

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

FORM 10-Q

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

For the quarterly period ended June 30, 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
(State or Other Jurisdiction of
Incorporation or Organization)

46-4591526
(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)

Colony NorthStar, Inc.
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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

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

As of August 6, 2018, 489,758,352 shares of the Registrant's class A common stock and 708,168 shares of class B common stock were outstanding.

EXPLANATORY NOTE

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

- NorthStar Asset Management Group Inc. ("NSAM"), a real estate focused asset management firm which commenced operations in July 2014 upon the spin-off by NorthStar Realty Finance Corp. ("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 Quarterly Report on Form 10-Q (this "Quarterly Report") represents a continuation of the financial information of Colony as the accounting acquirer. Consequently, the historical financial information included herein as of any date, or for any periods on or prior to January 10, 2017, represents the pre-merger financial information of Colony. The results of operations of NSAM and NRF were incorporated into 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.) for all periods on or after January 11, 2017, following the closing of the Merger; and
- Colony for all periods on or prior to the closing of the Merger on January 10, 2017.

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

COLONY CAPITAL, INC.

FORM 10-Q

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PART I—FINANCIAL INFORMATION

ITEM 1. Financial Statements.

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

	June 30, 2018 (Unaudited)	December 31, 2017
Assets		
Cash and cash equivalents	\$ 480,230	\$ 921,822
Restricted cash	398,981	471,078
Real estate, net	14,254,108	14,464,258
Loans receivable, net (\$0 and \$45,423 at fair value, respectively)	1,791,889	3,223,762
Investments in unconsolidated ventures (\$217,098 and \$363,901 at fair value, respectively)	2,491,342	1,655,239
Securities, at fair value	144,421	383,942
Goodwill	1,534,561	1,534,561
Deferred leasing costs and intangible assets, net	610,853	852,872
Assets held for sale (\$52,123 and \$49,498 at fair value, respectively)	637,802	781,630
Other assets (\$25,206 and \$10,150 at fair value, respectively)	431,222	444,968
Due from affiliates	44,308	51,518
Total assets	\$ 22,819,717	\$ 24,785,650
Liabilities		
Debt, net (\$0 and \$44,542 at fair value, respectively)	\$ 9,994,115	\$ 10,827,810
Accrued and other liabilities (\$110,513 and \$212,267 at fair value, respectively)	679,658	898,161
Intangible liabilities, net	173,702	191,109
Liabilities related to assets held for sale	256,477	273,298
Due to affiliates (\$0 and \$20,650 at fair value, respectively)	9,383	23,534
Dividends and distributions payable	86,656	188,202
Preferred stock redemptions payable	200,000	—
Total liabilities	11,399,991	12,402,114
Commitments and contingencies (Note 23)		
Redeemable noncontrolling interests	33,523	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; 489,764 and 542,599 shares issued and outstanding, respectively	4,898	5,426
Class B, 1,000 shares authorized; 708 and 736 shares issued and outstanding, respectively	7	7
Additional paid-in capital	7,616,918	7,913,622
Distributions in excess of earnings	(1,443,717)	(1,165,412)
Accumulated other comprehensive income	23,930	47,316
Total stockholders' equity	7,609,531	8,407,925
Noncontrolling interests in investment entities	3,393,981	3,539,072
Noncontrolling interests in Operating Company	382,691	402,395
Total equity	11,386,203	12,349,392
Total liabilities, redeemable noncontrolling interests and equity	\$ 22,819,717	\$ 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 June 30, 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).

	June 30, 2018 (Unaudited)	December 31, 2017
Assets		
Cash	\$ 7,506	\$ 10,969
Restricted cash	—	40,084
Loans receivable, net	—	546,306
Securities	36,649	250,526
Real estate, net	—	8,073
Other assets	768	13,671
Total assets	<u>\$ 44,923</u>	<u>\$ 869,629</u>
Liabilities		
Debt, net	\$ —	\$ 348,250
Other liabilities	152	31,299
Total liabilities	<u>\$ 152</u>	<u>\$ 379,549</u>

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues				
Property operating income	\$ 590,638	\$ 500,531	\$ 1,145,368	\$ 927,385
Interest income	44,183	111,263	108,037	226,807
Fee income (\$39,634, \$44,900, \$76,406 and \$90,688 from affiliates, respectively)	39,924	54,319	76,766	107,569
Other income (\$10,094, \$6,973, \$16,887 and \$13,676 from affiliates, respectively)	14,854	13,259	26,092	24,776
Total revenues	689,599	679,372	1,356,263	1,286,537
Expenses				
Property operating expense	320,674	253,717	626,444	470,066
Interest expense	153,309	140,260	302,198	266,538
Investment, servicing and commission expense	25,951	13,740	44,604	25,547
Transaction costs	2,641	2,440	3,357	89,780
Depreciation and amortization	137,896	153,111	282,601	290,531
Provision for loan loss	13,933	1,067	19,308	7,791
Impairment loss	69,834	12,761	223,232	21,280
Compensation expense	55,159	80,759	104,643	172,577
Administrative expenses	25,790	30,145	50,653	56,059
Total expenses	805,187	688,000	1,657,040	1,400,169
Other income (loss)				
Gain on sale of real estate	42,702	15,190	61,146	24,160
Other gain (loss), net	28,798	(23,850)	104,054	1,531
Earnings from investments in unconsolidated ventures	1,875	122,394	34,140	236,386
Income (loss) before income taxes	(42,213)	105,106	(101,437)	148,445
Income tax benefit (expense)	584	86	33,392	(3,623)
Income (loss) from continuing operations	(41,629)	105,192	(68,045)	144,822
Income (loss) from discontinued operations	(219)	—	(102)	12,560
Net income (loss)	(41,848)	105,192	(68,147)	157,382
Net income (loss) attributable to noncontrolling interests:				
Redeemable noncontrolling interests	1,873	720	1,177	1,337
Investment entities	27,420	23,800	47,522	50,859
Operating Company	(5,728)	2,330	(10,106)	1,247
Net income (loss) attributable to Colony Capital, Inc.	(65,413)	78,342	(106,740)	103,939
Preferred stock redemption (Note 16)	(3,995)	5,448	(3,995)	5,448
Preferred stock dividends	31,388	34,339	62,775	65,152
Net income (loss) attributable to common stockholders	\$ (92,806)	\$ 38,555	\$ (165,520)	\$ 33,339
Basic earnings (loss) per share				
Income (loss) from continuing operations per basic common share	\$ (0.19)	\$ 0.07	\$ (0.33)	\$ 0.03
Net income (loss) per basic common share	\$ (0.19)	\$ 0.07	\$ (0.33)	\$ 0.05
Diluted earnings (loss) per share				
Income (loss) from continuing operations per diluted common share	\$ (0.19)	\$ 0.07	\$ (0.33)	\$ 0.03
Net income (loss) per diluted common share	\$ (0.19)	\$ 0.07	\$ (0.33)	\$ 0.05
Weighted average number of shares				
Basic	488,676	544,023	509,562	525,318
Diluted	488,676	544,023	509,562	525,318
Dividends declared per common share (Note 16)	\$ 0.11	\$ 0.27	\$ 0.22	\$ 0.54

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income (loss)	\$ (41,848)	\$ 105,192	\$ (68,147)	\$ 157,382
Other comprehensive income (loss):				
Other comprehensive income from investments in unconsolidated ventures, net	999	511	2,098	605
Net change in fair value of available-for-sale debt securities	1,632	8,652	(19,086)	3,658
Foreign currency translation adjustments:				
Foreign currency translation gain (loss)	(103,050)	107,000	(26,649)	135,073
Change in fair value of net investment hedges	37,937	(37,905)	13,559	(45,094)
Net foreign currency translation adjustments	(65,113)	69,095	(13,090)	89,979
Other comprehensive income (loss)	(62,482)	78,258	(30,078)	94,242
Comprehensive income (loss)	(104,330)	183,450	(98,225)	251,624
Comprehensive income (loss) attributable to noncontrolling interests:				
Redeemable noncontrolling interests	1,873	720	1,177	1,337
Investment entities	(8,269)	69,553	41,940	108,541
Operating Company	(7,286)	4,178	(11,544)	3,341
Comprehensive income (loss) attributable to stockholders	\$ (90,648)	\$ 108,999	\$ (129,798)	\$ 138,405

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

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

	Preferred Stock	Common Stock	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interests in Operating Company	Total Equity
Balance at December 31, 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	—	—	—	103,939	—	103,939	50,859	1,247	156,045
Other comprehensive loss	—	—	—	—	34,466	34,466	57,682	2,094	94,242
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	—	—	—	—	—	—	506,453	8,162	514,615
Issuance of Cumulative Redeemable Perpetual Preferred Stock	345,000	—	—	—	—	345,000	—	—	345,000
Offering costs	(11,540)	—	—	—	—	(11,540)	—	—	(11,540)
Redemption of preferred stock	(313,667)	—	—	—	—	(313,667)	—	—	(313,667)
Common stock repurchases	—	(129)	(167,856)	—	—	(167,985)	—	—	(167,985)
Equity-based compensation	—	75	46,460	—	—	46,535	—	24,040	70,575
Redemption of OP Units for cash and class A common stock	—	14	18,796	—	—	18,810	—	(23,895)	(5,085)
Shares canceled for tax withholdings on vested stock awards	—	(4)	(5,401)	—	—	(5,405)	—	—	(5,405)
Settlement of call spread option	—	—	6,900	—	—	6,900	—	—	6,900
Costs of noncontrolling equity	—	—	(9,209)	—	—	(9,209)	—	—	(9,209)
Contributions from noncontrolling interests	—	—	—	—	—	—	913,308	—	913,308
Distributions to noncontrolling interests	—	—	—	—	—	—	(357,281)	(17,950)	(375,231)
Preferred stock dividends	—	—	—	(75,147)	—	(75,147)	—	—	(75,147)
Common stock dividends declared (\$0.54 per share; Note 16)	—	—	—	(288,282)	—	(288,282)	—	—	(288,282)
Reallocation of equity (Note 2 and 17)	—	—	(80,161)	—	4,527	(75,634)	18,877	56,757	—
Balance at June 30, 2017	\$ 1,624,444	\$ 5,519	\$ 7,958,872	\$ (505,554)	\$ 6,884	\$ 9,090,165	\$ 3,643,836	\$ 439,645	\$13,173,646

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

	Preferred Stock	Common Stock	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interests in Operating Company	Total Equity
Balance at December 31, 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)	—	—	—	(106,740)	—	(106,740)	47,522	(10,106)	(69,324)
Other comprehensive loss	—	—	—	—	(23,058)	(23,058)	(5,582)	(1,438)	(30,078)
Redemption of preferred stock (Note 16)	(199,471)	—	(529)	—	—	(200,000)	—	—	(200,000)
Common stock repurchases	—	(548)	(318,481)	—	—	(319,029)	—	—	(319,029)
Redemption of OP Units for cash and class A common stock	—	15	18,884	—	—	18,899	—	(20,995)	(2,096)
Equity-based compensation	—	34	19,915	—	—	19,949	—	1,414	21,363
Shares canceled for tax withholdings on vested stock awards	—	(29)	(32,021)	—	—	(32,050)	—	—	(32,050)
Reclassification of contingent consideration out of liability at end of measurement period	—	—	12,539	—	—	12,539	—	—	12,539
Deconsolidation of investment entities (Note 4)	—	—	—	—	—	—	(330,980)	—	(330,980)
Contributions from noncontrolling interests	—	—	—	—	—	—	384,957	—	384,957
Distributions to noncontrolling interests	—	—	—	—	—	—	(219,829)	(6,895)	(226,724)
Preferred stock dividends	—	—	—	(60,743)	—	(60,743)	—	—	(60,743)
Common stock dividends declared (\$0.22 per share)	—	—	—	(109,804)	—	(109,804)	—	—	(109,804)
Reallocation of equity (Notes 2 and 17)	—	—	2,989	—	(126)	2,863	(21,179)	18,316	—
Balance at June 30, 2018	<u>\$ 1,407,495</u>	<u>\$ 4,905</u>	<u>\$ 7,616,918</u>	<u>\$(1,443,717)</u>	<u>\$ 23,930</u>	<u>\$ 7,609,531</u>	<u>\$ 3,393,981</u>	<u>\$ 382,691</u>	<u>\$11,386,203</u>

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

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

	Six Months Ended June 30,	
	2018	2017
Cash Flows from Operating Activities		
Net income (loss)	\$ (68,147)	\$ 157,382
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	(14,347)	(32,252)
Paid-in-kind interest added to loan principal, net of interest received	(16,615)	(16,304)
Straight-line rents	(14,754)	(16,119)
Amortization of above- and below-market lease values, net	(1,503)	(5,597)
Amortization of deferred financing costs and debt discount and premium	48,093	41,602
Earnings from investments in unconsolidated ventures	(34,140)	(236,386)
Distributions of income from equity method investments	34,924	33,971
Provision for loan losses	19,308	7,791
Allowance for doubtful accounts	22,104	6,790
Impairment of real estate and intangibles	223,232	21,280
Depreciation and amortization	282,601	290,531
Equity-based compensation	21,566	70,098
Change in fair value of contingent consideration—Internalization	(1,730)	(8,250)
Gain on sales of real estate, net	(61,146)	(22,052)
Deferred income tax benefit	(45,181)	(5,540)
Other (gain) loss, net	(102,324)	6,719
Increase in other assets and due from affiliates	(52,562)	(33,405)
Decrease in accrued and other liabilities and due to affiliates	(28,918)	(78,963)
Other adjustments, net	919	254
Net cash provided by operating activities	211,380	181,550
Cash Flows from Investing Activities		
Contributions to investments in unconsolidated ventures	(189,198)	(211,671)
Return of capital from investments in unconsolidated ventures	230,128	101,087
Acquisition of loans receivable and securities	(82,477)	(549,659)
Cash and restricted cash assumed in Merger, net of payments for merger-related liabilities (Note 3)	—	132,377
Net disbursements on originated loans	(88,543)	(172,017)
Repayments of loans receivable	57,434	217,302
Proceeds from sales of loans receivable and securities	125,733	139,624
Cash receipts in excess of accretion on purchased credit-impaired loans	44,155	100,382
Acquisition of and additions to real estate, related intangibles and leasing commissions	(542,572)	(791,779)
Proceeds from sales of real estate, net of debt assumed by buyers	428,562	973,603
Proceeds from paydown and maturity of securities	27,038	62,171
Cash and restricted cash contributed to Colony Credit (Note 4)	(141,153)	—
Proceeds from sale of investments in unconsolidated ventures (Notes 7 and 22)	89,115	500,504
Proceeds from sale of equity interests in securitization trusts, net of cash and restricted cash deconsolidated (Note 15)	142,270	—
Acquisition of CPI, net of cash and restricted cash acquired (Note 3)	—	(23,111)
Investment deposits	(14,224)	(47,130)
Increase in escrow deposits	—	10,517
Net payments on settlement of derivative instruments	(19,852)	(6,315)
Other investing activities, net	(3,059)	(1,463)
Net cash provided by investing activities	63,357	434,422

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

	Six Months Ended June 30,	
	2018	2017
Cash Flows from Financing Activities		
Proceeds from issuance of preferred stock, net	\$ —	\$ 333,460
Dividends paid to preferred stockholders	(64,208)	(70,920)
Dividends paid to common stockholders	(202,552)	(184,874)
Repurchase of common stock	(319,029)	(167,985)
Borrowings from corporate credit facility	504,000	659,000
Repayment of borrowings from corporate credit facility	(554,000)	(1,010,600)
Borrowings from secured debt	432,408	2,654,459
Repayments of secured debt	(699,178)	(2,565,537)
Change in escrow deposits related to financing arrangements	—	6,827
Settlement of call spread option	—	6,900
Costs associated with contributions from noncontrolling interests	—	(6,765)
Payment of deferred financing costs	(8,176)	(54,564)
Contributions from noncontrolling interests	405,381	901,808
Distributions to and redemptions of noncontrolling interests	(242,627)	(375,940)
Redemption of preferred stock	—	(313,667)
Shares canceled for tax withholdings on vested stock awards	(32,050)	(5,405)
Redemption of OP Units for cash	(2,096)	(5,085)
Payment of cash collateral on derivative	—	(2,010)
Repurchase of exchangeable senior notes	—	(11,955)
Other financing activities, net	(350)	(171)
Net cash used in financing activities	<u>(782,477)</u>	<u>(213,024)</u>
Effect of exchange rates on cash, cash equivalents and restricted cash	(4,920)	8,203
Net increase (decrease) in cash, cash equivalents and restricted cash	(512,660)	411,151
Cash, cash equivalents and restricted cash, beginning of period	1,393,920	497,886
Cash, cash equivalents and restricted cash, end of period	<u>\$ 881,260</u>	<u>\$ 909,037</u>
Reconciliation of cash, cash equivalents, and restricted cash to consolidated balance sheets		
Beginning of the period		
Cash and cash equivalents	\$ 921,822	\$ 376,005
Restricted cash	471,078	111,959
Restricted cash included in assets held for sale	1,020	9,922
Total cash, cash equivalents and restricted cash, beginning of period	<u>\$ 1,393,920</u>	<u>\$ 497,886</u>
End of the period		
Cash and cash equivalents	\$ 480,230	\$ 599,920
Restricted cash	398,981	300,680
Restricted cash included in assets held for sale	2,049	8,437
Total cash, cash equivalents and restricted cash, end of period	<u>\$ 881,260</u>	<u>\$ 909,037</u>

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

COLONY CAPITAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018
(Unaudited)

1. Business and Organization

Colony Capital, Inc. (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 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 intends to elect to be taxed as a REIT under the Internal Revenue Code, for U.S. federal income tax purposes beginning with its taxable year ended December 31, 2017. 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 June 30, 2018, the Company owned approximately 94.2% of the OP, as its sole managing member. The remaining 5.8% is owned primarily by certain employees of the Company as noncontrolling interests.

Merger

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

The Merger was accounted for as a reverse acquisition, with NSAM as the legal acquirer for certain legal and regulatory matters, and Colony as the accounting acquirer for purposes of financial reporting. Consequently, the historical financial information included herein as of any date or for any periods on or prior to the Closing Date represents the pre-Merger financial information of Colony. Accordingly, the year-to-date results of operations of the Company as set forth herein may not be comparable as the first ten days of 2017 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.

Retail Distribution Business

On April 30, 2018, the Company completed the combination of NorthStar Securities, LLC ("NorthStar Securities"), the Company's captive broker-dealer platform acquired through the Merger that raises capital in the retail market, with S2K Financial Holdings, LLC ("S2K") to form Colony S2K Holdings, LLC ("Colony S2K"). Colony S2K will distribute both the current and future investment products sponsored by the Company and S2K as well as third party sponsored products. S2K is the holding company of S2K Financial, LLC, a registered broker-dealer wholesale distributor of investment vehicles, and S2K Servicing LLC, a provider of administrative services to institutional investment managers.

2. Summary of Significant Accounting Policies

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

Basis of Presentation

The accompanying unaudited interim financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. These statements reflect all normal and recurring adjustments which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of the Company for the interim periods presented. However, the results of operations for the interim period presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2018, or any other future period. These interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in, or presented as exhibits to, the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Merger

The Merger was accounted for under the acquisition method for a business combination as a reverse acquisition. NSAM was the legal acquirer in the Merger for certain legal and regulatory matters, however, Colony was determined to be the accounting acquirer in the Merger for financial reporting purposes. While NSAM was the legal entity which initiated the transaction and issued its shares to consummate the Merger, the fact that the senior management of 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 is adjusted to reflect the equity structure of the legal acquirer, including for comparative periods, by applying the Colony share exchange ratio of 1.4663. The historical financial information as of any date or for any periods on or prior to the Closing Date represents the pre-Merger financial information of Colony. The assets and liabilities of Colony are reflected by 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 accompanying consolidated financial statements include the accounts of the Company and its controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated. The portions of the equity, net income and other comprehensive income of consolidated subsidiaries that are not attributable to the parent are presented separately as amounts attributable to noncontrolling interests in the consolidated financial statements. A substantial portion of noncontrolling interests represents interests held by private investment funds or other investment vehicles managed by the Company and which invest alongside the Company and membership interests in OP primarily held by certain employees of the Company.

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

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

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

Company and the related party. The determination of whether an entity is a VIE, and whether the Company is the primary beneficiary, may involve significant judgment, including the determination of which activities most significantly affect the entities' performance, and estimates about the current and future fair values and performance of assets held by the VIE.

