, directly or indirectly, any delay, cancellation or failure to furnish any transportation pursuant to this Agreement, including, without limitation, when caused by government regulation, law or authority, mechanical difficulty or breakdown, war, civil commotion, strikes or other labor disputes, weather conditions, acts of God, public enemies or any other cause beyond Provider's control.

(c) Recipient will use the Aircraft only for the transportation of his employees and guests and will not obtain compensation for such transportation from any person.

7. Operation and Maintenance Responsibilities of Provider. As between Provider and Recipient, Provider will be in operational control of the Aircraft and will be solely responsible for the operation and maintenance of the Aircraft.

8. Taxes. Recipient will pay to Provider any federal excise taxes applicable to Recipient's flights, or to Recipient's payment for Recipient's flights, of the Aircraft.

9. Damage. Recipient will pay, or at Provider's election, will reimburse Provider for, the repair, replacement or cleaning of any part or equipment of the Aircraft materially damaged by Recipient or Recipient's guests, as determined by Provider in its sole discretion. For the sake of clarification, damage includes stained or torn upholstery or interior finishings, broken furniture or equipment or broken tableware.

10. General Provisions

(a) *Headings*. The headings contained in this Agreement are for reference purposes only and will not affect in any way the construction or interpretation of this Agreement.

(b) *Tense and Case*. Throughout this Agreement, as the context may require, references to any word used in one tense or case will include all other appropriate tenses or cases.

(c) *Including*. The words “include”, “including” and variations thereof are not terms of limitation and will be deemed in each case to be followed by the phrase “without limitation.”

(d) *Partial Invalidity*. If any provision of this Agreement, or the application thereof to any person, place or circumstance, is held by a court of competent jurisdiction to be illegal, invalid, unenforceable or void, then such provision will be enforced to the extent that it is not illegal, invalid, unenforceable or void, and the remainder of this Agreement, as well as such provision as applied to other persons, will remain in full force and effect.

(e) *Waiver*. With regard to any power, remedy or right provided in this Agreement or otherwise available to either party, (i) no waiver or extension of time will be effective unless expressly contained in a writing signed by the waiving party, (ii) no alteration, modification or impairment will be implied by reason of any previous waiver, extension of time, delay or omission in exercise or other indulgence, and (iii) waiver by either party of the time for performance of any act or condition hereunder does not constitute waiver of the act or condition itself.

(f) *Notices*. Any notice or other communication required or permitted under this Agreement will be in writing and be deemed duly given upon actual receipt when delivered personally, by mail, by a courier service that provides delivery receipts, or by facsimile (provided notices received on a non-business day, or after 5 p.m. on a business day, each as determined in the location of the recipient, will be deemed received on the next business day). Notices will be addressed as specified in writing by the relevant party from time to time, which initially is as follows:

To Recipient at:	Thomas J. Barrack, Jr. 515 S. Flower St, 44th Floor Los Angeles, CA 90071 Fax: +1-310-407-7322 Tel.: +1-310-552-7240

To Provider at:	Colony Capital Advisors, LLC 515 S. Flower St, 44th Floor Los Angeles, CA 90071 Attention: Mark M. Hedstrom Fax: +1-310-407-7431 Tel.: +1-310-282-8820

No objection may be made to the manner of delivery of any notice or other communication in writing actually received by a party.

(g) *California Law*. This Agreement will be governed by and construed in accordance with the laws of the State of California, regardless of the choice of law provisions of California or any other jurisdiction.

(h) *Entire Agreement*. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter contained in this Agreement and supersedes any prior or contemporaneous agreements, representations and understandings, whether written or oral, of or between the parties with respect to the subject matter of this Agreement. There are no representations, warranties, covenants, promises or undertakings, other than those expressly set forth or referred to herein.

(i) *Amendment*. This Agreement may be amended only by a written agreement signed by both parties.

(j) *Binding Effect; Assignment*. This Agreement will be binding on, and will inure to the benefit of, the parties and their respective successors and assigns; provided, however, that Recipient may not assign any of its rights under this Agreement, and any such purported assignment will be null, void and of no effect.

(k) *Attorneys' Fees*. Should any action (including any proceedings in a bankruptcy court) be commenced between the parties or their representatives concerning any provision of this Agreement or the rights of any person or entity under this Agreement, solely as between the parties or their successors, the party or parties prevailing in such action as determined by the court will be entitled to recover from the other party all of its costs and expenses incurred in connection with such action (including, without limitation, fees, disbursements and expenses of attorneys and costs of investigation).

(l) *Remedies Not Exclusive*. No remedy conferred by any of the specific provisions of this Agreement is intended to be exclusive of any other remedy, and each and every remedy will be cumulative and in addition to every other remedy given hereunder or now or hereafter existing at law or in equity by statute or otherwise. The election of any one or more remedies will not constitute a waiver of the right to pursue other remedies.

(m) *No Third Party Rights*. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person other than the parties to this Agreement and their respective successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor will any provision give any third person any right of subrogation or action over or against any party to this Agreement.

(n) *Counterparts*. This Agreement may be executed in one or more counterparts, each of which independently will be deemed to be an original, and all of which together will constitute one instrument.

(o) *Limitation of Liability*. Recipient will not enforce any judgment against Provider for claims for property damage or personal injury arising in connection with Provider's performance of this Agreement to the extent the amount of the judgment exceeds the coverage of such claims under Provider's insurance policies. Each party waives any and all claims, rights and remedies against the other party, whether express or implied, or arising by operation of law or in equity, for any punitive, exemplary, indirect, incidental or consequential damages whatsoever that may arise out of this Agreement, whether or not such party was or should have been aware of the possibility of such damage.