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

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

Noncontrolling Interests

Redeemable Noncontrolling Interests—This represents noncontrolling interests in (i) a consolidated open-end fund sponsored by the Company beginning in August 2017, and (ii) an investment management subsidiary acquired through the Merger, Townsend Holdings, LLC ("Townsend"), beginning January 11, 2017 through December 29, 2017, the date the Company sold its interest in Townsend.

The limited partners in the consolidated open-end fund who represent noncontrolling interests generally have the ability to withdraw all or a portion of their interests in cash with 30 days' notice.

Redeemable noncontrolling interests is presented outside of permanent equity. Allocation of net income or loss to redeemable noncontrolling interests is based upon their ownership percentage during the period. The carrying amount of redeemable noncontrolling interests is adjusted to its redemption value at the end of each reporting period, but no less than its initial carrying value, with such adjustments recognized in additional paid-in capital.

Noncontrolling Interests in Investment Entities—This represents interests in consolidated investment entities held by private investment funds or retail companies managed by the Company or held by third party joint venture partners. Allocation of net income or loss is generally based upon relative ownership interests held by equity owners in each investment entity, or based upon contractual arrangements that may provide for disproportionate allocation of economic returns among equity interests, including using a hypothetical liquidation at book value basis, where applicable and substantive.

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

Use of Estimates

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

Investments in Unconsolidated Ventures

A noncontrolling, unconsolidated ownership interest in an entity may be accounted for using the equity method, fair value option or net asset value ("NAV") practical expedient, if elected, or for equity investments without readily

determinable fair values, the measurement alternative to measure at cost adjusted for any impairment and observable price changes, as applicable.

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

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

Impairment—Evaluation of impairment applies to equity method investments and equity investments under the measurement alternative. If indicators of impairment exist, the Company will 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 determined 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 has occurred. Assessment of other-than-temporary impairment 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 impaired are written down to their estimated fair value, recorded in earnings from investments in unconsolidated ventures for equity method investments and in impairment loss for investments under the measurement alternative.

Property Operating Income

Property operating income includes the following.

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

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

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

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

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

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

Fee Income

Fee income consists of the following:

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

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

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

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

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

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

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

Accounting Standards Adopted in 2018

Revenue Recognition—In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which amends existing revenue

recognition standards by establishing principles for a single comprehensive model for revenue measurement and recognition, along with enhanced disclosure requirements. Key provisions include, but are not limited to, determining which goods or services are capable of being distinct in a contract to be accounted for separately as a performance obligation and recognizing variable consideration only to the extent that it is probable a significant revenue reversal would not occur. The FASB has subsequently issued several amendments to the standard, including clarifying the guidance on assessing principal versus agent based on the notion of control, which affects recognition of revenue on a gross or net basis. The Company adopted the standard on January 1, 2018 using the modified retrospective approach, applied to contracts not yet completed as of January 1, 2018, with cumulative effect recognized in retained earnings.

The Company evaluated the principal versus agent considerations under the guidance and determined that certain cost reimbursement arrangements with investment vehicles managed by the Company that were previously reported net on the statement of operations would be reported on a gross basis as reimbursement income and expenses on the statement of operations. Such reimbursements include travel and entertainment costs, third party due diligence costs, asset management costs, and other shared costs for which the Company is deemed to 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 three and six months ended June 30, 2018 was an increase to asset management fees of \$0.2 million and \$0.4 million, respectively.

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

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

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

Incentive fees that take the form of a disproportionate allocation of returns to the Company’s capital account within the equity structure of the investment vehicle (or “carried interests”) are outside the scope of the new revenue standard. Carried interests are financial instruments and accounted for as earnings from the Company’s ownership interests in the investment vehicles under the equity method. As carried interest represents income from equity method investments, it is presented, along with other proportionate allocation of returns based on the Company’s ownership interests in the investment vehicles, in earnings from unconsolidated investment ventures on the statement of operations. Adoption of the new standard did not have an impact to the Company’s recognition of carried interests.

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

The Company adopted this standard on January 1, 2018, concurrent with the adoption of the new revenue standard, using the modified retrospective approach. Under the new standard, if the Company sells a partial interest in its real estate assets to noncustomers or contributes real estate assets to unconsolidated ventures, and the Company retains a noncontrolling interest in the asset, such transactions could result in a larger gain on sale. The adoption of this standard did not have an impact on the Company’s financial statements. There were no sales of partial interests in real estate assets in the six months ended June 30, 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 beginning of the first reporting period adopted recognized in retained earnings, except for provisions related to equity investments without readily determinable fair values and exit price fair value disclosures for financial instruments measured at amortized cost, which are to be applied prospectively.

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

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

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

(In thousands)	Six Months Ended June 30, 2017	
	As Previously Reported	After Adoption of ASU 2016-18
Net cash provided by operating activities	\$ 184,937	\$ 181,550
Net cash provided by investing activities	254,167	434,422
Net cash used in financing activities	(213,765)	(213,024)

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

Future Application of Accounting Standards

Leases—In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which amends existing lease accounting standards, primarily requiring lessees to recognize most leases on balance sheet, as well as making targeted changes to lessor accounting. ASU No. 2016-02 is effective for fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted. The new leases standard requires adoption using a modified retrospective approach for all leases existing at, or entered into after, the date of initial application. Full retrospective application is prohibited. In 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 Improvement 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 recognition standard depending on whether the lease or non-lease component is predominant.

The Company will adopt the new lease standard on its effective date of 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 prior comparative periods. In addition, the Company will make an accounting policy election to 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.

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

Credit Losses—In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses*, which amends the credit impairment model for financial instruments. The existing incurred loss model will be replaced with a lifetime current expected credit loss ("CECL") model for financial instruments carried at amortized cost and off-balance sheet credit exposures, such as loans, loan commitments, held-to-maturity ("HTM") debt securities, financial guarantees, net investment in leases, reinsurance and trade receivables, which will generally result in earlier recognition of allowance for losses. For 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, 2019. Early adoption is permitted, with adjustments to be reflected as of the beginning of the fiscal year of adoption if early adopted in an interim period.

The Company plans to adopt the standard on its effective date. Upon adoption, as it relates to the Company's cash flow and net investment hedges, the Company will record the entire change in fair value of the hedging instrument (other than amounts excluded from assessment of hedge effectiveness for net investment hedges) in other comprehensive income and there will be no hedge ineffectiveness recorded in earnings. Additionally, subsequent to initial quantitative hedge assessment, the Company may elect to perform effectiveness testing qualitatively so long as the Company can reasonably support an expectation that the hedge is highly effective now and in subsequent periods. As the standard

allows more flexibility in hedging interest rate risk in cash flow hedges beyond a specified benchmark rate, the Company may be able to designate in the future other contractually specified variable interest rate as the hedged risk, which if effective, could decrease fluctuations in earnings. The Company continues to evaluate the impact of this new guidance but at this time, does not expect the adoption of this standard to have a material effect on its financial condition or results of operations.

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 adoption of this standard is not expected to have a material effect on the Company's 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:

<u>(In thousands, except price per share)</u>	<u>NSAM</u>	<u>NRF</u>	<u>Total</u>
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	
	<u>190,502</u>	<u>183,297</u>	
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	<u>\$ 2,752,095</u>	<u>\$ 3,968,359</u>	<u>\$ 6,720,454</u>

(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:

<u>(In thousands, except price per share)</u>	<u>Number of Shares Outstanding</u>	<u>Price Per Share</u>	<u>Fair Value</u>
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	<u>39,466</u>		<u>\$ 1,010,320</u>

(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	<u>\$ 232,181</u>
Identifiable assets acquired and liabilities assumed	
Cash	\$ 303
Real estate	543,649
Real estate held for sale	21,605
Lease intangibles and other assets	40,285
Debt	(277,590)
Tax liabilities	(32,078)
Lease intangibles and other liabilities	(61,205)
Liabilities related to assets held for sale	(2,788)
Fair value of net assets acquired	<u>\$ 232,181</u>

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 one year, 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)	As Reported at March 31, 2018	Measurement Period Adjustments	Final Amounts at June 30, 2018
Consideration			
Carrying value of the Company's junior mezzanine loan receivable at the time of foreclosure	\$ 310,932	\$ —	\$ 310,932
Cash	43,643	—	43,643
Contingent consideration (Note 14)	6,771	—	6,771
Total consideration	<u>\$ 361,346</u>	<u>\$ —</u>	<u>\$ 361,346</u>
Identifiable assets acquired and liabilities assumed			
Cash	\$ 16,188	\$ —	\$ 16,188
Real estate	1,193,075	(8,628)	1,184,447
Real estate held for sale	68,625	1,051	69,676
Intangible and other assets	37,975	7,215	45,190
Debt	(907,867)	—	(907,867)
Intangible and other liabilities	(46,650)	362	(46,288)
Fair value of net assets acquired	<u>\$ 361,346</u>	<u>\$ —</u>	<u>\$ 361,346</u>

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 will automatically convert 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. Subject to certain limited exceptions, the Company has agreed not to make any transfers of the CLNC OP Units to non-affiliates until the one-year anniversary of the closing of the Combination, unless such transfer is approved by a majority of Colony Credit's board of directors, including a majority of its independent directors.

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, which was subsequently distributed pro rata 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 14). 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
	<u>1,894,219</u>
Liabilities	
Debt	\$ 379,927
Accrued and other liabilities	41,318
	<u>421,245</u>
Noncontrolling interests	
Noncontrolling interests—investment entities	330,980
Noncontrolling interests—Operating Company	64,294
	<u>395,274</u>
Equity attributable to Colony Capital, Inc.	<u>\$ 1,077,700</u>

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, including foreclosed properties, was as follows:

(In thousands)	June 30, 2018	December 31, 2017
Land	\$ 2,330,510	\$ 2,011,794
Buildings and improvements	12,062,762	12,403,794
Tenant improvements	150,264	134,709
Furniture, fixtures and equipment	383,603	383,855
Construction in progress	118,430	108,403
	15,045,569	15,042,555
Less: Accumulated depreciation	(791,461)	(578,297)
Real estate assets, net	\$ 14,254,108	\$ 14,464,258

Real Estate Sales

Results from sales of real estate were as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Proceeds from sales of real estate	\$ 316,000	\$ 69,762	\$ 428,562	\$ 973,603
Gain on sale of real estate	42,702	15,190	61,146	24,160

Real estate sold or classified as held for sale during the three and six months ended June 30, 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)		Number of Buildings	Purchase Price ⁽¹⁾	Purchase Price Allocation			
Acquisition Date	Property Type and Location			Land and Improvements	Building and Improvements	Lease Intangible Assets	Lease Intangible Liabilities
Six Months Ended June 30, 2018							
<i>Asset Acquisitions</i> ⁽²⁾							
Various	Industrial—Various in U.S. ⁽³⁾	25	\$ 434,649	\$ 97,534	\$ 317,110	\$ 23,700	\$ (3,695)
Year Ended December 31, 2017							
<i>Asset Acquisitions</i>							
January	Industrial—Spain	2	\$ 10,374	\$ 3,855	\$ 5,564	\$ 955	\$ —
June	Office—Los Angeles, CA ⁽⁴⁾	1	455,699	93,577	314,590	50,518	(2,986)
Various	Industrial—Various in U.S.	55	636,690	137,005	472,747	31,512	(4,574)
			\$ 1,102,763	\$ 234,437	\$ 792,901	\$ 82,985	\$ (7,560)

⁽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 27 to 38 years for buildings, 8 to 14 years for site improvements, 4 to 10 years for tenant improvements and 3 to 10 years for lease intangibles.

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

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

Depreciation and Impairment

Depreciation expense on real estate was \$113.6 million and \$108.9 million for the three months ended June 30, 2018 and 2017, respectively, and \$232.0 million and \$206.6 million for the six months ended June 30, 2018 and 2017, respectively.

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

Property Operating Income

The components of property operating income were as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Rental income	\$ 153,303	\$ 167,370	\$ 315,917	\$ 318,613
Tenant reimbursements	36,250	34,244	75,172	65,769
Resident fee income ⁽¹⁾	69,203	74,838	138,420	140,532
Hotel operating income	331,882	224,079	615,859	402,471
	<u>\$ 590,638</u>	<u>\$ 500,531</u>	<u>\$ 1,145,368</u>	<u>\$ 927,385</u>

⁽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.

Commitments and Contractual Obligations

Purchase Commitments—At June 30, 2018, the Company had funded deposits of \$2.0 million with remaining unfunded purchase commitment of \$105.2 million for the acquisition of land and six buildings in the industrial segment.

Guarantee Agreements—In connection with the THL Hotel Portfolio, the Company entered into guarantee agreements with various hotel franchisors, pursuant to which the Company guaranteed the payment of its obligations as a franchisee, including payments of franchise fees and marketing fees for the term of the agreements, which expire between 2018 and 2037. In the event of default or termination of the franchise agreements, the Company is liable for liquidated damages not to exceed \$100 million. The Company had similar provisions related to its core hotel portfolio in the hospitality segment, but has met the required minimum payments under the respective franchise agreements and no longer has an obligation to the franchisors.

Ground Lease Obligation—In connection with real estate acquisitions, the Company assumed certain noncancelable operating ground leases as lessee or sublessee. Rents on certain ground leases are paid directly by the tenants or operators. Ground rent expense, including contingent rent, was \$1.8 million and \$1.3 million for the three months ended June 30, 2018 and 2017, respectively, and \$3.8 million and \$2.1 million for the six months ended June 30, 2018 and 2017, respectively.

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)	June 30, 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								
<i>Fixed rate</i>								
Mortgage loans	\$ 608,803	\$ 620,388	9.7%	3.1	\$ 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	343,808	339,684	12.1%	1.9	459,433	456,463	12.2%	2.3
Corporate loans	111,625	110,453	8.8%	7.8	46,840	46,592	9.9%	10.0
	<u>1,064,236</u>	<u>1,070,525</u>			<u>1,622,869</u>	<u>1,622,171</u>		
<i>Variable rate</i>								
Mortgage loans	195,851	206,285	4.3%	0.7	414,428	423,199	6.0%	1.7
Securitized loans ⁽¹⁾	—	—	—%	N/A	461,489	462,203	6.4%	3.5
Mezzanine loans	—	—	—%	N/A	34,391	34,279	9.8%	1.3
	<u>195,851</u>	<u>206,285</u>			<u>910,308</u>	<u>919,681</u>		
	<u>1,260,087</u>	<u>1,276,810</u>			<u>2,533,177</u>	<u>2,541,852</u>		
PCI Loans								
Mortgage loans	1,614,950	566,704			1,865,423	682,125		
Securitized loans	—	—			23,298	3,400		
Mezzanine loans	7,425	3,671			7,425	3,671		
	<u>1,622,375</u>	<u>570,375</u>			<u>1,896,146</u>	<u>689,196</u>		
Allowance for loan losses		(55,296)				(52,709)		
	<u>2,882,462</u>	<u>1,791,889</u>			<u>4,429,323</u>	<u>3,178,339</u>		
Loans at fair value								
Securitized loans ⁽²⁾	—	—			72,511	45,423		
Total loans receivable	<u>\$ 2,882,462</u>	<u>\$ 1,791,889</u>			<u>\$ 4,501,834</u>	<u>\$ 3,223,762</u>		

⁽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
June 30, 2018	\$ 1,064,362	\$ —	\$ —	\$ 212,448	\$ 1,276,810
December 31, 2017	2,268,599	145,986	9,410	117,857	2,541,852

Troubled Debt Restructuring

During the six months ended June 30, 2018 and 2017, there were no loans modified as TDRs, in which the Company provided borrowers, who are experiencing financial difficulties, with various concessions in interest rates, payment terms or default waivers. At June 30, 2018 and December 31, 2017, carrying value of existing TDR loans before allowance for loan losses was \$37.8 million and \$66.4 million, respectively. These TDR loans were not in default post-modification. As of June 30, 2018, the Company has no additional commitments to lend to borrowers with TDR loans.

Non-PCI Impaired Loans

Non-PCI loans, excluding loans carried at fair value, are identified as impaired when it is no longer probable that interest or principal will be collected according to the contractual terms of the original loan agreement. Non-PCI impaired loans include predominantly loans under nonaccrual, performing and nonperforming TDRs, as well as loans in maturity default.

The following table summarizes non-PCI impaired loans:

(In thousands)	Unpaid Principal Balance	Gross Carrying Value		Total	Allowance for Loan Losses
		With Allowance for Loan Losses	Without Allowance for Loan Losses		
June 30, 2018	\$ 283,959	\$ 84,869	\$ 208,267	\$ 293,136	\$ 5,497
December 31, 2017	383,594	138,136	248,759	386,895	7,424

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Average carrying value before allowance for loan losses	\$ 226,532	\$ 106,243	\$ 279,986	\$ 111,742
Total interest income recognized during the period impaired	1,279	1,041	1,308	1,807

Purchased Credit-Impaired Loans

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

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

There were no PCI loans acquired in the six months ended June 30, 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)	Six Months Ended June 30,	
	2018	2017
Beginning accretable yield	\$ 42,435	\$ 52,572
Additions	—	23,594
Dispositions	(4,001)	—
Changes in accretable yield	3,109	11,074
Accretion recognized in earnings	(19,216)	(31,823)
Deconsolidation	(991)	—
Effect of changes in foreign exchange rates	(138)	1,495
Ending accretable yield	\$ 21,198	\$ 56,912

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 \$182.5 million at June 30, 2018 and \$196.5 million at December 31, 2017, as the Company did not have reasonable expectations of the timing and amount of future cash receipts on these loans.

Allowance for Loan Losses

On a periodic basis, the Company analyzes the extent and effect of any credit migration from underwriting and the initial investment review associated with the performance of a loan and/or value of its underlying collateral, financial and operating capability of the borrower or sponsor, as well as amount and status of any senior loan, where applicable. Specifically, operating results of collateral properties and any cash reserves are analyzed and used to assess whether cash from operations are sufficient to cover debt service requirements currently and into the future, ability of the borrower to refinance the loan, liquidation value of collateral properties, financial wherewithal of any loan guarantors as well as the borrower's competency in managing and operating the collateral properties. Such analysis is performed at least quarterly, or more often as needed when impairment indicators are present.

Allowance for loan losses represents the estimated probable credit losses inherent in loans held for investment at balance sheet date and is generally measured as the difference between the carrying value of the loan and either the present value of cash flows expected to be collected or an observable market price for the loan.

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

The allowance for loan losses and related carrying values of loans held for investment, excluding loans carried at fair value, were as follows:

(In thousands)	June 30, 2018		December 31, 2017	
	Allowance for Loan Losses	Carrying Value	Allowance for Loan Losses	Carrying Value
Non-PCI loans	\$ 5,497	\$ 84,869	\$ 7,424	\$ 138,136
PCI loans	49,799	144,641	45,285	169,789
	\$ 55,296	\$ 229,510	\$ 52,709	\$ 307,925

Changes in allowance for loan losses is presented below:

(In thousands)	Six Months Ended June 30,	
	2018	2017
Allowance for loan losses at January 1	\$ 52,709	\$ 67,980
Contribution to Colony Credit (Note 4)	(518)	—
Deconsolidation	(5,983)	—
Provision for loan losses, net	19,308	7,791
Charge-off	(10,220)	(5,287)
Allowance for loan losses at June 30	\$ 55,296	\$ 70,484

Provision for loan losses by loan type is as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Non-PCI loans	\$ 5,072	\$ 451	\$ 7,737	\$ 2,925
PCI loans ⁽¹⁾	8,861	616	11,571	4,866
Total provision for loan losses, net	\$ 13,933	\$ 1,067	\$ 19,308	\$ 7,791

⁽¹⁾ Net of recoveries in provision for loan losses on PCI loans of \$0.4 million and \$0.5 million for the three months ended June 30, 2018 and 2017, respectively, and \$0.5 million and \$1.5 million for the six months ended June 30, 2018 and 2017, respectively.

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 June 30, 2018, total unfunded lending commitments was \$264.0 million, of which the Company's share was \$94.3 million, net of amounts attributable to noncontrolling interests.

7. Investments In Unconsolidated Ventures

As discussed in Note 4, upon closing of the Combination on January 31, 2018, the Company contributed its interests in the CLNY Investment Entities to Colony Credit and deconsolidated these entities, which included interests in third party private funds and acquisition, development and construction ("ADC") loans with a combined carrying value of approximately \$208.7 million. In consideration for its contribution, the Company received 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)	June 30, 2018	December 31, 2017
Equity method investments		
Investment ventures	\$ 2,206,778	\$ 1,297,180
Private funds	172,296	229,874
	2,379,074	1,527,054
Other equity investments		
Investment ventures	89,129	89,261
Private funds and retail companies	23,139	38,924
	112,268	128,185
	\$ 2,491,342	\$ 1,655,239

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 fair value option to account for its interests in certain investment ventures as well as limited partnership interests in third party private funds acquired through the Merger (see Note 14).

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

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

(\$ in thousands)		Ownership Interest at June 30, 2018 ⁽¹⁾	Carrying Value at	
Investments	Description		June 30, 2018	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%	\$ 1,146,355	\$ —
NorthStar Realty Europe Corp	Common equity in publicly traded equity REIT managed by the Company ⁽²⁾	11.0%	75,044	73,578
RXR Realty	Common equity in investment venture with a real estate investor, developer and investment manager	27.2%	99,235	105,082
Preferred equity	Preferred equity investments with underlying real estate ⁽³⁾	NA	364,645	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	183,848	331,268
Private funds	General partner and/or limited partner interests in private funds	Various	29,552	25,101
Other investment ventures	Interests in 20 investments, each with no more than \$65 million carrying value at June 30, 2018	Various	263,297	187,420
Fair value option	Interests in initial stage or real estate development ventures and limited partnership interests in private funds	Various	217,098	363,901
			<u>\$ 2,379,074</u>	<u>\$ 1,527,054</u>

⁽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.

Sale of Investments—In 2017, the Company had an investment in the single family residential business through its equity method investee, Starwood Waypoint Homes (fka Colony Starwood Homes). The Company monetized its investment through a sale of all of its shares in Starwood Waypoint Homes in March 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—In the second quarter of 2018, the Company assessed that certain equity method investments were other-than-temporarily impaired and recorded aggregate impairment of \$16.5 million in earnings from investments in unconsolidated ventures. In making this assessment, the Company considered, among others, offer prices on the Company's investment, expected payoffs from sales of the underlying business of the investments and estimated enterprise value of 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. At June 30, 2018, Colony Credit's class A common stock traded at \$20.73 per share and the carrying value of the Company's investment in Colony Credit was \$23.90 per share. As of June 30, 2018, the Company has assessed 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.

In 2017, a residential land development project, which is an ADC loan accounted for as an equity method investment, was assessed to be other-than-temporarily impaired. A \$2.1 million impairment was recorded, estimated based on a projection of future cash flows that contemplated an as-is sale of the land to a developer.

Other Equity Investments

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

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

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

Private Funds—This represents a limited partnership interest in a third party private fund sponsored by an equity method investee for which the Company elected the NAV practical expedient (see Note 14).

Investment 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 June 30, 2018, the Company's share of these commitments was \$51.3 million.

Private Funds—At June 30, 2018, the Company had unfunded commitments of \$339.8 million to funds sponsored or co-sponsored by the Company that are accounted for as equity method investments.

8. Securities

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

(in thousands)	Amortized Cost	Gross Cumulative Unrealized		Fair Value
		Gains	Losses	
June 30, 2018				
Available-for-sale debt securities:				
N-Star CDO bonds	\$ 81,803	\$ 1,953	\$ (5,750)	\$ 78,006
CMBS and other securities ⁽¹⁾	30,079	233	(546)	29,766
	<u>111,882</u>	<u>2,186</u>	<u>(6,296)</u>	<u>107,772</u>
Equity securities of consolidated fund				36,649
				<u>\$ 144,421</u>
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⁾	<u>38,928</u>	<u>3,739</u>	<u>(186)</u>	<u>42,481</u>
	<u>333,080</u>	<u>16,510</u>	<u>(1,248)</u>	<u>348,342</u>
Equity securities of consolidated fund				35,600
				<u>\$ 383,942</u>

⁽¹⁾ CMBS held by a sponsored investment company consolidated by the Company through its seed capital totaled \$29.6 million at June 30, 2018 and \$25.1 million at December 31, 2017. 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 June 30, 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 securities are predominantly commercial mortgage-backed securities (“CMBS”), including investments in mezzanine positions.

At June 30, 2018, contractual maturities of CRE securities ranged from one month to 42 years, with a weighted average expected maturity of 24.6 years.

Equity Securities of Consolidated Fund—These are publicly traded equity securities held by an open-end fund consolidated in the third quarter of 2017. These equity securities comprise listed stock predominantly in the U.S. and to a lesser extent, in the United Kingdom, and primarily in the financial, real estate and consumer sectors.

Disposition of Securities

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Available-for-sale debt securities:				
Proceeds from sale	\$ 15,012	\$ 24,788	\$ 78,197	\$ 24,788
Gross realized gain	2,921	567	11,304	567
Gross realized (loss)	(592)	—	(592)	—
Equity securities of consolidated fund:				
Realized gain (loss), net	(534)	—	(35)	—

Impairment of AFS Debt Securities

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

(In thousands)	June 30, 2018				December 31, 2017	
	Less Than 12 Months		More Than 12 Months		Less Than 12 Months	
	Fair Value	Gross Unrealized Loss	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	75,606	(5,256)	2,400	(494)	13,392	(219)
CMBS and other securities	20,990	(191)	8,776	(355)	12,956	(186)
	<u>\$ 96,596</u>	<u>\$ (5,447)</u>	<u>\$ 11,176</u>	<u>\$ (849)</u>	<u>\$ 36,795</u>	<u>\$ (1,248)</u>

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

The Company performs an assessment, at least quarterly, to determine whether a decline in fair value below amortized cost of AFS debt securities is other than temporary. Other than temporary impairment (“OTTI”) exists when either (i) the holder has the intent to sell the impaired security, (ii) it is more likely than not the holder will be required to sell the security, or (iii) the holder does not expect to recover the entire amortized cost of the security. In assessing OTTI and estimating future expected cash flows, factors considered include, but are not limited to, credit rating of the security, financial condition of the issuer, defaults for similar securities, performance and value of assets underlying an asset-backed security.

The Company recorded \$1.3 million and \$7.2 million of OTTI loss in other gain (loss) for the three and six months ended June 30, 2018, respectively, and \$0.7 million for the three and six months ended June 30, 2017. This was due to an adverse change in expected cash flows on N-Star CDOs and CMBS held by consolidated N-Star CDOs, some of which are PCI debt securities. The Company believed that it was not likely that it would recover the amortized cost on these securities prior to selling them.

At June 30, 2018, the Company believes that the remaining AFS securities with unrealized loss in accumulated other comprehensive income were not other than temporarily impaired. At December 31, 2017, there were no AFS securities with unrealized loss in accumulated other comprehensive income that have not been other than temporarily impaired.

Purchased Credit-Impaired Debt Securities

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

(In thousands)	June 30, 2018	December 31, 2017
Outstanding principal	\$ 236,230	\$ 411,174
Amortized cost	3,712	26,761
Carrying value	3,113	31,789

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

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

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

The table below presents changes in accretable yield related to these PCI debt securities. The changes for the six months ended June 30, 2017 include the effects of measurement period adjustments subsequently recorded during the year ended December 31, 2017.

(In thousands)	Six Months Ended June 30,	
	2018	2017
Beginning accretable yield	\$ 44,610	\$ —
Assumed through the Merger	—	70,283
Accretion recognized in earnings	(3,489)	(6,979)
Reduction due to payoffs, disposals or deconsolidation	(17,081)	—
Net reclassifications to nonaccretable difference ⁽¹⁾	(23,889)	(8,185)
Ending accretable yield	\$ 151	\$ 55,119

⁽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.

(In thousands)	Six Months Ended June 30,	
	2018	2017
Beginning balance	\$ 1,534,561	\$ 680,127
Business combinations ⁽¹⁾	—	1,378,061
Transfer to held for sale ⁽²⁾	—	(249,795)
Ending balance ⁽³⁾	\$ 1,534,561	\$ 1,808,393

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

⁽²⁾ Represents goodwill assigned to the Townsend investment management reporting unit that was acquired as part of the Merger, transferred to held for sale as of June 30, 2017 and subsequently sold on December 29, 2017.

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

(In thousands)	June 30, 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. As a result of the Company's annual impairment test in 2017, the Company recognized an impairment to the investment management goodwill of \$316.0 million.

No goodwill impairment was recognized during the six months ended June 30, 2018 and 2017.

Deferred Leasing Costs, Other Intangible Assets and Intangible Liabilities

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

(In thousands)	June 30, 2018			December 31, 2017		
	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	\$ 269,811	\$ (119,363)	\$ 150,448	\$ 243,037	\$ (98,021)	\$ 145,016
Above-market lease values	148,393	(41,679)	106,714	166,571	(34,968)	131,603
Below-market ground lease obligations	34,885	(533)	34,352	29,625	(316)	29,309
Deferred leasing costs	111,505	(45,513)	65,992	121,765	(38,389)	83,376
Lease incentives	14,578	(832)	13,746	14,565	(298)	14,267
Trade name ⁽²⁾	15,500	—	15,500	79,700	(3,131)	76,569
Investment management contracts	201,698	(80,206)	121,492	342,127	(70,394)	271,733
Customer relationships	59,400	(12,724)	46,676	59,400	(10,421)	48,979
Other ⁽³⁾	58,920	(2,987)	55,933	54,061	(2,041)	52,020
Total deferred leasing costs and intangible assets	\$ 914,690	\$ (303,837)	\$ 610,853	\$ 1,110,851	\$ (257,979)	\$ 852,872
Intangible Liabilities						
Below-market lease values	\$ 207,087	\$ (48,241)	\$ 158,846	\$ 214,833	\$ (36,426)	\$ 178,407
Above-market ground lease obligations	15,988	(1,132)	14,856	13,417	(715)	12,702
Total intangible liabilities	\$ 223,075	\$ (49,373)	\$ 173,702	\$ 228,250	\$ (37,141)	\$ 191,109

⁽¹⁾ For intangible assets and intangible liabilities recognized in connection with business combinations, purchase price allocations may be subject to adjustments during the measurement period, not to exceed one year from date of acquisition, based upon new information obtained about facts and circumstances that existed at time of acquisition. Amounts are presented net of impairments and write-offs, including contracts written off in connection with the Combination (Notes 4 and 14).

⁽²⁾ The 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 amortized over 10 to 15 years.

Impairment

Investment Management Contracts—Upon closing of the Combination on January 31, 2018, the Company's management contracts with NorthStar I and NorthStar II were terminated. Consequently, the carrying value of management contract intangible assets that were recognized for NorthStar I and NorthStar II at the time of the Merger, which aggregated to approximately \$139.0 million, was written off. Additionally, the remaining balance of the NorthStar/RXR NY Metro management contract intangible of \$1.4 million was written off in the first quarter of 2018 in consideration of the termination of its offering period effective March 31, 2018.

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

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)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Above-market lease values	\$ (16,039)	\$ (6,301)	\$ (21,222)	\$ (11,815)
Below-market lease values	15,617	9,755	22,725	17,195
Lease incentives	(272)	—	(534)	—
Net increase (decrease) to rental income	\$ (694)	\$ 3,454	\$ 969	\$ 5,380
Above-market ground lease obligations	\$ (247)	\$ (178)	\$ (467)	\$ (364)
Below-market ground lease obligations	188	342	369	595
Net increase (decrease) to ground rent expense	\$ (59)	\$ 164	\$ (98)	\$ 231
In-place lease values	\$ 11,682	\$ 21,744	\$ 24,087	\$ 43,116
Deferred leasing costs	4,324	4,577	8,495	8,823
Trade name	802	937	1,606	1,793
Investment management contracts	4,125	10,996	9,811	19,214
Customer relationships	1,151	3,191	2,303	6,131
Other	619	854	1,134	1,692
Amortization expense	\$ 22,703	\$ 42,299	\$ 47,436	\$ 80,769

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

(In thousands)	Year Ending December 31,						Total
	Remaining 2018	2019	2020	2021	2022	2023 and Thereafter	
Above-market lease values	\$ (7,609)	\$ (15,137)	\$ (14,326)	\$ (10,667)	\$ (9,308)	\$ (49,667)	\$ (106,714)
Below-market lease values	13,244	24,672	22,530	20,239	18,756	59,405	158,846
Lease incentives	(531)	(1,061)	(1,066)	(1,128)	(1,127)	(8,833)	(13,746)
Increase to rental income	\$ 5,104	\$ 8,474	\$ 7,138	\$ 8,444	\$ 8,321	\$ 905	\$ 38,386
Above-market ground lease obligations	\$ (450)	\$ (867)	\$ (867)	\$ (867)	\$ (867)	\$ (10,938)	\$ (14,856)
Below-market ground lease obligations	450	787	787	787	787	30,754	34,352
Increase (decrease) to rent expense	\$ —	\$ (80)	\$ (80)	\$ (80)	\$ (80)	\$ 19,816	\$ 19,496
In-place lease values	\$ 20,584	\$ 31,770	\$ 25,117	\$ 18,631	\$ 14,837	\$ 39,509	\$ 150,448
Deferred leasing costs	8,389	14,532	11,933	9,034	6,962	15,142	65,992
Investment management contracts	7,693	14,516	13,849	13,340	12,719	59,375	121,492
Customer relationships	2,303	4,607	4,607	4,607	4,607	25,945	46,676
Other	1,014	2,027	2,027	2,027	2,027	14,084	23,206
Amortization expense	\$ 39,983	\$ 67,452	\$ 57,533	\$ 47,639	\$ 41,152	\$ 154,055	\$ 407,814

10. Assets and Related Liabilities Held for Sale

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

(In thousands)	June 30, 2018	December 31, 2017
Assets		
Restricted cash	\$ 2,049	\$ 1,020
Real estate, net	583,921	720,686
Goodwill ⁽¹⁾	—	20,000
Intangible assets, net	29,866	37,337
Other assets	21,966	2,587
Total assets held for sale	\$ 637,802	\$ 781,630
Liabilities		
Secured debt, net ⁽²⁾	\$ 195,579	\$ 196,905
Lease intangibles and other liabilities, net	60,898	76,393
Total liabilities related to assets held for sale	\$ 256,477	\$ 273,298

⁽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.

Assets held for sale at June 30, 2018 did not constitute discontinued operations, other than those acquired through business combinations that qualified as held for sale upon acquisition, as discussed in Note 18.

11. Restricted Cash, Other Assets and Other Liabilities

Restricted Cash

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

(In thousands)	June 30, 2018	December 31, 2017
Capital expenditures reserves ⁽¹⁾	\$ 227,959	\$ 249,612
Real estate escrow reserves ⁽²⁾	44,089	42,420
Borrower escrow deposits	14,220	41,545
Working capital and other reserves ⁽³⁾	22,598	23,043
Tenant lock boxes ⁽⁴⁾	15,738	16,486
Restricted cash of consolidated N-Star CDOs ⁽⁵⁾	—	13,656
Other	74,377	84,316
Total restricted cash	\$ 398,981	\$ 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 N-Star CDOs.

Other Assets

The following table summarizes the Company's other assets:

(In thousands)	June 30, 2018	December 31, 2017
Interest receivable	\$ 12,172	\$ 21,529
Straight-line rents	57,270	45,598
Hotel-related reserves ⁽¹⁾	31,455	29,208
Investment deposits and pending deal costs	5,379	1,706
Deferred financing costs, net ⁽²⁾	9,838	10,068
Contingent consideration escrow account ⁽³⁾	6,381	15,730
Derivative assets (Note 13)	25,206	10,152
Prepaid taxes and deferred tax assets, net	69,205	79,063
Receivables from resolution of investments ⁽⁴⁾	5,549	15,215
Contributions receivable ⁽⁵⁾	—	25,501
Accounts receivable ⁽⁶⁾	85,952	87,744
Prepaid expenses	32,107	29,526
Other assets	39,985	20,296
Fixed assets, net	50,723	53,632
Total other assets	\$ 431,222	\$ 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 contingent consideration escrow account reflects the final amount of dividends on class A common stock and OP units payable to the executives, with the remaining escrow balance released back to the Company.

⁽⁴⁾ Represents primarily proceeds from loan payoffs held in escrow.

⁽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 and resident fees as well as rent and other tenant receivables. Presented net of total allowance for bad debt of approximately \$15.3 million and \$5.6 million at June 30, 2018 and December 31, 2017, respectively.

Accrued and Other Liabilities

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

(In thousands)	June 30, 2018	December 31, 2017
Tenant security deposits	\$ 29,587	\$ 27,560
Borrower escrow deposits	16,260	46,231
Deferred income ⁽¹⁾	46,384	42,457
Interest payable	39,042	42,462
Derivative liabilities (Note 13)	102,392	204,848
Contingent consideration—THL Hotel Portfolio (Note 3)	8,121	7,419
Current and deferred income tax liability	121,650	166,276
Accrued compensation	44,578	77,483
Accrued real estate and other taxes	81,945	77,060
Other accrued expenses	89,972	107,508
Accounts payable and other liabilities	99,727	98,857
Total accrued and other liabilities	\$ 679,658	\$ 898,161

⁽¹⁾ Represents primarily prepaid rental income and interest income held in reserve accounts. Includes deferred asset management fee income of \$3.4 million at June 30, 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 six months ended June 30, 2018, approximately \$0.4 million relating to the deferred asset management fee balance at January 1, 2018 was recognized as fee income.

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
June 30, 2018						
Debt at amortized cost						
Principal	\$ —	\$ 616,105	\$ 9,321,362	\$ —	\$ 280,117	\$ 10,217,584
Premium (discount), net	—	2,916	(60,677)	—	(82,028)	(139,789)
Deferred financing costs	—	(7,791)	(75,889)	—	—	(83,680)
	<u>\$ —</u>	<u>\$ 611,230</u>	<u>\$ 9,184,796</u>	<u>\$ —</u>	<u>\$ 198,089</u>	<u>\$ 9,994,115</u>
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)
	<u>50,000</u>	<u>610,331</u>	<u>9,622,175</u>	<u>303,709</u>	<u>197,053</u>	<u>10,783,268</u>
Debt at fair value ⁽⁴⁾	—	—	—	44,542	—	44,542
	<u>\$ 50,000</u>	<u>\$ 610,331</u>	<u>\$ 9,622,175</u>	<u>\$ 348,251</u>	<u>\$ 197,053</u>	<u>\$ 10,827,810</u>

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

⁽²⁾ Debt with carrying value of \$134.2 million at June 30, 2018 and \$202.8 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). 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 June 30, 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:

(\$ in thousands)	Fixed Rate			Variable Rate			Total		
	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
June 30, 2018									
Recourse									
Corporate credit facility	\$ —	N/A	N/A	\$ —	N/A	2.5	\$ —	N/A	2.5
Convertible and exchangeable senior notes	616,105	4.27%	3.5	—	N/A	N/A	616,105	4.27%	3.5
Junior subordinated debt	—	N/A	N/A	280,117	5.20%	17.9	280,117	5.20%	17.9
Secured debt ⁽¹⁾	38,213	5.02%	7.4	—	N/A	N/A	38,213	5.02%	7.4
	<u>654,318</u>			<u>280,117</u>			<u>934,435</u>		
Non-recourse									
Secured debt ⁽²⁾									
Healthcare ⁽³⁾	2,168,914	4.65%	2.5	1,088,723	6.29%	1.6	3,257,637	5.20%	2.2
Industrial	1,073,830	3.83%	11.1	—	N/A	N/A	1,073,830	3.83%	11.1
Hospitality ⁽⁴⁾	10,790	12.89%	0.1	2,599,432	5.20%	0.7	2,610,222	5.23%	0.7
Other Real Estate Equity	226,245	3.97%	4.1	1,579,212	4.40%	1.8	1,805,457	4.35%	2.1
Real Estate Debt	—	N/A	N/A	536,003	4.34%	2.5	536,003	4.34%	2.5
	<u>3,479,779</u>			<u>5,803,370</u>			<u>9,283,149</u>		
Total debt	\$ 4,134,097			\$ 6,083,487			\$ 10,217,584		
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
	<u>655,324</u>			<u>330,117</u>			<u>985,441</u>		
Non-recourse									
Securitization bonds payable	30,132	3.45%	29.9	361,099	3.02%	28.4	391,231	3.05%	28.5
Secured debt ⁽²⁾									
Healthcare	2,168,936	4.65%	2.9	1,119,320	5.75%	2.0	3,288,256	5.03%	2.6
Industrial	1,014,229	3.50%	11.4	—	N/A	N/A	1,014,229	3.50%	11.4
Hospitality	9,038	11.00%	0.6	2,599,681	4.67%	1.1	2,608,719	4.69%	1.1
Other Real Estate Equity	374,789	4.07%	5.5	1,841,209	4.02%	2.3	2,215,998	4.03%	2.8
Real Estate Debt	—	N/A	N/A	625,748	4.05%	2.6	625,748	4.05%	2.6
	<u>3,597,124</u>			<u>6,547,057</u>			<u>10,144,181</u>		
Total debt	\$ 4,252,448			\$ 6,877,174			\$ 11,129,622		

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

⁽²⁾ Mortgage debt in the healthcare segment and other real estate equity segment with an aggregate outstanding principal of \$485.7 million at June 30, 2018 and \$384.5 million at December 31, 2017 were either in payment default or were not in compliance with certain debt and/or lease covenants. The Company is negotiating with the lenders to restructure or otherwise refinance the debt.