(p) *Expenses*. Each party will bear all of its own expenses in connection with the negotiation, execution and delivery of this Agreement.

(q) *Relationship of the Parties*. Nothing contained in this Agreement will in any way create any association, partnership, joint venture, or principal-and-agent relationship between the parties hereto or be construed to evidence the intention of the parties to constitute such.

(r) *Survival*. All representations, warranties, covenants and agreements, set forth in sections 4, 5, 6, 8 and 10 will survive the expiration or termination of this Agreement. The termination of this Agreement will not affect the obligation of Recipient to pay Provider all accrued and unpaid Reimbursement and all other accrued and unpaid amounts due hereunder.

11. <u>Truth-In-Leasing</u>

(a) THE PARTIES HAVE REVIEWED THE AIRCRAFT'S MAINTENANCE RECORDS AND OPERATING LOGS AND HAVE FOUND THAT, DURING THE PRECEDING TWELVE MONTHS, OR, IF SHORTER, THE PERIOD FROM THE DATE OF DELIVERY OF THE AIRCRAFT FROM THE MANUFACTURER, THE AIRCRAFT HAS BEEN MAINTAINED AND INSPECTED UNDER FAR PART 91. RECIPIENT ACKNOWLEDGES THAT THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED UNDER FAR PART 91 FOR OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT.

(b) RECIPIENT ACKNOWLEDGES THAT PROVIDER IS RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT FOR FLIGHTS UNDER THIS AGREEMENT. EACH OF PROVIDER AND RECIPIENT CERTIFIES THAT IT UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

(c) RECIPIENT UNDERSTANDS THAT AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND THE PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE.

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be duly executed as of the day and year first written above.

PROVIDER

Colony Capital Advisors, LLC

By: /s/ Mark M. Hedstrom

Mark M. Hedstrom

Title: Vice-President

RECIPIENT

By: /s/ Thomas J. Barrack, Jr.
Thomas J. Barrack, Jr.

Exhibit 21.1

COLONY CAPITAL, INC.
LIST OF SIGNIFICANT SUBSIDIARIES

Subsidiary Name	State or Jurisdiction of Formation
CDCF IV GP Holdco, LLC	Delaware
CDCF IV Holdco Subsidiary A, LLC	Delaware
CFI RE Holdco, LLC	Delaware
CIR III-1, REIT	Texas
CMP I Holdings-T, LLC	Delaware
CNI Advisor Holdings, LLC	Delaware
CNI NSAM Investments, LLC	Delaware
ColFin Cobalt GP, LLC	Delaware
ColFin Cobalt Partnership, L.P.	Delaware
ColFin Cobalt REIT, Inc.	Maryland
Colony Capital Advisors, LLC	Delaware
Colony Capital Investment Advisors, LLC	Delaware
Colony Capital Investment Holdco, LLC	Delaware
Colony Capital OP Subsidiary, LLC	Delaware
Colony Capital Operating Company, LLC	Delaware
Colony Capital US, LLC	Delaware
Colony Industrial Fund JV, L.P.	Delaware
HA Portfolio Holdings-T, LLC	Delaware
Healthcare GA Holdings, GP	Delaware
Healthcare GA Holdings-T, LLC	Delaware
Healthcare GA Limited Partner-T, LLC	Delaware
Healthcare GA Operating Partnership-T, LLC	Delaware
NorthStar Asset Management Group, LLC	Delaware
NorthStar Healthcare JV Holdings, LLC	Delaware
NorthStar Healthcare JV, LLC	Delaware
NorthStar Realty Healthcare, LLC	Delaware
NRF Holdco, LLC	Delaware
NRFC Healthcare Holding Company, LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

(1) Registration Statement (Form S-8 No. 333-215509) of Colony Capital, Inc (formerly known as Colony NorthStar, Inc.) pertaining to the 2014 Omnibus Stock Incentive Plan;
(2) Registration Statement (Form S-3 ASR No. 333-215506) of Colony Capital, Inc (formerly known as Colony NorthStar, Inc.) pertaining to the registration of its class A common stock, preferred stock, depositary shares, warrants, and rights;
(3) Registration Statement (Form S-8 No. 333-197104-01) of Colony Capital, Inc (formerly known as Colony NorthStar, Inc.) pertaining to the 2014 Omnibus Stock Incentive Plan;

of our reports dated March 1, 2019 with respect to the consolidated financial statements of Colony Capital, Inc. and the effectiveness of internal control over financial reporting of Colony Capital, Inc. included in this Annual Report (Form 10-K) of Colony Capital, Inc. for the year ended December 31, 2018.

/s/ Ernst & Young LLP

Los Angeles, California
March 1, 2019

Exhibit 31.1

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

I, Thomas J. Barrack, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Colony Capital, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2019

/s/ Thomas J. Barrack, Jr.

Thomas J. Barrack, Jr.
Chief Executive Officer

Exhibit 31.2

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

I, Mark M. Hedstrom, certify that:

1. I have reviewed this Annual Report on Form 10-K of Colony Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2019

/s/ Mark M. Hedstrom

Mark M. Hedstrom
Chief Financial Officer

Exhibit 32.1

**Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Colony Capital, Inc. (the "Company") on Form 10-K for the year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas J. Barrack, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2019

/s/ Thomas J. Barrack, Jr.

Thomas J. Barrack, Jr.
Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C §1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Colony Capital, Inc. (the "Company") on Form 10-K for the year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark M. Hedstrom, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2019

/s/ Mark M. Hedstrom

Mark M. Hedstrom
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C §1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.