⁽³⁾ \$1.85 billion of debt principal in the healthcare segment consists of a floating rate component of \$100.5 million and a fixed rate component of \$1.75 billion. The floating rate component is scheduled to mature in December 2018, with a 12-month extension option available at the Company's election

subject to certain conditions, which the Company currently believes could be satisfied by making a prepayment of a portion of its outstanding principal balance. The Company currently expects to either exercise the extension option by funding any required prepayment or repay the floating rate component in full; however, there can be no assurances that the Company will do so. To the extent the Company does not exercise the extension option or repay the floating rate component, the maturity date of the fixed rate component, which is scheduled to mature in December 2019, would be accelerated. The Company is currently evaluating its options in connection with the scheduled maturity on the fixed rate component.

⁽⁴⁾ In July 2018, the Company refinanced \$512.0 million of debt principal in the hospitality segment, extending their maturities to 2020, while the remaining debt in the hospitality segment with maturities in 2018 have met their terms for extension of maturity as of June 30, 2018.

Corporate Credit Facility

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

The maximum amount available at any time is limited by a borrowing base of certain investment assets, with the valuation of such investment assets generally determined according to a percentage of adjusted net book value or a multiple of base management fee EBITDA (as defined in the JPM Credit Agreement). At June 30, 2018, the borrowing base was sufficient to permit borrowings up to the full \$1.0 billion commitment.

Advances under the JPM Credit Agreement accrue interest at a per annum rate equal to the sum of one-month London Inter-bank Offered Rate ("LIBOR") plus 2.25% or a base rate determined according to a prime rate or federal funds rate plus a margin of 1.25%. The Company pays a commitment fee of 0.25% or 0.35% per annum of the unused amount (0.35% at June 30, 2018), depending upon the amount of facility utilization.

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

The JPM Credit Agreement contains various affirmative and negative covenants, including financial covenants that require the Company to maintain minimum tangible net worth, liquidity levels and financial ratios, as defined in the JPM Credit Agreement. At June 30, 2018, the Company was in compliance with all of the financial covenants.

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

Convertible and Exchangeable Senior Notes

Convertible senior notes and exchangeable senior notes (assumed from NRF at fair value in the Merger) are senior unsecured obligations of the Company and are guaranteed by the Company on a senior unsecured basis.

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

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	
								June 30, 2018	December 31, 2017
5.00% Convertible Notes	April 2013	April 15, 2023	5.00	\$ 15.76	63.4700	12,694	April 22, 2020	\$ 200,000	\$ 200,000
3.875% Convertible Notes	January and June 2014	January 15, 2021	3.875	16.57	60.3431	24,288	January 22, 2019	402,500	402,500
5.375% Exchangeable Notes	June 2013 ⁽¹⁾	June 15, 2033	5.375	12.04	83.0837	1,130	June 15, 2023	13,605	13,605
								<u>\$ 616,105</u>	<u>\$ 616,105</u>

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

⁽²⁾ The conversion or exchange rate for convertible and exchangeable senior notes is subject to periodic adjustments to reflect the carried-forward adjustments relating to common stock splits, reverse stock splits, common stock adjustments in connection with spin-offs and cumulative cash dividends paid on the Company's common stock since the issuance of the convertible and exchangeable senior notes. The conversion or exchange ratios are presented in shares of common stock per \$1,000 principal of each convertible or exchangeable note.

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

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

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

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

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

Secured and Unsecured Debt

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

Securitization Bonds Payable

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

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

Junior Subordinated Debt

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

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

Interest Incurred

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest expensed	\$ 153,309	\$ 140,260	\$ 302,198	\$ 266,538
Interest capitalized	1,435	—	1,864	—
Total interest incurred	\$ 154,744	\$ 140,260	\$ 304,062	\$ 266,538

13. Derivatives

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

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

(In thousands)	June 30, 2018			December 31, 2017		
	Designated Hedges	Non-Designated Hedges	Total	Designated Hedges	Non-Designated Hedges	Total
Derivative Assets						
Foreign exchange contracts	\$ 22,848	\$ 1,661	\$ 24,509	\$ 8,009	\$ 975	\$ 8,984
Interest rate contracts	—	697	697	—	1,168	1,168
Included in other assets	\$ 22,848	\$ 2,358	\$ 25,206	\$ 8,009	\$ 2,143	\$ 10,152
Derivative Liabilities						
Foreign exchange contracts	\$ (18,806)	\$ (4,142)	\$ (22,948)	\$ (39,101)	\$ (5,307)	\$ (44,408)
Interest rate contracts	—	(79,444)	(79,444)	—	(160,440)	(160,440)
Included in accrued and other liabilities	\$ (18,806)	\$ (83,586)	\$ (102,392)	\$ (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 at June 30, 2018 and December 31, 2017, respectively, included in other assets.

Foreign Exchange Contracts

The following table summarizes the aggregate notional amounts of designated and non-designated foreign exchange contracts in place at June 30, 2018, along with certain key terms:

Hedged Currency	Instrument Type	Notional Amount (in thousands)		FX Rates (\$ per unit of foreign currency)	Range of Expiration Dates
		Designated	Non-Designated		
EUR	FX Collar	€ 117,321	€ 42	Min \$1.06/ Max \$1.53	December 2018 to January 2021
GBP	FX Collar	£ 41,304	£ 2,386	Min \$1.45 / Max \$1.82	June 2019 to December 2019
EUR	FX Forward	€ 318,655	€ 10,374	Min \$1.10 / Max \$1.38	July 2018 to May 2023
GBP	FX Forward	£ 93,955	£ 55,875	Min \$1.23 / Max \$1.36	December 2018 to December 2020
NOK	FX Forward	NOK 785,666	NOK 137,334	0.13	August 2018

Designated Net Investment Hedges

The Company's foreign denominated net investments in subsidiaries or joint ventures were €507.3 million, £242.0 million and NOK761.7 million, or a total of \$1,005.7 million at June 30, 2018, and €499.2 million, £250.6 million and NOK771.2 million, or a total of \$1,139.0 million at December 31, 2017.

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

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

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

Release of accumulated other comprehensive income ("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 earnings, recorded in other gain (loss).

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Designated net investment hedges:				
Realized gain (loss) transferred from AOCI to earnings	\$ (247)	\$ —	\$ 2,336	\$ 1,312

Non-Designated Hedges

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Non-designated net investment hedges:				
Unrealized gain (loss) transferred from AOCI to earnings	\$ 4,120	\$ (1,551)	\$ 1,239	\$ (2,098)

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 June 30, 2018, the Company held the following interest rate contracts:

Instrument Type	Notional Amount (in thousands)		Index	Strike Rate / Forward Rate	Expiration
	Non-Designated				
Interest rate swaps	\$	2,000,000	3-Month LIBOR	3.39%	December 2029
Interest rate caps	\$	4,643,828	1-Month LIBOR	2.46% - 5.70%	August 2018 to November 2019
Interest rate caps	\$	220,222	3-Month LIBOR	2.24% - 3.50%	August 2018 to March 2019
Interest rate caps	€	554,507	3-Month EURIBOR	0.75% - 1.50%	October 2018 to September 2022
Interest rate caps	£	422,029	3-Month GBP LIBOR	2.0% - 2.5%	November 2018 to February 2020
Deliverable swap futures	\$	17,000	(1)	(1)	September 2018

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

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Unrealized gain (loss):				
Non-designated interest rate contracts	\$ 24,720	\$ (29,315)	81,377	(6,723)

Offsetting Assets and Liabilities

The Company enters into agreements subject to enforceable master netting arrangements with its derivative counterparties that allow the Company to offset the settlement of derivative assets and liabilities in the same currency by derivative instrument type or, in the event of default by the counterparty, to offset all derivative assets and liabilities with the same counterparty. The Company has elected not to net derivative asset and liability positions, notwithstanding the conditions for right of offset may have been met. The Company presents derivative assets and liabilities with the same counterparty on a gross basis on the consolidated balance sheets.

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

(In thousands)	Gross Amounts of Assets (Liabilities) Included on Consolidated Balance Sheets	Gross Amounts Not Offset on Consolidated Balance Sheets		Net Amounts of Assets (Liabilities)
		(Assets) Liabilities	Cash Collateral Received (Pledged)	
June 30, 2018				
Derivative Assets				
Foreign exchange contracts	\$ 24,509	\$ (8,480)	\$ —	\$ 16,029
Interest rate contracts	697	—	—	697
	<u>\$ 25,206</u>	<u>\$ (8,480)</u>	<u>\$ —</u>	<u>\$ 16,726</u>
Derivative Liabilities				
Foreign exchange contracts	\$ (22,948)	\$ 8,480	\$ —	\$ (14,468)
Interest rate contracts	(79,444)	—	837	(78,607)
	<u>\$ (102,392)</u>	<u>\$ 8,480</u>	<u>\$ 837</u>	<u>\$ (93,075)</u>
December 31, 2017				
Derivative Assets				
Foreign exchange contracts	\$ 8,984	\$ (8,944)	\$ —	\$ 40
Interest rate contracts	1,168	(4)	—	1,164
	<u>\$ 10,152</u>	<u>\$ (8,948)</u>	<u>\$ —</u>	<u>\$ 1,204</u>
Derivative Liabilities				
Foreign exchange contracts	\$ (44,408)	\$ 8,944	\$ —	\$ (35,464)
Interest rate contracts	(160,440)	4	1,900	(158,536)
	<u>\$ (204,848)</u>	<u>\$ 8,948</u>	<u>\$ 1,900</u>	<u>\$ (194,000)</u>

14. Fair Value

Recurring Fair Values

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

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

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

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

(In thousands)	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
June 30, 2018				
Assets				
Investments in unconsolidated ventures	\$ —	\$ 132,527	\$ 84,571	\$ 217,098
Debt securities available for sale				
N-Star CDO bonds	—	—	78,006	78,006
CMBS and other securities	—	29,567	199	29,766
Equity securities of consolidated fund	36,649	—	—	36,649
Other assets—derivative assets	—	25,206	—	25,206
Liabilities				
Other liabilities—derivative liabilities	—	102,392	—	102,392
Other liabilities—contingent consideration for THL Hotel Portfolio	—	—	8,121	8,121
December 31, 2017				
Assets				
Loans receivable—securitized loans	\$ —	\$ —	\$ 45,423	\$ 45,423
Investments in unconsolidated ventures	—	—	363,901	363,901
Debt securities available for sale				
CRE securities of consolidated N-Star CDOs:				
CMBS	—	—	147,945	147,945
Other securities	—	—	66,983	66,983
N-Star CDO bonds	—	—	90,933	90,933
CMBS and other securities	—	25,099	17,382	42,481
Equity securities of consolidated fund	35,600	—	—	35,600
Other assets—derivative assets	—	10,152	—	10,152
Liabilities				
Debt—securitization bonds payable	—	—	44,542	44,542
Other liabilities—derivative liabilities	—	204,848	—	204,848
Other liabilities—contingent consideration for THL Hotel Portfolio	—	—	7,419	7,419
Due to affiliates—contingent consideration for Internalization	—	—	20,650	20,650

Investments in Unconsolidated Ventures

Equity investments carried at fair value on a recurring basis consist of investments in certain unconsolidated ventures for which fair value option was elected, including investments in private funds acquired in connection with the Merger. Fair values are determined using discounted cash flow models based on expected future cash flows for income and realization events of the underlying assets, transaction price for recently acquired investments, or pending sales price on an investment, as applicable. In valuing the Company's investment in third party private 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 funds using NAV of the underlying funds. Fair value of equity investments are classified as Level 3 of the fair value hierarchy, except for investments valued based on pending sales price which are classified as Level 2 of the fair value hierarchy. Changes in fair value are recorded in earnings from investments in unconsolidated ventures.

Securities

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

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

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

Derivatives

Derivative instruments consist of interest rate contracts and foreign exchange contracts that are generally traded over-the-counter, and are valued using a third-party service provider, except for exchange traded futures contracts which are Level 1 fair values. Quotations on over-the-counter derivatives are not adjusted and are generally valued using observable inputs such as contractual cash flows, yield curve, foreign currency rates and credit spreads, and are classified as Level 2 of the fair value hierarchy. Although credit valuation adjustments, such as the risk of default, rely on Level 3 inputs, these inputs are not significant to the overall valuation of its derivatives. As a result, derivative valuations in their entirety are classified as Level 2 of the fair value hierarchy.

Due To Affiliates—Contingent Consideration for Internalization

In connection with the Company's acquisition of the investment management business and operations of its former

manager in April 2015 (the "Internalization"), contingent consideration is payable to certain senior 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.

As of June 30, 2018, the end of the final measurement period for the contingent consideration, and in accordance with the terms of the contribution agreement for the 2015 Colony 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 is expected to be paid to 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. As the contingency was resolved on June 30, 2018 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 business day of the quarter, was reclassified out of liabilities into equity, while the associated dividends payable of approximately \$6.4 million remained in liabilities.

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⁾
June 30, 2018					
Level 3 Assets					
Investment in unconsolidated ventures—third party private funds	\$ 10,217	Recent transaction price ⁽²⁾	Not applicable	Not applicable	Not applicable
Investment in unconsolidated ventures—other	26,667	Discounted cash flows	Discount rate	15.8% (9.1% - 16.3%)	Decrease
Investment in unconsolidated ventures—other	47,687	Recent transaction price ⁽²⁾	Not applicable	Not applicable	Not applicable
N-Star CDO bonds	78,006	Discounted cash flows	Discount rate	12.0% (10.6% - 23.5%)	Decrease
Level 3 Liabilities					
Other liabilities—contingent consideration for THL Hotel Portfolio	8,121	Discounted cash flows	Discount rate	20.0%	Decrease
December 31, 2017					
Level 3 Assets					
Investments in unconsolidated ventures—private funds	\$ 204,774	Discounted cash flows	Discount rate	14.6% (11.0% - 20.0%)	Decrease
Investments in unconsolidated ventures—other	26,408	Discounted cash flows	Discount rate	14.2% (8.8% - 14.8%)	Decrease
Investments in unconsolidated ventures—other	132,719	Recent transaction price ⁽²⁾	Not applicable	Not applicable	Not applicable
N-Star CDO bonds	90,933	Discounted cash flows	Discount rate	24.0% (10.8% - 87.4%)	Decrease
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 ⁽³⁾	80.0%	Increase
Other liabilities—contingent consideration for THL Hotel Portfolio	7,419	Discounted cash flows	Discount rate	20.0%	Decrease

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

⁽²⁾ Valued based upon transaction prices of investments recently acquired or indicative prices of investments sold by the Company.

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

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

(In thousands)	Level 3 Assets			Level 3 Liabilities		
	Loans Receivable	Investments in Unconsolidated Ventures	Securities	Debt	Due to Affiliates—Contingent Consideration for Internalization	Other Liabilities—Contingent Consideration for THL Hotel Portfolio
Fair value at December 31, 2016	\$ —	\$ —	\$ —	\$ —	\$ (41,250)	\$ —
Acquired through the Merger	—	405,626	427,560	—	—	—
Purchases, contributions or accretion	—	27,017	30,069	—	—	—
Paydowns or distributions	—	(79,226)	(62,342)	—	—	—
Realized losses in earnings	—	—	(2,110)	—	—	—
Unrealized gains:						
In earnings	—	11,633	—	—	8,250	—
In other comprehensive income	—	—	2,924	—	—	—
Fair value at June 30, 2017	\$ —	\$ 365,050	\$ 396,101	\$ —	\$ (33,000)	\$ —
Unrealized gains (losses) on ending balance:						
In earnings	\$ —	\$ 11,633	\$ —	\$ —	\$ 8,250	\$ —
In other comprehensive income (loss)	\$ —	\$ —	\$ 2,924	\$ —	\$ —	\$ —
Fair value at December 31, 2017	\$ 45,423	\$ 363,901	\$ 323,243	\$ (44,542)	\$ (20,650)	\$ (7,419)
Purchases, contributions or accretion	—	60,995	5,360	—	—	—
Paydowns, distributions or sales	(638)	(182,063)	(108,924)	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	—	2,697	4,787	—	—	—
Unrealized gains (losses):						
In earnings	(715)	(2,298)	—	57	1,730	(702)
In other comprehensive income (loss)	—	—	(21,917)	—	—	—
Fair value at June 30, 2018	\$ —	\$ 84,571	\$ 78,205	\$ —	\$ —	\$ (8,121)
Unrealized gains (losses) on ending balance:						
In earnings	\$ (715)	\$ (2,298)	\$ —	\$ 57	\$ 1,730	\$ (702)
In other comprehensive income (loss)	\$ —	\$ —	\$ (3,827)	\$ —	\$ —	\$ —

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. During the six months ended June 30, 2018, assets and liabilities transferred out of level 3 represent investments in third party private funds that were valued based on their contracted sales price, and dividends earned on the final number of shares of class A common stock and OP units determined at the end of the measurement period of the contingent consideration associated with the Internalization, respectively.

Investments Carried at Fair Value Using Net Asset Value

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

(In thousands)	June 30, 2018	
	Fair Value	Unfunded Commitments
Private fund—real estate	\$ 11,612	\$ 14,493
Non-traded REITs—real estate	11,527	—

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

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

Nonrecurring Fair Values

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

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

(In thousands)	June 30, 2018			December 31, 2017		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Real estate held for sale	\$ 3,808	\$ 48,315	\$ 52,123	\$ 13,252	\$ 36,246	\$ 49,498
Real estate held for investment	—	166,130	166,130	—	224,935	224,935
Intangible assets—investment management contracts	—	—	—	—	51,100	51,100
Investments in unconsolidated ventures	—	12,015	12,015	—	11,871	11,871

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Impairment loss				
Real estate held for sale	\$ 6,546	\$ 8,178	\$ 15,310	\$ 11,530
Real estate held for investment	2,975	4,583	7,181	9,750
Intangible assets—investment management contracts	—	—	140,429	—
Intangible assets—trade name	59,464	—	59,464	—
Earnings from investments in unconsolidated ventures	16,467	—	16,467	2,144

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

Real Estate Held For Investment—Impaired real estate held for investment consisted primarily of properties in the Company's European portfolio, resulting from a combination of a reduction in the estimated holding period of these properties, tenant vacancy as well as exposure to the retail and leisure markets in the United Kingdom. Fair value of the impaired properties were determined using a future cash flow analysis that included an eventual sale of the properties, with expected sale price based on broker price opinions, and applying terminal capitalization rates ranging from 5.5% to

13.3%, with longer term cash flow projections discounted at 10%. Additionally, impairment was recorded on certain properties in our healthcare segment and THL portfolio that were damaged by hurricanes or fire based on estimates from insurance appraisers. As of December 31, 2017, impaired real estate also included certain RIDEA properties that were converted into net lease properties in the healthcare segment.

Impairment is discussed in Note 6 for loans receivable, Note 7 for investments in unconsolidated ventures and Note 9 for goodwill and other intangible assets.

Fair Value Information on Financial Instruments Reported at Cost

Carrying amounts and estimated fair values of financial instruments reported at amortized cost are presented below. The carrying values of cash, interest receivable, accounts receivable, due from and to affiliates, interest payable and accounts payable approximate fair value due to their short term nature and credit risk, if any, are negligible.

(In thousands)	Fair Value Measurements				Total	Carrying Value
	Level 1	Level 2	Level 3			
June 30, 2018						
Assets						
Loans at amortized cost	\$ —	\$ —	\$ 1,792,043	\$ 1,792,043	\$ 1,791,889	
Liabilities						
Debt at amortized cost						
Convertible and exchangeable senior notes	572,125	13,095	—	585,220	611,230	
Secured and unsecured debt	—	—	9,145,809	9,145,809	9,184,796	
Junior subordinated debt	—	—	206,415	206,415	198,089	
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 the credit facility approximated carrying value as its prevailing interest rate and applicable terms were renegotiated within the last 12 months. Fair value of convertible notes was determined using the last trade price in active markets. Fair value of exchangeable notes was determined based on unadjusted quoted prices in a non-active market. Fair value of secured and unsecured debt were estimated by discounting expected future cash outlays at interest rates currently available to the Company for instruments with similar terms and remaining maturities; and such fair values approximated carrying value for floating rate debt with credit spreads that approximate market rates. Fair value of securitization bonds payable was based on quotations from brokers or financial institutions that act as underwriters of the securitized bonds. Fair value of junior subordinated debt was based on unadjusted quotations from a third party valuation firm, with such quotes derived using a combination of internal valuation models, comparable trades in non-active markets and other market data.

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

15. Variable Interest Entities

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, or substantive kick-out rights without cause, or substantive participating rights that could be exercised by a simple majority of noncontrolling interest members (including by such a member unilaterally). The absence of such rights, which represent voting rights in a limited partnership equivalent structure, would render OP to be a VIE. The Company, as managing member, has the power to direct the core activities of OP that most significantly affect OP's performance, and through its majority interest in OP, has both the right to receive benefits from and the obligation to absorb losses of OP. Accordingly, the Company is the primary beneficiary of OP and consolidates OP. As the Company conducts its business and holds its assets and liabilities through OP, the total assets and liabilities of OP represent substantially all of the total consolidated assets and liabilities of the Company.

Securitizations

The Company 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 do 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 acts as special servicer or collateral manager or otherwise, its interest in the trust may become the controlling class or directing holder. As special servicer, the Company has 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 has the power to invest in additional or replacement collateral during the investment period and subsequent to the investment period, has the power to identify an asset as distressed or credit risk and sell certain distressed collateral. As 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 or 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 \$81.8 million at June 30, 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 \$10.7 million and \$10.2 million at June 30, 2018 and December 31, 2017, respectively. 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 \$11.7 million at June 30, 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 June 30, 2018 and at December 31, 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, 2016	25,030	166,440	770
Consideration for the Merger ⁽¹⁾	39,466	392,120	—
Issuance of preferred stock	13,800	—	—
Redemption of preferred stock	(12,547)	—	—
Shares canceled ⁽²⁾	—	(2,984)	—
Shares issued upon redemption of OP units	—	1,386	—
Conversion of class B to class A common stock	—	28	(28)
Repurchase of common stock	—	(12,934)	—
Equity-based compensation, net of forfeitures	—	7,550	—
Shares canceled for tax withholding on vested stock awards	—	(416)	—
Shares outstanding at June 30, 2017	65,749	551,190	742

Shares outstanding at December 31, 2017	65,464	542,599	736
Redemption of preferred stock	(8,000)	—	—
Shares issued upon redemption of OP Units	—	1,488	—
Conversion of class B to class A common stock	—	28	(28)
Repurchase of common stock	—	(54,813)	—
Equity-based compensation, net of forfeitures	—	3,412	—
Shares canceled for tax withholding on vested stock awards	—	(2,950)	—
Shares outstanding at June 30, 2018	57,464	489,764	708

⁽¹⁾ 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).

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

Preferred Stock

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

The table below summarizes the preferred stock issued and outstanding at June 30, 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	
Series D	8.5%	June 2014 ⁽¹⁾	8,000	80	200,000	Redemption pending
			65,464	\$ 655	\$ 1,636,605	

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

All series of preferred stock are at parity with respect to dividends and distributions, including distributions upon liquidation, dissolution or winding up of the Company. Dividends on each series of preferred stock of 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 made in July 2018. At June 30, 2018, settlement of the redemption was pending and presented as preferred stock redemption payable on the consolidated balance sheet.

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 six months ended June 30, 2018, the Company repurchased 54,813,323 shares of its class A common stock, at an aggregate cost of approximately \$318.5 million (excluding commissions), or a weighted-average price of \$5.81 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 six months ended June 30, 2018 or the year ended December 31, 2017 in the form of new issuances.

Call Spread

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

Accumulated Other Comprehensive Income (Loss)

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

Changes in Components of AOCI—Stockholders

(In thousands)	Company's Share in AOCI of Equity Method Investments	Unrealized Gain (Loss) on Securities	Unrealized Gain (Loss) on Cash Flow Hedges	Foreign Currency Translation Gain (Loss)	Unrealized Gain (Loss) on Net Investment Hedges	Total
AOCI at December 31, 2016	\$ 85	\$ (112)	\$ (41)	\$ (76,426)	\$ 44,385	\$ (32,109)
Other comprehensive income (loss) before reclassifications	562	3,022	41	77,109	(42,373)	38,361
Amounts reclassified from AOCI	20	(106)	—	934	(216)	632
AOCI at June 30, 2017	<u>\$ 667</u>	<u>\$ 2,804</u>	<u>\$ —</u>	<u>\$ 1,617</u>	<u>\$ 1,796</u>	<u>\$ 6,884</u>
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	1,968	(15,807)	—	(21,612)	13,107	(22,344)
Amounts reclassified from AOCI	—	(4,806)	—	4,158	(2,788)	(3,436)
Deconsolidation of N-Star CDO	—	2,596	—	—	—	2,596
AOCI at June 30, 2018	<u>\$ 7,382</u>	<u>\$ (3,599)</u>	<u>\$ —</u>	<u>\$ 28,477</u>	<u>\$ (8,330)</u>	<u>\$ 23,930</u>

Changes in Components of AOCI—Noncontrolling Interests in Investment Entities

(In thousands)	Unrealized Gain (Loss) on Securities	Foreign Currency Translation Gain (Loss)	Unrealized Gain (Loss) on Net Investment Hedges	Total
AOCI at December 31, 2016	\$ (527)	\$ (57,213)	\$ 11,798	\$ (45,942)
Other comprehensive income (loss) before reclassifications	981	60,925	(5,784)	56,122
Amounts reclassified from AOCI	(454)	994	1,020	1,560
AOCI at June 30, 2017	<u>\$ —</u>	<u>\$ 4,706</u>	<u>\$ 7,034</u>	<u>\$ 11,740</u>
AOCI at December 31, 2017	\$ —	\$ 38,948	\$ 3,127	\$ 42,075
Other comprehensive income (loss) before reclassifications	—	(12,639)	3,292	(9,347)
Amounts reclassified from AOCI	—	4,409	(644)	3,765
AOCI at June 30, 2018	<u>\$ —</u>	<u>\$ 30,718</u>	<u>\$ 5,775</u>	<u>\$ 36,493</u>

Reclassifications out of AOCI—Stockholders

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

(In thousands)	Three Months Ended June 30,		Six months ended June 30,		Affected Line Item in the Consolidated Statements of Operations
Component of AOCI reclassified into earnings	2018	2017	2018	2017	
Realized gain (loss) on marketable securities	\$ 2,194	\$ 106	\$ 10,100	\$ 106	Other gain (loss), net
Other-than-temporary impairment and write-offs of securities	(1,188)	—	(5,294)	—	Other gain (loss), net
Deconsolidation of N-Star CDO	(2,596)	—	(2,596)	—	Other gain (loss), net
Release of cumulative translation adjustments	5	(934)	(4,158)	(934)	Other gain (loss), net
Unrealized gain (loss) on dedesignated net investment hedges	2,082	—	584	(744)	Other gain (loss), net
Realized gain (loss) on net investment hedges	(232)	960	2,204	960	Other gain (loss), net
Release of equity in AOCI of unconsolidated ventures	—	(23)	—	(20)	Earnings from investments in unconsolidated ventures

17. Noncontrolling Interests

Redeemable Noncontrolling Interests

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

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

(In thousands)	Six Months Ended June 30,	
	2018	2017
Beginning balance	\$ 34,144	\$ —
Assumed through the Merger	—	78,843
Contributions	305	—
Distributions and redemptions	(2,103)	(709)
Net income	1,177	1,337
Currency translation adjustment and other	—	33
Ending balance	<u>\$ 33,523</u>	<u>\$ 79,504</u>

Noncontrolling Interests in Investment Entities

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

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

For the six months ended June 30, 2018, contributions from new limited partners reduced the Company's ownership interest in its industrial joint venture. The new limited partners were admitted at net asset value of the joint venture, based upon valuations determined by independent third parties, at the time of contributions. The difference between contributions received and the noncontrolling interests' share of the joint venture resulted in an increase to additional paid-in capital of \$21.1 million.

Noncontrolling Interests in Operating Company

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

For the six months ended June 30, 2018, the Company redeemed 1,855,562 OP Units, of which 1,488,469 OP Units were redeemed in exchange for an equal number of shares of class A common stock on a one-for-one basis, and 367,093 OP Units were redeemed in exchange for cash of \$2.1 million.

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.

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues				
Property operating income	\$ 470	\$ —	\$ 1,186	\$ 33,857
Other income	—	—	—	2,257
Expenses				
Property operating expenses	(571)	—	(1,159)	(12,395)
Interest expense	—	—	—	(9,028)
Loss on sale of real estate assets	—	—	—	(2,108)
Other expenses	(118)	—	(129)	(23)
Net income from discontinued operations	(219)	—	(102)	12,560
Income tax expense	—	—	—	—
Net income from discontinued operations after tax	(219)	—	(102)	12,560
Net income from discontinued operations attributable to:				
Noncontrolling interests in investment entities	98	—	45	—
Noncontrolling interests in Operating Company	7	—	4	—
Net income from discontinued operations attributable to Colony Capital, Inc.	\$ (114)	\$ —	\$ (53)	\$ 12,560

19. Earnings per Share

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

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income (loss) allocated to common stockholders				
Income (loss) from continuing operations	\$ (41,629)	\$ 105,192	\$ (68,045)	\$ 144,822
Income (loss) from discontinued operations	(219)	—	(102)	12,560
Net income (loss)	(41,848)	105,192	(68,147)	157,382
Net (income) loss attributable to noncontrolling interests:				
Redeemable noncontrolling interests	(1,873)	(720)	(1,177)	(1,337)
Investment entities	(27,420)	(23,800)	(47,522)	(50,859)
Operating Company	5,728	(2,330)	10,106	(1,247)
Net income (loss) attributable to Colony Capital, Inc.	(65,413)	78,342	(106,740)	103,939
Preferred stock redemption	3,995	(5,448)	3,995	(5,448)
Preferred dividends	(31,388)	(34,339)	(62,775)	(65,152)
Net income (loss) attributable to common stockholders	(92,806)	38,555	(165,520)	33,339
Net income allocated to participating securities	(643)	(2,546)	(1,272)	(4,784)
Net income (loss) allocated to common stockholders—basic	(93,449)	36,009	(166,792)	28,555
Interest expense attributable to convertible notes ⁽¹⁾	—	—	—	—
Net income (loss) allocated to common stockholders—diluted	\$ (93,449)	\$ 36,009	\$ (166,792)	\$ 28,555
Weighted average common shares outstanding ⁽²⁾				
Weighted average number of common shares outstanding—basic	488,676	544,023	509,562	525,318
Weighted average effect of dilutive shares ⁽¹⁾⁽³⁾⁽⁴⁾	—	—	—	—
Weighted average number of common shares outstanding—diluted	488,676	544,023	509,562	525,318
Basic earnings (loss) per share				
Income (loss) from continuing operations	\$ (0.19)	\$ 0.07	\$ (0.33)	\$ 0.03
Income from discontinued operations	—	—	—	0.02
Net income (loss) attributable to common stockholders per basic common share	\$ (0.19)	\$ 0.07	\$ (0.33)	\$ 0.05
Diluted earnings (loss) per share				
Income (loss) from continuing operations	\$ (0.19)	\$ 0.07	\$ (0.33)	\$ 0.03
Income from discontinued operations	—	—	—	0.02
Net income (loss) attributable to common stockholders per diluted common share	\$ (0.19)	\$ 0.07	\$ (0.33)	\$ 0.05

⁽¹⁾ For the three months ended June 30, 2018 and 2017, excluded from the calculation of diluted earnings per share is the effect of adding back \$7.1 million and \$7.4 million of interest expense, respectively, and 38,112,100 and 38,839,200 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. For the six months ended June 30, 2018 and 2017, excluded from the calculation of diluted earnings per share is the effect of adding back \$14.3 million and \$14.6 million of interest expense, respectively, and 38,112,100 and 38,778,400 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 for the three months ended March 31, 2017 reflect the exchange ratio of 1.4663 applied to shares outstanding prior to the Closing Date.
- (3) The calculation of diluted earnings per share excluded the weighted average unvested non-participating restricted shares of 605,800 and 634,200 for the three and six months ended June 30, 2018, respectively, and 598,500 and 300,900 for the three and six months ended June 30, 2017, respectively, as well as the weighted average shares of class A common stock that are contingently issuable in relation to PSUs (Note 21) of 2,137,500 and 1,074,700 for the three and six months ended June 30, 2018, respectively, as the inclusion of these shares 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 June 30, 2018 and 2017, there were 30,426,900 and 32,580,900 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, the Company's captive broker-dealer platform that raises capital in the retail market, with a third party joint venture partner, S2K, to form Colony S2K. 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:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Institutional funds	\$ 17,171	\$ 15,459	\$ 30,312	\$ 30,286
Non-traded REITs	6,244	20,789	17,703	43,026
Public companies—NRE, Colony Credit	16,219	3,555	28,391	6,725
Broker-dealer, Townsend and other clients	290	14,516	360	27,532
	<u>\$ 39,924</u>	<u>\$ 54,319</u>	<u>\$ 76,766</u>	<u>\$ 107,569</u>

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Base management fees (\$35,484, \$42,657, \$69,660 and \$81,640 from affiliates, respectively)	\$ 35,750	\$ 47,342	\$ 69,926	\$ 90,117
Asset management fees—from affiliates	761	1,148	1,435	1,754
Acquisition and disposition fees—from affiliates	—	1,095	1,922	7,024
Incentive fees—from affiliates	—	—	—	270
Other fee income (\$3,389, \$0, \$3,389 and \$0 from affiliates, respectively)	3,413	4,734	3,483	8,404
Total fee income	<u>\$ 39,924</u>	<u>\$ 54,319</u>	<u>\$ 76,766</u>	<u>\$ 107,569</u>

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

- Private Funds—generally 1% per annum of the limited partners' net funded capital;
- Non-Traded REITs—1% to 1.25% per annum of gross assets for NorthStar/RXR NY Metro and for NorthStar I and NorthStar II (through January 31, 2018 only), as well as 1.5% per annum of most recently published net asset value (as may be subsequently adjusted for any special distribution) for NorthStar Healthcare. Effective January 1, 2018, \$2.5 million per quarter of base management fee for NorthStar Healthcare will be paid in shares of NorthStar Healthcare common stock at a price per share equal to its most recently published net asset value per share (as may be subsequently adjusted for any special distribution);
- Investment Companies—1.25% per annum of average net assets;
- NRE—a variable fee based on the European Public Real Estate Association Net Asset Value, as defined in the management agreement. Prior to 2018, it was a fixed fee of \$14.2 million per annum, subject to increase by an amount equal to 1.5% per annum of certain provisions in accordance with terms set out in its governing agreement; and
- Colony 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 only); 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 only) and by NorthStar Healthcare. The amended advisory agreement of NorthStar Healthcare no longer provides for an acquisition fee effective January 1, 2018.

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

Other Fee Income—Other fees include advisory fees 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 reallocated 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 accelerate in the Merger. In March 2017, \$1.0 million or the equivalent of 70,261 shares of class A common stock were

issued in settlement of the equity award to certain AHI employees, and the corresponding \$1.0 million outstanding liability was relieved. This was a non-employee award, with equity-based compensation recorded in earnings from investments in unconsolidated ventures on the consolidated statement of operations

Pursuant to a separate contractual arrangement entered into in connection with the investment in AHI, the AHI principals, subject to certain annual performance targets being met, are also entitled to incremental grants of the Company's common stock, which will vest immediately upon issuance. As of June 30, 2018, no incremental awards have been granted.

NRF Incentive Plan

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

Healthcare Strategic Partnership—In January 2014, NRF entered into a strategic partnership with James F. Flaherty, III, focused on expanding the Company's healthcare business ("Healthcare Strategic Partnership"). In connection with this arrangement, Mr. Flaherty was granted NRF restricted stock units ("RSUs"), which upon the spin-off of NSAM from NRF in July 2014, were adjusted to also relate to an equal number of units of NSAM RSUs, and continue to be governed by the NRF Incentive Plan. This RSU award did not vest by its terms in connection with the consummation of the Merger and was converted into the right to receive an award in the same form for that number of units of 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, servicing and commission expense on the consolidated statement of operations and in equity on the consolidated balance sheet. In September 2017, the RSU award was fully vested upon the occurrence of a vesting event under the terms of the applicable governing agreement.

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 June 30, 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. PSUs vest annually in equal tranches over a three-year period. Upon vesting, the recipient of PSUs will be issued a number of shares of 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"). PSUs also contain dividend equivalent rights which entitle the recipients to a payment

equal to the amount of dividends that would have been paid on the shares that are ultimately issued at the end of the measurement period.

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

	2018 PSU Grant
Expected volatility of 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:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Compensation expense (including \$181, \$0, \$203 and \$0 amortization of fair value of dividend equivalent right)	\$ 9,375	\$ 37,412	\$ 21,566	\$ 68,989
Earnings from investments in unconsolidated ventures	—	—	—	61
Investment, servicing and commission expense	—	502	—	1,048
	<u>\$ 9,375</u>	<u>\$ 37,914</u>	<u>\$ 21,566</u>	<u>\$ 70,098</u>

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

	Restricted Stock	LTIP Units	DSUs	PSUs ⁽¹⁾	Total	Weighted Average Grant Date Fair Value	
						PSUs	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	3,432,893		212,376	2,138,858	5,784,127	5.09	6.25
Vested	(6,316,465)	(3,506,387)	(114,264)	—	(9,937,116)	—	14.54
Forfeited	(20,345)			(1,317)	(21,662)	5.09	6.65
Unvested shares and units at June 30, 2018	6,245,599	—	176,379	2,137,541	8,559,519	\$ 5.09	\$ 9.84

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

Fair value of equity awards that vested, determined based on their respective fair values at vesting date, was \$1.5 million and \$1.3 million for the three months ended June 30, 2018 and 2017, respectively, and \$106.5 million and \$15.0 million for the six months ended June 30, 2018 and 2017, respectively. For awards granted during the six months ended June 30, 2018 and 2017, the weighted average grant-date fair value per share was \$6.25 and \$14.43, respectively.

At June 30, 2018, aggregate unrecognized compensation cost for all unvested equity awards was \$56.3 million, which is expected to be recognized over a weighted-average period of 2.2 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.

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 \$4.2 million and \$5.0 million for the three and six months ended June 30, 2018, respectively. A corresponding amount is recognized in other income for managed company awards granted to employees (Note 22). At June 30, 2018, aggregate unrecognized compensation cost for unvested managed company awards was \$24.5 million, which is expected to be recognized over a weighted-average period of 2.7 years.

22. Transactions with Affiliates

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

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

(In thousands)	June 30, 2018	December 31, 2017
Due from Affiliates		
Investment vehicles and unconsolidated ventures		
Fee income	\$ 29,574	\$ 19,366
Cost reimbursements and recoverable expenses	13,496	30,749
Employees and other affiliates	1,238	1,403
	<u>\$ 44,308</u>	<u>\$ 51,518</u>
Due to Affiliates		
Investment vehicles and unconsolidated ventures	\$ 3,002	\$ 2,884
Employees	6,381	20,650
	<u>\$ 9,383</u>	<u>\$ 23,534</u>

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. This included \$0.8 million and approximately \$2.0 million of costs incurred by the Company which will be reimbursed by its managed private funds for the three and six months ended June 30, 2018, respectively, that were presented gross on the consolidated statement of operations beginning in 2018.

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Retail companies	\$ 484	\$ 5,335	\$ 2,871	\$ 10,670
Public companies—NRE and Colony Credit	2,944	—	4,694	—
Private funds and other	2,416	1,244	4,260	1,947
Equity awards of NRE and Colony Credit (Note 21)	4,250	—	5,062	—
Townsend	—	394	—	1,059
	<u>\$ 10,094</u>	<u>\$ 6,973</u>	<u>\$ 16,887</u>	<u>\$ 13,676</u>

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

Credit Facility—The Company has committed to provide NorthStar Healthcare with an unsecured revolving credit facility at market terms with a maximum principal amount of \$35.0 million. The credit facility matures on October 15, 2018, with a six-month extension option. Advances under the credit facility accrue interest at LIBOR plus 3.5%. There is no commitment fee for the unused portion of the facility. The credit facility is intended to provide additional liquidity to NorthStar Healthcare on an as needed basis. At June 30, 2018 and December 31, 2017, there were no outstanding advances under the revolving credit facility.

Liquidating Trust—In connection with the closing of the Combination, a wholly-owned subsidiary of the Company entered into a management services agreement with the liquidating trust that holds the NorthStar I Retained Asset (as discussed in Note 4). The Company was engaged as an advisor to service and assist in the potential sale of the NorthStar I Retained Asset, and to provide administrative services to the liquidating trust on such terms and conditions as approved by the trustees for a management fee of 1.25% per annum of the net assets of the liquidating trust. Such fee amount is immaterial.

Sale of Investment 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. The transaction was approved by the audit committee of Colony Credit.

Healthcare Strategic Partnership—The Healthcare Strategic Partnership was formed to expand the Company's healthcare business (see Note 21). In connection with this arrangement, the Healthcare Strategic Partnership is entitled to incentive fees ranging from 20% to 25% of distributions above certain hurdles for new and existing healthcare real estate investments held by the Company and a portion of incentive fees earned from NorthStar Healthcare. To date, no incentive fees have been earned by the Healthcare Strategic Partnership.

American Healthcare Investors Joint Venture—The Company has an equity method investment in AHI, through a joint venture with the principals of AHI and Mr. Flaherty (see Note 21). AHI provides certain healthcare-focused real estate investment management and related services to the Company and NorthStar Healthcare in order to assist the Company in managing current and future healthcare assets (excluding certain joint venture assets) acquired by the Company and, subject to certain conditions, other managed companies. The Company incurred property management fees and sub-advisory fees totaling \$1.3 million and \$1.2 million for the three months ended June 30, 2018 and 2017, respectively, and \$2.6 million and \$2.3 million for the six months ended June 30, 2018 and 2017, respectively. In January 2018, the Company provided a notice of termination of its management agreement to AHI with such termination to be effective October 2018.

Arrangements with Company-Sponsored Private Fund—The Company co-invests alongside a Company-sponsored private fund through joint ventures between the Company and the sponsored private fund. These co-investment joint ventures are consolidated by the Company. The Company has capital commitments, as general partner, directly into the private fund and as an affiliate of the general partner, capital commitments satisfied through co-investment joint ventures. In connection with the Company's commitments as an affiliate of the general partner, the Company is allocated a proportionate share of the costs of the private fund such as financing and administrative costs. Such costs expensed during the three and six months ended June 30, 2018 and 2017 were immaterial and relate primarily to the Company's share of the fund's operating costs and deferred financing costs on borrowings of the fund.

Contingent Consideration for Internalization—Contingent consideration for Internalization is payable to certain senior 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.

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 or indirectly through the general partner. These investments are generally not subject to management fees and incentive fees, but otherwise bear their proportionate share of other operating expenses of the investment vehicles. At June 30, 2018 and December 31, 2017, such investments amounted to \$6.5 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 \$1.6 million and \$2.8 million for the three and six months ended June 30, 2018, respectively, and was immaterial for the same periods in 2017.

Advances to Employees—The Company grants loans to certain employees in the form of promissory notes bearing interest at the prime rate with varying terms and repayment conditions. Outstanding advances were immaterial at June 30, 2018 and December 31, 2017.

Corporate Aircraft—The Company's corporate aircraft may occasionally be used for business purposes by affiliated entities or for personal use by certain senior executives of the Company. Affiliated entities and senior executives reimburse the Company for their usage based on the incremental cost to the Company of making the aircraft available for such use, and includes direct and indirect variable costs of operating the flights. These reimbursements amounted to \$0.3 million and \$0.5 million for the three months ended June 30, 2018 and 2017, respectively, and \$0.4 million and \$0.9 million for the six months ended June 30, 2018 and 2017, respectively.

23. Commitments and Contingencies

Lease Commitments

Office Leases—The Company leases office space under noncancelable operating leases. The lease agreements require minimum rent payments and reimbursement of operating expenses incurred by the landlord, subject to escalation clauses. Rent expense on office leases, included in administrative expenses, was \$2.6 million and \$3.3 million for the three months ended June 30, 2018 and 2017, respectively, and \$5.3 million and \$6.0 million for the six months ended June 30, 2018 and 2017, respectively.

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 June 30, 2018, the Company was not involved in any legal proceedings that are expected to have a material adverse effect on the Company's results of operations, financial position or liquidity.

24. Segment Reporting

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

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

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

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

Amounts not allocated to specific segments include corporate level cash and corresponding interest income, fixed assets 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
Three Months Ended June 30, 2018								
Total revenues	\$ 145,419	\$ 72,477	\$ 229,373	\$ —	\$ 190,950	\$ 49,543	\$ 1,837	\$ 689,599
Property operating expenses	69,983	20,483	143,321	—	86,887	—	—	320,674
Interest expense	45,179	10,856	36,494	—	46,476	—	14,304	153,309
Depreciation and amortization	38,229	32,482	35,925	—	23,521	6,204	1,535	137,896
Provision for loan loss	—	—	—	—	13,933	—	—	13,933
Impairment loss	1,982	174	—	—	7,366	60,312	—	69,834
Gain on sale of real estate	—	—	—	—	42,702	—	—	42,702
Earnings (losses) from investments in unconsolidated ventures	—	—	—	5,413	7,767	(11,305)	—	1,875
Income tax benefit (expense)	(355)	(38)	(1,556)	—	(262)	2,882	(87)	584
Income (loss) from continuing operations	(20,080)	4,668	6,771	5,413	61,853	(48,700)	(51,554)	(41,629)
Income (loss) from discontinued operations	—	—	—	—	(219)	—	—	(219)
Net income (loss)	(20,080)	4,668	6,771	5,413	61,634	(48,700)	(51,554)	(41,848)
Net income (loss) attributable to Colony Capital, Inc.	(14,356)	810	5,767	5,104	31,333	(47,070)	(47,001)	(65,413)
Three Months Ended June 30, 2017								
Total revenues	\$ 159,357	\$ 56,125	\$ 221,522	\$ —	\$ 179,973	\$ 60,531	\$ 1,864	\$ 679,372
Property operating expenses	72,460	16,195	139,818	—	25,244	—	—	253,717
Interest expense	47,844	7,934	35,884	—	35,630	—	12,968	140,260
Depreciation and amortization	49,577	25,804	33,508	—	26,894	15,594	1,734	153,111
Provision for loan loss	—	—	—	—	1,067	—	—	1,067
Impairment loss	—	—	—	—	12,761	—	—	12,761
Gain on sale of real estate	—	8,695	—	—	6,495	—	—	15,190
Earnings from investments in unconsolidated ventures	—	—	—	—	119,554	2,840	—	122,394
Income tax benefit (expense)	210	(2,746)	(909)	—	(705)	6,279	(2,043)	86
Income (loss) from continuing operations	(11,394)	9,072	5,750	—	185,630	26,112	(109,978)	105,192
Net income (loss)	(11,394)	9,072	5,750	—	185,630	26,112	(109,978)	105,192
Net income (loss) attributable to Colony Capital, Inc.	(8,071)	3,275	4,796	—	156,011	23,990	(101,659)	78,342

(In thousands)	Healthcare	Industrial	Hospitality	CLNC	Other Equity and Debt	Investment Management	Amounts Not Allocated to Segments	Total
Six Months Ended June 30, 2018								
Total revenues	\$ 298,014	\$ 141,230	\$ 425,155	\$ —	\$ 396,104	\$ 92,064	\$ 3,696	\$ 1,356,263
Property operating expenses	136,949	41,294	279,416	—	168,785	—	—	626,444
Interest expense	96,120	21,046	70,855	—	86,756	—	27,421	302,198
Depreciation and amortization	79,356	62,427	71,382	—	52,490	13,880	3,066	282,601
Provision for loan losses	—	—	—	—	19,308	—	—	19,308
Impairment loss	5,762	174	—	—	16,555	200,741	—	223,232
Gain on sale of real estate	—	2,293	—	—	58,853	—	—	61,146
Earnings (losses) from investments in unconsolidated ventures	—	—	—	1,759	34,984	(2,603)	—	34,140
Income tax benefit (expense)	(1,353)	(41)	(75)	—	(4,801)	39,685	(23)	33,392
Income (loss) from continuing operations	(32,614)	10,989	(5,115)	1,759	130,284	(133,324)	(40,024)	(68,045)
Income (loss) from discontinued operations	—	—	—	—	(102)	—	—	(102)
Net income (loss)	(32,614)	10,989	(5,115)	1,759	130,182	(133,324)	(40,024)	(68,147)
Net income (loss) attributable to Colony Capital, Inc.	(24,716)	2,088	(4,283)	1,658	80,442	(127,590)	(34,339)	(106,740)
Six Months Ended June 30, 2017								
Total revenues	\$ 298,170	\$ 113,167	\$ 397,235	\$ —	\$ 355,059	\$ 120,171	\$ 2,735	\$ 1,286,537
Property operating expenses	133,146	32,692	258,309	—	45,919	—	—	470,066
Interest expense	88,936	20,360	63,133	—	66,449	—	27,660	266,538
Depreciation and amortization	90,458	50,443	63,549	—	55,112	28,077	2,892	290,531
Provision for loan losses	—	—	—	—	7,791	—	—	7,791
Impairment loss	—	—	—	—	21,280	—	—	21,280
Gain on sale of real estate	—	8,695	—	—	15,465	—	—	24,160
Earnings from investments in unconsolidated ventures	—	—	—	—	228,391	7,995	—	236,386
Income tax benefit (expense)	(2,032)	(2,148)	(947)	—	(2,038)	4,210	(668)	(3,623)
Income (loss) from continuing operations	(20,660)	9,591	2,134	—	365,538	46,101	(257,882)	144,822
Income from discontinued operations	—	—	—	—	—	—	12,560	12,560
Net income (loss)	(20,660)	9,591	2,134	—	365,538	46,101	(245,322)	157,382
Net income (loss) attributable to Colony Capital, Inc.	(16,509)	3,213	1,803	—	299,923	42,250	(226,741)	103,939

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
June 30, 2018								
Total assets	\$ 5,700,474	\$ 3,075,143	\$ 4,076,297	\$ 1,146,355	\$ 6,592,937	\$ 2,028,661	\$ 199,850	\$ 22,819,717
Equity method investments	—	—	—	1,146,355	1,002,983	225,994	3,742	2,379,074
December 31, 2017								
Total assets	\$ 5,813,552	\$ 2,810,135	\$ 4,094,596	\$ —	\$ 9,233,606	\$ 2,733,197	\$ 100,564	\$ 24,785,650
Equity method investments	—	—	—	—	1,315,629	207,683	3,742	1,527,054

Geography

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Total income by geography:				
United States	\$ 612,168	\$ 715,304	\$ 1,225,829	\$ 1,358,432
Europe	69,212	78,586	147,385	149,013
Other	—	903	302	1,802
Total ⁽¹⁾	\$ 681,380	\$ 794,793	\$ 1,373,516	\$ 1,509,247

(In thousands)	June 30, 2018	December 31, 2017
Long-lived assets by geography:		
United States	\$ 13,101,730	\$ 13,224,197
Europe	1,630,286	1,749,282
Total ⁽²⁾	\$ 14,732,016	\$ 14,973,479

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

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

25. Supplemental Disclosure of Cash Flow Information

(In thousands)	Six Months Ended June 30,	
	2018	2017
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest, net of capitalized interest of \$1,864 and \$0, respectively	\$ 258,626	\$ 202,861
Cash paid for income taxes, net of refunds	9,217	21,517
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Dividends and distributions payable	\$ 86,656	\$ 186,990
Net assets of CLNY Investment Entities deconsolidated, net of cash and restricted cash contributed (Note 4)	936,547	—
Preferred stock redemptions payable	200,000	—
Redemption of OP Units for common stock	18,899	18,810
Improvements in operating real estate in accrued and other liabilities	5,242	1,811
Deconsolidation of net assets of securitization trusts (Note 15)	131,386	—
Assets held for sale contributed to equity method investee (Note 10)	20,350	—
Change in contributions receivable from noncontrolling interests	25,501	11,500
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)	—	16,821,714
Liabilities assumed in Merger (Note 3)	—	11,323,286
Noncontrolling interests assumed in Merger (Note 3)	—	593,458
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
Debt assumed by buyer in sale of manufactured housing portfolio (Note 18)	—	1,258,558
Net assets acquired in CPI restructuring, net of cash and restricted cash assumed (Note 3)	—	219,278
Foreclosures on collateral assets of originated or acquired loans receivable	—	8,935
Proceeds from loan repayments and asset sales held in escrow	—	63,168
Costs associated with contributions from noncontrolling interests	—	2,444
Amounts payable for purchase of securities available for sale	—	2,255

26. Subsequent Events

The Company has evaluated subsequent events and transactions through the date these consolidated financial statements were issued. Other than as disclosed elsewhere, no subsequent events have occurred that would require recognition in the accompanying consolidated financial statements or disclosure in the notes to the consolidated financial statements.

FORWARD-LOOKING STATEMENTS

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

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

- the market, economic and environmental conditions in the healthcare, hospitality and industrial real estate, other commercial real estate equity and debt, and investment management sectors;
- any decrease in our net income and funds from operations as a result of the Merger or otherwise, or our other acquisition activity;
- our ability to integrate and maintain consistent standards and controls following the Merger, including our ability to manage our acquisitions effectively and to realize the anticipated benefits of such acquisitions;
- our ability to realize substantial efficiencies and synergies as well as anticipated strategic and financial benefits of the Merger;
- our exposure to risks to which we have not historically been exposed, including liabilities with respect to the assets acquired through the Merger and our other acquisitions;
- our business and investment strategy, including the ability of the businesses in which we have a significant investment (such as Colony Credit Real Estate, Inc. (NYSE:CLNC)) to execute their business strategies;
- performance of our investments relative to our expectations and the impact on our actual return on invested equity, as well as the cash provided by these investments and available for distribution;
- our ability to grow our business by raising capital for the companies that we manage;
- our ability to deploy capital into new investments consistent with our business strategies, including the earnings profile of such new investments;
- the impact of adverse conditions affecting a specific asset class in which we have investments;
- the availability of attractive investment opportunities;
- our ability to achieve any of the anticipated benefits of the combination of our captive broker-dealer with S2K Financial Holdings, LLC;
- our ability to satisfy and manage our capital requirements;
- the general volatility of the securities markets in which we participate;
- our ability to obtain and maintain financing arrangements, including securitizations;
- changes in interest rates and the market value of our assets;
- interest rate mismatches between our assets and any borrowings used to fund such assets;
- effects of hedging instruments on our assets;
- the impact of economic conditions on third parties on which we rely;
- any litigation and contractual claims against us and our affiliates, including potential settlement and litigation of such claims;

- adverse domestic or international economic conditions and the impact on the commercial real estate or real-estate related sectors;
- the impact of legislative, regulatory and competitive changes;
- actions, initiatives and policies of the U.S. and non-U.S. governments and changes to U.S. or non-U.S. government policies and the execution and impact of these actions, initiatives and policies;
- our ability to maintain our qualification as a real estate investment trust for U.S. federal income tax purposes;
- our ability to maintain our exemption from registration as an investment company under the Investment Company Act of 1940, as amended (the “1940 Act”);
- availability of qualified personnel;
- our ability to make or maintain distributions to our stockholders; and
- our understanding of our competition.

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

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

The following discussion should be read in conjunction with our unaudited consolidated financial statements and the accompanying notes thereto, which are included in Item 1 of this Quarterly Report, as well as the information contained in our Annual Report on Form 10-K for the year ended December 31, 2017, which is accessible on the SEC's website at www.sec.gov.

Overview

We are a leading global investment management firm with approximately \$43 billion in 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 externally managed by subsidiaries of the Company; and (c) various other equity and debt investments. The Company is headquartered in Los Angeles, California, with over 400 employees in offices located across 19 cities in ten countries.

We were organized on May 31, 2016 as a Maryland corporation, and intend to elect to be taxed as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2017. We conduct our operations as a REIT, and generally are not subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our taxable income to stockholders and maintain qualification as a REIT, although we are subject to U.S. federal income tax on income earned through our taxable subsidiaries. We also operate our business in a manner that will permit us to maintain our exemption from registration as an investment company under the 1940 Act. We conduct substantially all of our activities and hold substantially all of our assets and liabilities through our Operating Company. As of June 30, 2018, we owned 94.2% of the Operating Company and are its sole managing member.

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"). In consideration for the Company's contribution of the CLNY Contributed Portfolio, the Company received approximately 44.4 million shares of Colony Credit's class B-3 common stock and approximately 3.1 million common membership units in Colony Credit's operating company ("CLNC OP Units"). Colony Credit's class B-3 Common Stock will automatically convert to class A common stock of Colony Credit, which is tradable on the NYSE upon the close of trading on February 1, 2019. The CLNC OP Units are redeemable for cash or class A common stock of Colony Credit, in Colony Credit's sole discretion.

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, 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.

On January 18, 2018, the Combination was approved by the stockholders of NorthStar I and NorthStar II. The Combination closed on January 31, 2018 and Colony Credit's class A common stock began trading on the NYSE on February 1, 2018 under the symbol "CLNC." On June 25, 2018, Colony Credit changed its name from "Colony NorthStar Credit Real Estate, Inc." to "Colony Credit Real Estate, Inc."

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

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

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

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.

Retail Distribution Business

On April 30, 2018, the Company completed the combination of NorthStar Securities, LLC ("NorthStar Securities"), the Company's captive broker-dealer platform acquired through the Merger that raises capital in the retail market, with S2K Financial Holdings, LLC ("S2K") to form Colony S2K Holdings, LLC ("Colony S2K"). Colony S2K will distribute both the current and future investment products of the Company and S2K as well as third party sponsored products. S2K is the holding company of S2K Financial, LLC, a registered broker-dealer wholesale distributor of investment vehicles, and S2K Servicing LLC, a provider of administrative services to institutional investment managers.

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 to stockholders. In addition, we expect to have third-party investor participation in sponsored investment vehicles that serve as a potential enhancement to stockholder returns through fee income and as an additional source of liquidity and growth. We expect our embedded investment management platform to allow us to scale our core segments while providing revenue diversification.

We conduct our business through the following six segments:

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

Highlights

During the six months ended June 30, 2018 and through August 6, 2018, significant developments affecting our business and results of operations included the following:

Acquisitions, Dispositions and Fundraising

- Consummated the Combination to create Colony Credit, a prominent publicly-listed commercial real estate credit REIT. Colony Credit's class A common stock began trading on the NYSE on February 1, 2018.
- Syndicated 30% of our portfolio of distressed CRE loans in Ireland to a third party investor for \$67.0 million.
- Closed on a co-sponsored digital real estate infrastructure vehicle on February 28, 2018, in partnership with Digital Bridge. As of August 6, 2018, total callable commitments of the vehicle were \$3.3 billion, inclusive of our capital commitments which are capped at \$250 million.

- Completed the combination of NorthStar Securities with a third party joint venture partner, S2K, to form Colony S2K, a new retail distribution business.
- 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, together with \$469 million of third party capital raised and managed by us.

Financing and Capital Transactions

- Repurchased 54.8 million shares of our class A common stock for approximately \$319 million under our February 2018 \$300 million stock repurchase program which was completed in May 2018, and our additional \$300 million stock repurchase program announced in May 2018.
- Redeemed all outstanding shares of our Series D preferred stock which was settled in July 2018 for \$200 million.

Results of Operations

The following table summarizes our results of operations by segment:

(in thousands)	Total Revenues		Net Income (Loss)		Net Income (Loss) Attributable to Colony Capital, Inc.	
	2018	2017	2018	2017	2018	2017
Three Months Ended June 30,						
Healthcare	\$ 145,419	\$ 159,357	\$ (20,080)	\$ (11,394)	\$ (14,356)	\$ (8,071)
Industrial	72,477	56,125	4,668	9,072	810	3,275
Hospitality	229,373	221,522	6,771	5,750	5,767	4,796
CLNC	—	—	5,413	—	5,104	—
Other Equity and Debt	190,950	179,973	61,634	185,630	31,333	156,011
Investment Management	49,543	60,531	(48,700)	26,112	(47,070)	23,990
Amounts not allocated to segments	1,837	1,864	(51,554)	(109,978)	(47,001)	(101,659)
	<u>\$ 689,599</u>	<u>\$ 679,372</u>	<u>\$ (41,848)</u>	<u>\$ 105,192</u>	<u>\$ (65,413)</u>	<u>\$ 78,342</u>
Six Months Ended June 30,						
Healthcare	\$ 298,014	\$ 298,170	\$ (32,614)	\$ (20,660)	\$ (24,716)	\$ (16,509)
Industrial	141,230	113,167	10,989	9,591	2,088	3,213
Hospitality	425,155	397,235	(5,115)	2,134	(4,283)	1,803
CLNC	—	—	1,759	—	1,658	—
Other Equity and Debt	396,104	355,059	130,182	365,538	80,442	299,923
Investment Management	92,064	120,171	(133,324)	46,101	(127,590)	42,250
Amounts not allocated to segments	3,696	2,735	(40,024)	(245,322)	(34,339)	(226,741)
	<u>\$ 1,356,263</u>	<u>\$ 1,286,537</u>	<u>\$ (68,147)</u>	<u>\$ 157,382</u>	<u>\$ (106,740)</u>	<u>\$ 103,939</u>

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
June 30, 2018								
Real estate, net	\$ 5,248,929	\$ 2,827,734	\$ 3,842,354	\$ —	\$ 2,335,091	\$ —	\$ —	\$ 14,254,108
Loans receivable, net	76,616	—	—	—	1,715,273	—	—	1,791,889
Investments in unconsolidated ventures	—	—	—	1,146,355	1,108,724	232,521	3,742	2,491,342
Securities, at fair value	—	—	—	—	144,421	—	—	144,421
Debt, net	3,223,363	1,060,627	2,568,635	—	2,293,958	—	847,532	9,994,115
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
Investments in unconsolidated ventures	—	—	—	—	1,425,498	225,999	3,742	1,655,239
Securities, at fair value	—	—	—	—	383,942	—	—	383,942
Debt, net	3,242,837	1,001,458	2,560,485	—	3,126,428	—	896,602	10,827,810

Comparison of 2018 to 2017

As a result of the Merger, the historical financial information included herein as of any date or for any periods on or prior to the Closing Date represents the pre-Merger financial information of Colony, and the results of operations of NSAM and NRF were incorporated into 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 the three and six months ended June 30, 2018 are not directly comparable to prior periods.

Consolidated Results of Operations

Comparison of the Three Months Ended June 30, 2018 to the Three Months Ended June 30, 2017

Our consolidated results of operations were as follows:

(In thousands)	Three Months Ended June 30,		Change
	2018	2017	
Revenues			
Property operating income	\$ 590,638	\$ 500,531	\$ 90,107
Interest income	44,183	111,263	(67,080)
Fee income	39,924	54,319	(14,395)
Other income	14,854	13,259	1,595
Total revenues	689,599	679,372	10,227
Expenses			
Property operating expense	320,674	253,717	66,957
Interest expense	153,309	140,260	13,049
Investment, servicing and commission expense	25,951	13,740	12,211
Transaction costs	2,641	2,440	201
Depreciation and amortization	137,896	153,111	(15,215)
Provision for loan loss	13,933	1,067	12,866
Impairment loss	69,834	12,761	57,073
Compensation expense	55,159	80,759	(25,600)
Administrative expenses	25,790	30,145	(4,355)
Total expenses	805,187	688,000	117,187
Other income			
Gain on sale of real estate	42,702	15,190	27,512
Earnings from investments in unconsolidated ventures	1,875	122,394	(120,519)
Other gain (loss), net	28,798	(23,850)	52,648
Income (loss) before income taxes	(42,213)	105,106	(147,319)
Income tax benefit	584	86	498
Income (loss) from continuing operations	(41,629)	105,192	(146,821)
Loss from discontinued operations	(219)	—	(219)
Net income (loss)	(41,848)	105,192	(147,040)
Net income (loss) attributable to noncontrolling interests:			
Redeemable noncontrolling interests	1,873	720	1,153
Investment entities	27,420	23,800	3,620
Operating Company	(5,728)	2,330	(8,058)
Net income (loss) attributable to Colony Capital, Inc.	(65,413)	78,342	(143,755)
Preferred stock redemption	(3,995)	5,448	(9,443)
Preferred stock dividends	31,388	34,339	(2,951)
Net income (loss) attributable to common stockholders	\$ (92,806)	\$ 38,555	(131,361)

Property Operating Income and Expenses

(In thousands)	Three Months Ended June 30,		
	2018	2017	Change
Property operating income:			
Healthcare	\$ 143,839	\$ 157,561	\$ (13,722)
Industrial	71,685	55,674	16,011
Hospitality	229,259	221,392	7,867
Other Equity and Debt	145,855	65,904	79,951
	<u>\$ 590,638</u>	<u>\$ 500,531</u>	<u>90,107</u>
Property operating expenses:			
Healthcare	\$ 69,983	\$ 72,460	\$ (2,477)
Industrial	20,483	16,195	4,288
Hospitality	143,321	139,818	3,503
Other Equity and Debt	86,887	25,244	61,643
	<u>\$ 320,674</u>	<u>\$ 253,717</u>	<u>66,957</u>

Healthcare—Property operating income and expenses were lower overall in the three months ended June 30, 2018 compared to the same period in 2017, primarily due to (i) three RIDEA properties that were converted into net lease properties in the fourth quarter of 2017 (which resulted in recording income net of certain operating expenses), (ii) sales of our non-core healthcare properties in late 2017 and early 2018, as well as (iii) the effects of lease modifications in the second quarter of 2018 which reduced property operating income. Additionally, the decrease in property operating expenses was partially offset by higher bad debt expense in the second quarter of 2018 resulting from a lease restructuring.

Industrial—Increases in property operating income and expenses for three months ended June 30, 2018 compared to the same period in 2017 reflect the continued growth of our industrial portfolio. As of June 30, 2018 and June 30, 2017, our industrial portfolio consisted of 392 and 354 buildings, respectively, with a net addition of 38 buildings and 8.2 million rentable square feet between June 30, 2017 and June 30, 2018.

Comparing our industrial portfolio on a same store basis for the three months ended June 30, 2018 and 2017, the increase in property operating income reflects higher tenant reimbursements, and generally higher rental rates on new and renewal leases. Average occupancy, however, decreased to 92.8% from 94.7% for the three months ended June 30, 2018 and 2017 due to vacancies occurring at the end of the second quarter of 2018, some of which have since been backfilled in July 2018. Same store property operating expenses also increased during this period, primarily due to higher repair and maintenance costs, partially offset by lower bad debt expense.

(\$ in thousands)	Three Months Ended June 30,		Change	
	2018	2017	Amount	%
Industrial: ⁽¹⁾				
Same store property operating income	\$ 51,354	\$ 49,417	\$ 1,937	3.9%
Same store property operating expenses	14,968	14,068	900	6.4%

⁽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 calendar years. Stabilized properties are held for more than one year or 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 304 buildings.

Hospitality—Property operating income and expenses were higher in the three months ended June 30, 2018, compared to the same period in 2017. Total rooms sold increased 1.8%, while average occupancy also increased 1.8% from 78.2% to 79.6% and revenue per available room ("RevPAR") was 3.2% higher. This resulted from a combination of higher corporate demand and benefits from room renovations.

Other Equity and Debt—Property operating income and expenses increased \$80.0 million and \$61.6 million, respectively, in the three months ended June 30, 2018 compared to the same period in 2017. This can be attributed primarily to the THL Hotel Portfolio acquired through a consensual foreclosure in July 2017, which generated \$100.0 million of hotel operating income and \$69.3 million of hotel operating expenses in the second quarter of 2018. However, these increases were partially offset by decreases resulting from continued sales of our non-core properties, as well as our contribution of \$219.7 million of real estate to Colony Credit on January 31, 2018, which reduced property operating income by \$5.8 million and property operating expenses by \$1.9 million.

Interest Income

Interest income decreased \$67.1 million during the three months ended June 30, 2018 compared to the same period in 2017. The decrease can be attributed to the contribution of \$1.3 billion of loans to Colony Credit on January 31, 2018 which reduced interest income by \$36.9 million, \$7.1 million decrease in interest income from sale and deconsolidation of our securitization trusts in the second quarter of 2018, as well as decreases due to continued loan repayments, sales and foreclosures.

Fee Income

Fee income was earned from the following sources:

(In thousands)	Three Months Ended June 30,		
	2018	2017	Change
Institutional funds	\$ 17,171	\$ 15,459	\$ 1,712
Non-traded REITs	6,244	20,789	(14,545)
Public companies—NRE, Colony Credit	16,219	3,555	12,664
Broker-dealer, Townsend private funds and other clients	290	14,516	(14,226)
	<u>\$ 39,924</u>	<u>\$ 54,319</u>	<u>(14,395)</u>

Fee income decreased \$14.4 million during the three months ended June 30, 2018 compared to the same period in 2017, resulting primarily from the sale of the Townsend investment management business in December 2017, which had contributed \$13.8 million of fee income during the three months ended June 30, 2017. In 2018, we also replaced fees from our non-traded REITs, NorthStar I and NorthStar II, with fees from a public vehicle, Colony Credit, upon closing of the Combination on January 31, 2018, which resulted in a net increase in fee income of \$0.2 million. Additionally, beginning in 2018, we no longer earn acquisition fees from NorthStar Healthcare under its amended advisory agreement, which amounted to \$3.2 million for the three months ended June 30, 2017, contributing to the decrease in fee income from non-traded REITs. With respect to our institutional funds business, fee income increased \$1.7 million as income from new capital raised more than offset continued realization of investments by liquidating funds.

Other Income

Other income, consisting primarily of cost reimbursement income as well as expense recoveries from borrowers and other recoveries from loan resolutions, increased \$1.6 million for the three months ended June 30, 2018 compared to the same period in 2017, resulting from dividend income from a sponsored private fund that was consolidated beginning in the third quarter of 2017 as well as higher cost reimbursements in 2018, which included amounts grossed up in other income related to equity awards granted by Colony Credit and NRE to the Company and certain of its employees. This increase was partially offset by lower recovery income from our loan portfolios which continue to be resolved or sold over time.

Interest Expense

(In thousands)	Three Months Ended June 30,		
	2018	2017	Change
Investment-level financing:			
Healthcare	\$ 45,179	\$ 47,844	\$ (2,665)
Industrial	10,856	7,934	2,922
Hospitality	36,494	35,884	610
Other Equity and Debt	46,476	35,630	10,846
Corporate-level debt	14,304	12,968	1,336
	<u>\$ 153,309</u>	<u>\$ 140,260</u>	<u>13,049</u>

The net \$13.0 million increase in interest expense during the three months ended June 30, 2018 compared to the same period in 2017 can be attributed to the following:

Healthcare—\$2.7 million decrease in interest expense was driven by (i) a reversal of default interest accrued in the first quarter of 2018 following a modification of the debt in the second quarter of 2018, (ii) debt payoffs from sales of our non-core healthcare properties in the latter part of 2017 and early 2018, as well as (iii) continued debt paydowns over time, all of which were partially offset by the effect of higher LIBOR rates on variable rate debt.

Industrial—\$2.9 million increase in interest expense was due to additional debt obtained to finance our portfolio growth, partially offset by accelerated amortization of deferred financing costs upon extinguishment of our variable rate acquisition debt through refinancing in 2017.

Hospitality—Net increase in interest expense of \$0.6 million resulted from a combination of (i) increase in outstanding principal on debt modified in the fourth quarter of 2017, (ii) accelerated amortization of deferred financing costs on debt refinanced in May and June 2017, as well as (iii) the impact from higher LIBOR rates on variable rate debt, all of which were largely offset by (iv) a decrease in debt discount amortization following the extension of a debt maturity in December 2017.

Other Equity and Debt—\$10.8 million increase in interest expense resulted from (i) \$19.2 million of interest expense on debt assumed in the acquisition of the THL Hotel Portfolio in July 2017, partially offset by (ii) \$5.3 million decrease in interest expense related to approximately \$380 million of debt contributed to Colony Credit in January 2018, and (iii) \$0.6 million decrease in interest expense from sale and deconsolidation of our securitization trusts in the second quarter of 2018, as well as (iv) the effect of debt payoffs from continued sales and resolutions of our non-core real estate investments.

Corporate-level debt—\$1.3 million net increase in interest expense was due to higher utilization on our credit line in the second quarter of 2018 combined with the effects of higher LIBOR rates, the latter also resulting in an increase in interest expense on our junior subordinated notes. These increases were partially offset by lower interest expense on our exchangeable notes as we repurchased \$13.0 million of outstanding principal in June and July 2017.

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 un consummated deal costs. The \$12.2 million increase in costs for the three months ended June 30, 2018 and the same period in 2017 was due to expenses incurred in connection with the THL Hotel Portfolio acquired in July 2017, a write-off of organization and offering costs receivable related to certain retail companies, as well as higher expenses incurred in our healthcare and hospitality segments.

Transaction Costs

The net increase of \$0.2 million in transaction costs for the three months ended June 30, 2018 compared to the same period in 2017 can be attributed to costs incurred in connection with an investment in Spain, offset by lower merger-related expenses.

Depreciation and Amortization

The net decrease of \$15.2 million in depreciation and amortization for the three months ended June 30, 2018 compared to the same period in 2017 can be attributed to the following: (i) decreases in expense as a result of real estate contributed 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; and (ii) lower amortization on our investment management intangible assets following the sale of Townsend in December 2017 and the write-off of management contracts in connection with the Combination in January 2018; both of which were partially offset by (iii) additional depreciation related to the THL Hotel Portfolio acquired in July 2017, and (iv) continued growth in our industrial portfolio.

Provision for Loan Losses

(In thousands)	Three Months Ended June 30,		Change
	2018	2017	
Non-PCI loans	\$ 5,072	\$ 451	\$ 4,621
PCI loans	8,861	616	8,245
Total provision for loan losses	\$ 13,933	\$ 1,067	12,866

Provision for loan losses increased \$12.9 million during the three months ended June 30, 2018 compared to the same period in 2017 due to higher provision on PCI loans, as well as a loss on certain securitized loans prior to the sale of our interest in the securitization trust that resulted in a deconsolidation of the trust in June 2018.

Of the total provision for loan losses, \$6.6 million and \$0.6 million in the three months ended June 30, 2018 and 2017, respectively, were attributed to noncontrolling interests in investment entities.

Impairment Loss

(In thousands)	Three Months Ended June 30,		Change
	2018	2017	
Healthcare	\$ 1,982	\$ —	\$ 1,982
Industrial	174	—	174
Other Equity and Debt	7,366	12,761	(5,395)
Investment Management	60,312	—	60,312
	<u>\$ 69,834</u>	<u>\$ 12,761</u>	57,073

Healthcare—Additional write-downs were taken in the three months ended June 30, 2018 on properties with hurricane-related damage based on revised insurance estimates.

Industrial—Impairment loss reflects selling cost on a property sold in the second quarter of 2018.

Other Equity and Debt—Impairment was lower at \$7.4 million in the second quarter of 2018 compared to \$12.8 million in the second quarter of 2017, attributable to impairments recorded in 2017 on our properties in Europe and a portfolio of select service hotels that were sold, partially offset by additional write-downs in 2018 on properties with hurricane related damage in the THL Hotel Portfolio based on revised insurance estimates.

Investment Management—Impairment in the second quarter of 2018 was related predominantly to the write-off of the NorthStar trade name in connection with our name change to Colony Capital, Inc. in June 2018.

Of the \$69.8 million and \$12.8 million of total impairment loss in the three months ended June 30, 2018 and 2017, \$5.6 million and \$9.8 million were attributable to noncontrolling interests in investment entities, respectively.

Compensation Expense

The table below provides the components of compensation expense:

(In thousands)	Three Months Ended June 30,		Change
	2018	2017	
Cash compensation and benefits	\$ 36,000	\$ 37,911	\$ (1,911)
Equity-based compensation	13,553	7,407	6,146
	<u>49,553</u>	<u>45,318</u>	4,235
Merger-related compensation expense:			
Equity-based compensation for replacement awards to NSAM executives subject to one year vesting	—	30,005	(30,005)
Severance and other employee transition	5,606	5,436	170
	<u>5,606</u>	<u>35,441</u>	(29,835)
Total compensation expense	<u>\$ 55,159</u>	<u>\$ 80,759</u>	(25,600)

Compensation expense was \$25.6 million lower for the three months ended June 30, 2018 compared to the same period in 2017, driven by a \$30.0 million decrease in equity-based compensation related to replacement equity awards issued to certain NSAM executives as part of the Merger, which vested one year from the Closing Date. Excluding Merger-related costs, compensation expense increased \$4.2 million in the three months ended June 30, 2018 compared to the same period in 2017 as a result of higher equity-based compensation in 2018 from new equity grants as well as a \$4.2 million gross up of equity-based compensation related to equity awards granted by Colony Credit and NRE to the Company and its employees, offset by a decrease in compensation expense as a result of the sale of the Townsend business in December 2017 and the broker-dealer business in April 2018.

Administrative Expense

Administrative expense was \$25.8 million in the three months ended June 30, 2018, a \$4.4 million decrease from the same period in 2017, largely due to a decrease in professional service fees as well as rent and related expenses.

Gain on Sale of Real Estate

(In thousands)	Three Months Ended June 30,		
	2018	2017	Change
Industrial	\$ —	\$ 8,695	\$ (8,695)
Other Equity and Debt	42,702	6,495	36,207
	<u>\$ 42,702</u>	<u>\$ 15,190</u>	<u>27,512</u>

Industrial—There were no sales during the second quarter of 2018 that resulted in a gain. During the three months ended June 30, 2017, gains were generated predominantly from sales of nine properties in the Chicago market.

Other Equity and Debt—We recorded gains totaling \$42.7 million in the three months ended June 30, 2018, primarily from properties in our European portfolio, while the \$6.5 million gain in the three months ended June 30, 2017 was predominantly from the sale of a net lease property in the U.S.

Gain on sale of \$19.6 million and \$5.6 million in the three months ended June 30, 2018 and 2017, respectively, were attributed to noncontrolling interests in investment entities.

Earnings from Investments in Unconsolidated Ventures

(In thousands)	Three Months Ended June 30,		
	2018	2017	Change
CLNC	\$ 5,413	\$ —	\$ 5,413
Other Equity and Debt	7,767	119,554	(111,787)
Investment Management	(11,305)	2,840	(14,145)
	<u>\$ 1,875</u>	<u>\$ 122,394</u>	<u>(120,519)</u>

CLNC—For the three months ended June 30, 2018, our share of net earnings in Colony Credit was \$5.4 million.

Other Equity and Debt—Earnings from investments in unconsolidated ventures was significantly lower during the three months ended June 30, 2018 compared to the same period in 2017, primarily due to the three months ended June 30, 2017 including a \$101.2 million gain from the sale of our remaining 6.3% interest in Starwood Waypoint Homes. Additionally, the contribution of certain investments in unconsolidated ventures to Colony Credit in January 2018 further decreased earnings by \$6.2 million. Additional decreases in 2018 were related primarily to unrealized losses on our investment in third party private funds from the Merger.

Investment Management—The decrease in earnings from investments in unconsolidated ventures during the three months ended June 30, 2018 compared to the same period in 2017 was driven by \$13.2 million of impairment recorded on two equity method investees.

Earnings from investments in unconsolidated ventures of \$5.5 million and \$6.2 million in the three months ended June 30, 2018 and 2017, respectively, were attributed to noncontrolling interests in investment entities.

Other Gain (Loss), Net

Other gain was \$28.8 million for the three months ended June 30, 2018 compared to a loss of \$23.9 million, for the three months ended June 30, 2017, a difference of \$52.6 million net gain, which can be attributed primarily to the following:

- a \$14.6 million gain relative to a \$28.5 million loss recorded in the second quarter of 2018 and 2017, respectively, 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 on deconsolidation of consolidated N-Star CDOs; and
- a \$3.9 million unrealized gain in the three months ended June 30, 2018 on a non-designated derivative compared to a \$1.6 million unrealized loss in the same period in 2017.

These increases were partially offset by

- a \$6.2 million loss on remeasurement of a foreign currency loan receivable in our healthcare segment in the second quarter of 2018 compared to a \$3.2 million gain in the same period in 2017; and

- an \$8.7 million unrealized loss recorded upon final measurement in June 2018 of the contingent consideration liability in connection with Colony's management internalization in 2015 compared to a \$4.9 million unrealized gain recorded in the second quarter of 2017 (refer to Note 14 of the consolidated financial statements).

Income Tax Expense

We recorded an income tax benefit of \$0.6 million in the three months ended June 30, 2018 compared to an income tax benefit of \$0.1 million in the three months ended June 30, 2017. The lower income tax benefit in 2017 was due to income tax expense recorded in relation to the gain on sale of real estate in our Industrial segment combined with lower deferred tax benefit in connection with our investment management business.

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 the three months ended June 30, 2018 from operations of hotels held for sale in the THL Hotel Portfolio acquired in July 2017.

Preferred Stock Redemption

During the three months ended June 30, 2018, \$4.0 million was recorded to decrease net loss attributable to common stockholders, representing the excess in aggregate carrying value of the legacy NRF Series D preferred stock, for which redemption notices were delivered in May 2018, over their redemption price of \$25.00 per share. This was because the Series D preferred stock carrying value included a premium that was recognized based on its trading price at the closing of the Merger.

In comparison, a \$5.4 million charge against net income available to common stockholders was recorded in the three months ended June 30, 2017, representing the excess of the redemption price at \$25.00 per share over the carrying value of our Series A and Series F preferred stock, which we redeemed in full in June 2017.

Comparison of the Six Months Ended June 30, 2018 to the Six Months Ended June 30, 2017

Our consolidated results of operations were as follows:

(In thousands)	Six Months Ended June 30,		Change
	2018	2017	
Revenues			
Property operating income	\$ 1,145,368	\$ 927,385	\$ 217,983
Interest income	108,037	226,807	(118,770)
Fee income	76,766	107,569	(30,803)
Other income	26,092	24,776	1,316
Total revenues	1,356,263	1,286,537	69,726
Expenses			
Property operating expense	626,444	470,066	156,378
Interest expense	302,198	266,538	35,660
Investment, servicing and commission expense	44,604	25,547	19,057
Transaction costs	3,357	89,780	(86,423)
Depreciation and amortization	282,601	290,531	(7,930)
Provision for loan loss	19,308	7,791	11,517
Impairment loss	223,232	21,280	201,952
Compensation expense	104,643	172,577	(67,934)
Administrative expenses	50,653	56,059	(5,406)
Total expenses	1,657,040	1,400,169	256,871
Other income			
Gain on sale of real estate	61,146	24,160	36,986
Earnings from investments in unconsolidated ventures	34,140	236,386	(202,246)
Other gain, net	104,054	1,531	102,523
Income (loss) before income taxes	(101,437)	148,445	(249,882)
Income tax benefit (expense)	33,392	(3,623)	37,015
Income (loss) from continuing operations	(68,045)	144,822	(212,867)
Income (loss) from discontinued operations	(102)	12,560	(12,662)
Net income (loss)	(68,147)	157,382	(225,529)
Net income (loss) attributable to noncontrolling interests:			
Redeemable noncontrolling interests	1,177	1,337	(160)
Investment entities	47,522	50,859	(3,337)
Operating Company	(10,106)	1,247	(11,353)
Net income (loss) attributable to Colony Capital, Inc.	(106,740)	103,939	(210,679)
Preferred stock redemption	(3,995)	5,448	(9,443)
Preferred stock dividends	62,775	65,152	(2,377)
Net income (loss) attributable to common stockholders	\$ (165,520)	\$ 33,339	(198,859)

Property Operating Income and Property Operating Expenses

(In thousands)	Six Months Ended June 30,		Change
	2018	2017	
Property operating income:			
Healthcare	\$ 294,976	\$ 294,992	\$ (16)
Industrial	139,322	112,353	26,969
Hospitality	424,518	397,062	27,456
Other Equity and Debt	286,552	122,978	163,574
	<u>\$ 1,145,368</u>	<u>\$ 927,385</u>	217,983
Property operating expenses:			
Healthcare	\$ 136,949	\$ 133,146	\$ 3,803
Industrial	41,294	32,692	8,602
Hospitality	279,416	258,309	21,107
Other Equity and Debt	168,785	45,919	122,866
	<u>\$ 626,444</u>	<u>\$ 470,066</u>	156,378

Healthcare—Property operating income and expenses for the six months ended June 30, 2018 and 2017 are not directly comparable as the first quarter of 2017 included only 80 days of post-Merger results.

After giving effect to the 10-day pre-Merger period in 2017, property operating income decreased \$15.8 million for the six months ended June 30, 2018 compared to the same periods in 2017, primarily due to (i) three RIDEA properties that were converted into net lease properties in the fourth quarter of 2017 (which resulted in recording income net of certain operating expenses), (ii) sales of our non-core healthcare properties in late 2017 and early 2018, and (iii) the effects of lease modifications in the second quarter of 2018, all of which were partially offset by (iv) additional income from an early lease termination in the first quarter of 2018.

After giving effect to the 10-day pre-Merger period in 2017, property operating expenses decreased \$3.5 million as a result of the three RIDEA properties that were converted into net lease properties in the fourth quarter of 2017, as well as the effect of sales of our non-core healthcare properties in late 2017 and early 2018, both of which were partially offset by higher bad debt expense in the second quarter of 2018 resulting from a lease restructuring.

Industrial—Increases in property operating income and expenses for the six months ended June 30, 2018 and 2017 reflect the continued growth of our industrial portfolio. As of June 30, 2018 and June 30, 2017, our industrial portfolio consisted of 392 and 354 buildings, respectively, with a net addition of 38 buildings and 8.2 million rentable square feet between June 30, 2017 and June 30, 2018.

Comparing our industrial portfolio on a same store basis for the six months ended June 30, 2018 and 2017, the increase in property operating income reflects higher tenant reimbursements, and generally higher rental rates on new and renewal leases. Average occupancy, however, decreased to 93.3% from 94.6% for the six months ended June 30, 2018 and 2017 due to vacancies occurring at the end of the second quarter of 2018, some of which have since been backfilled in July 2018. Same store property operating expenses also increased during this period, primarily due to higher repair and maintenance costs and bad debt expense.

(\$ in thousands)	Six Months Ended June 30,		% change
	2018	2017	
Industrial: ⁽¹⁾			
Same store property operating income	\$ 104,059	\$ 99,830	4.2%
Same store property operating expenses	31,405	28,945	8.5%

⁽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 calendar years. Stabilized properties are held for more than one year or 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 304 buildings.

Hospitality—Property operating income and expenses for the six months ended June 30, 2018 compared to the same period in 2017 are not directly comparable as the first quarter of 2017 included only 80 days of post-Merger results. After giving effect to the 10-day pre-Merger period in 2017, property operating income and expenses increased \$10.8 million and \$8.5 million, respectively. Such increases can be attributed to a 1.5% increase in average occupancy from 73.9% to 75.0% and a 2.3% increase in RevPAR in the six months ended June 30, 2018 compared to the same period in

2017. This resulted from a combination of higher corporate demand and benefits from room renovations. Property operating expenses also increased due to higher food and beverage labor costs under a franchisor's new wage rate program.

Other Equity and Debt—Property operating income and expenses increased by \$163.6 million and \$122.9 million, respectively, during the six months ended June 30, 2018 compared to the same period in 2017. This can be attributed primarily to the THL Hotel Portfolio acquired through a consensual foreclosure in July 2017, which generated \$188.6 million of hotel operating income and \$132.9 million of hotel operating expenses in the six months ended June 30, 2018. However, these increases were partially offset by decreases resulting from continued sales of our non-core properties, as well as our contribution of \$219.7 million of real estate to Colony Credit on January 31, 2018, which reduced property operating income by \$10.9 million and property operating expenses by \$3.5 million.

Interest Income

Interest income decreased \$118.8 million for the six months ended June 30, 2018 compared to the same period in 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 \$72.1 million, \$11.6 million decrease in interest income from sale and deconsolidation of our securitization trusts in the second quarter of 2018, as well as decreases due to loan repayments, sales and foreclosures.

Fee Income

Fee income was earned from the following sources:

(In thousands)	Six Months Ended June 30,		
	2018	2017	Change
Institutional funds	\$ 30,312	\$ 30,286	\$ 26
Non-traded REITs	17,703	43,026	(25,323)
Public company—NRE, Colony Credit	28,391	6,725	21,666
Broker-dealer, Townsend funds and other clients	360	27,532	(27,172)
	<u>\$ 76,766</u>	<u>\$ 107,569</u>	<u>(30,803)</u>

Fee income decreased \$30.8 million during the six months ended June 30, 2018 compared to the same period in 2017, resulting primarily from the sale of the Townsend investment management business in December 2017, which had contributed \$26.3 million of fee income during the six months ended June 30, 2017. We also replaced fees from our non-traded REITs, NorthStar I and NorthStar II, with fees from a public vehicle, Colony Credit, upon closing of the Combination on January 31, 2018, which resulted in a net increase in fee income of \$2.3 million. Additionally, beginning in 2018, we no longer earn acquisition fees from NorthStar Healthcare under its amended advisory agreement, which amounted to \$3.2 million for the six months ended June 30, 2017, contributing to the decrease in fee income from non-traded REITs. Fee income from our institutional funds business was largely consistent, as income from new capital raised was offset by continued realization of investments by liquidating funds.

Other Income

Other income, consisting primarily of cost reimbursement income as well as expense recoveries from borrowers and other recoveries from loan resolutions, increased \$1.3 million for the six months ended June 30, 2018 compared to the same period in 2017, resulting from dividend income from a sponsored private fund that was consolidated beginning in the third quarter of 2017 as well as higher cost reimbursements in 2018, which included amounts grossed up in other income related to equity awards granted by Colony Credit and NRE to the Company and certain of its employees. This increase was partially offset by lower recovery income from our loan portfolios which continue to be resolved or sold over time.

Interest Expense

(In thousands)	Six Months Ended June 30,		Change
	2018	2017	
Investment-level financing:			
Healthcare	\$ 96,120	\$ 88,936	\$ 7,184
Industrial	21,046	20,360	686
Hospitality	70,855	63,133	7,722
Other Equity and Debt	86,756	66,449	20,307
Corporate-level debt	27,421	27,660	(239)
	<u>\$ 302,198</u>	<u>\$ 266,538</u>	<u>35,660</u>

The \$35.7 million net increase in interest expense for the six months ended June 30, 2018 compared to the same period in 2017 can be attributed to the following:

Healthcare—Interest expense in the six months ended June 30, 2018 and 2017 are not directly comparable as the six months ended June 30, 2017 included only 80 days of interest expense post-Merger in the first quarter. After giving effect to the 10-day pre-Merger period in 2017, interest expense increased \$1.4 million in the six months ended June 30, 2018 and 2017 due to amortization on a below market debt, and the impact of higher LIBOR rates on variable rate debt, both of which were partially offset by debt payoffs from sales of our non-core healthcare properties in the latter part of 2017 and early 2018, as well as continued debt paydowns over time.

Industrial—There was a marginal increase in interest expense of \$0.7 million as the impact of new financing obtained to fund our portfolio growth was largely offset by accelerated amortization of deferred financing costs upon extinguishment of our variable rate acquisition debt through a refinancing in the first and second quarters of 2017.

Hospitality—Interest expense in the six months ended June 30, 2018 and 2017 are not directly comparable as the six months ended June 30, 2017 included only 80 days of interest expense post-Merger in the first quarter. After giving effect to the 10-day pre-Merger period in 2017, interest expense increased \$4.7 million in the six months ended June 30, 2018 and 2017 resulting from a combination of (i) increase in outstanding principal on debt modified in the fourth quarter of 2017, (ii) accelerated amortization of deferred financing costs on debt refinanced in May and June 2017, as well as (iii) the impact from higher LIBOR rates on variable rate debt, all of which were partially offset by (iv) a decrease in debt discount amortization following the extension of a debt maturity in December 2017.

Other Equity and Debt—\$20.3 million increase in interest expense resulting from (i) \$34.7 million of interest expense on debt assumed in the acquisition of the THL Hotel Portfolio in July 2017, partially offset by (ii) \$13.8 million decrease in interest expense related to approximately \$380 million of debt contributed to Colony Credit in January 2018, (iii) \$1.6 million decrease in interest expense from sale and deconsolidation of our securitization trusts in the second quarter of 2018 and (iii) the effect of debt paydowns from continued sales and resolution of our non-core real estate investments.

Corporate-level debt—Interest expense in the six months ended June 30, 2018 and 2017 are not directly comparable as the six months ended June 30, 2017 included only 80 days of interest expense post-Merger in the first quarter. After giving effect to the 10-day pre-Merger period in 2017, interest expense decreased approximately \$1.0 million in the six months ended June 30, 2018 and 2017 driven by a lower utilization of our credit line and lower interest expense on our exchangeable notes as we repurchased \$13.0 million of outstanding principal in June and July 2017, partially offset by higher LIBOR rates which affected interest expense on our credit line and junior subordinated debt.

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 un consummated deal costs. The \$19.1 million increase in costs for the six months ended June 30, 2018 and the same period in 2017 was due to a write-off of cost reimbursement receivable from NorthStar/RXR NY Metro following the termination of its offering period in March 2018, a write-off of organization and offering costs receivable related to certain retail companies, expenses incurred in connection with the THL Hotel Portfolio acquired in July 2017, as well as higher expenses incurred in our healthcare and hospitality segments.

Transaction Costs

Significant Merger-related transaction costs were incurred in the six months ended June 30, 2017, which included approximately \$66.8 million of fees paid to investment bankers contingent upon consummation of the Merger, professional fees for legal, financial advisory, accounting and consulting services, as well as fees incurred on a bridge loan facility

commitment that was terminated on the Closing Date. Transaction costs in the six months ended June 30, 2018 were incurred primarily in connection with an investment in Spain.

Depreciation and Amortization

The net decrease of \$7.9 million in depreciation and amortization for the six months ended June 30, 2018 compared to the same period in 2017 can be attributed to the following: (i) decreases in expense as a result of real estate contributed 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; and (ii) lower amortization on our investment management intangible assets following the sale of Townsend in December 2017 and the write-off of management contracts in connection with the Combination in January 2018, both of which were partially offset by (iii) two full quarters of expense in the six months ended June 30, 2018 compared to the six months ended June 30, 2017, which included only 80 days of expense post-Merger in the first quarter, for assets acquired through the Merger; (iv) additional expense related to the THL Hotel Portfolio acquired in July 2017, and (v) continued growth in our industrial portfolio.

Provision for Loan Losses

(In thousands)	Six Months Ended June 30,		Change
	2018	2017	
Non-PCI loans	\$ 7,737	\$ 2,925	\$ 4,812
PCI loans	11,571	4,866	6,705
Total provision for loan losses	\$ 19,308	\$ 7,791	11,517

Provision for loan losses increased \$11.5 million during the six months ended June 30, 2018 compared to the same period in 2017, primarily due to higher provision on PCI loans, as well as a loss on certain securitized loans the sale of our interest in the securitization trust that resulted in a deconsolidated of the trust in June 2018.

Of the total provision for loan losses, \$9.9 million and \$3.8 million in the six months ended June 30, 2018 and 2017, respectively, were attributed to noncontrolling interests in investment entities.

Impairment Loss

(In thousands)	Six Months Ended June 30,		Change
	2018	2017	
Healthcare	\$ 5,762	\$ —	\$ 5,762
Industrial	174	—	174
Other Equity and Debt	16,555	21,280	(4,725)
Investment Management	200,741	—	200,741
	\$ 223,232	\$ 21,280	201,952

Healthcare—In the six months ended June 30, 2018, impairment loss was recorded on properties that were sold or held for sale, and also included additional write-downs on properties with hurricane-related damage based on revised insurance estimates.

Industrial—Impairment loss reflects selling cost on a property sold in the second quarter of 2018.

Other Equity and Debt—Impairment was lower at \$16.6 million in the six months ended June 30, 2018 compared to \$21.3 million in the six months ended June 30, 2017, attributable to impairments recorded in 2017 on our properties in Europe and a portfolio of select service hotels that were sold, partially offset by additional write-downs in 2018 on properties with hurricane related damage in the THL Hotel Portfolio based on revised insurance estimates.

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

Of the \$223.2 million and \$21.3 million of impairment loss in the six months ended June 30, 2018 and 2017, respectively, \$13.4 million and \$15.5 million were attributable to noncontrolling interests in investment entities, respectively.

Compensation Expense

The following table provides the components of compensation expense.

(In thousands)	Six Months Ended June 30,		
	2018	2017	Change
Cash compensation and benefits	\$ 69,805	\$ 82,654	\$ (12,849)
Equity-based compensation	23,250	12,935	10,315
	<u>93,055</u>	<u>95,589</u>	<u>(2,534)</u>
Merger-related compensation expense			
Equity-based compensation for replacement awards to NSAM executives subject to one year vesting	3,297	56,054	(52,757)
Severance and other employee transition	8,291	20,934	(12,643)
	<u>11,588</u>	<u>76,988</u>	<u>(65,400)</u>
	<u>\$ 104,643</u>	<u>\$ 172,577</u>	<u>(67,934)</u>

Compensation expense was \$67.9 million lower for the six months ended June 30, 2018 compared to the same period in 2017, driven primarily by a \$52.8 million decrease in equity-based compensation related to replacement equity awards issued to certain NSAM executives as part of the Merger, which vested one year from the Closing Date, as well as a \$12.6 million decrease in severance and other costs related to employee transition in connection with the Merger. Excluding Merger-related costs, compensation expense decreased \$2.5 million during the six months ended June 30, 2018 compared to the same period in 2017 as a result of lower bonus accruals, sale of the Townsend business in December 2017 and broker-dealer business in April 2018, partially offset by higher equity-based compensation in 2018 from new equity grants as well as a \$5.0 million gross up of equity-based compensation related to equity awards granted by Colony Credit and NRE to the Company and its employees.

Administrative Expense

Administrative expense was \$50.7 million in the six months ended June 30, 2018, reflecting a \$5.4 million decrease from the same period in 2017, largely due to lower costs incurred in the earlier period in connection with integrating the operations of the combined entities as most of the costs were incurred in 2017, and a decrease in professional service fees as well as rent and related expenses.

Gain on Sale of Real Estate

(In thousands)	Six Months Ended June 30,		
	2018	2017	Change
Industrial	\$ 2,293	\$ 8,695	\$ (6,402)
Other Equity and Debt	58,853	15,465	43,388
	<u>\$ 61,146</u>	<u>\$ 24,160</u>	<u>36,986</u>

Industrial—The \$2.3 million gain in the six months ended June 30, 2018 was realized from the sale of one building in the Orlando market. In the six months ended June 30, 2017, the \$8.7 million gain was generated predominantly from sales of nine properties in the Chicago market.

Other Equity and Debt—We recorded gains totaling \$58.9 million in the six months ended June 30, 2018 compared to \$15.5 million in the six months ended June 30, 2017. The higher gains in 2018 resulted from the sales of our European properties and a multifamily property, while the gains in 2017 arose from the sales of our select service hotel portfolio and a net lease property in the U.S. as well as lower gains from our European properties.

Gain on sale of \$30.4 million and \$11.2 million in the six months ended June 30, 2018 and 2017, respectively, were attributed to noncontrolling interests in investment entities.

Earnings from Investments in Unconsolidated Ventures

(In thousands)	Six Months Ended June 30,		
	2018	2017	Change
CLNC	\$ 1,759	\$ —	\$ 1,759
Other Equity and Debt	34,984	228,391	(193,407)
Investment Management	(2,603)	7,995	(10,598)
	<u>\$ 34,140</u>	<u>\$ 236,386</u>	<u>(202,246)</u>

CLNC—For the six months ended June 30, 2018, our share of net earnings in Colony Credit was \$1.8 million, which included the effect of significant transaction costs incurred in connection with the closing of the Combination.

Other Equity and Debt—Earnings from investments in unconsolidated ventures was significantly lower in the six months ended June 30, 2018 compared to the same period in 2017, primarily due to the six months ended June 30, 2017 including a \$191.2 million gain from the sale of 14% of our interest in Starwood Waypoint Homes along with our proportionate share of gain from additional share issuance by the investee. Additionally, the contribution of certain investments in unconsolidated ventures to Colony Credit in January 2018 further decreased earnings by \$12.3 million. These decreases in 2018 were partially offset by higher earnings from other investments which included new investments subsequent to the second quarter of 2017.

Investment Management—The decrease in earnings from investments in unconsolidated ventures during the six months ended June 30, 2018 compared to the same period in 2017 was driven by \$13.2 million of impairment recorded on two equity method investees.

Earnings from investments in unconsolidated ventures of \$11.1 million and \$11.2 million in the six months ended June 30, 2018 and 2017, respectively, were attributed to noncontrolling interests in investment entities.

Other Gain (Loss), Net

Other gain was \$104.1 million for the six months ended June 30, 2018. The \$102.5 million increase compared to the six months ended June 30, 2017 resulted primarily from the following:

- \$81.0 million gain relative to a \$2.7 million loss recorded in the six months ended June 30, 2018 and 2017, respectively, on a non-designated out-of-money interest rate swap (liability) assumed through the Merger due to rising interest rates. The swap was intended to hedge future refinancing risk on certain legacy NRF mortgage debt;
- \$10.9 million gain from deconsolidation of consolidated N-Star CDOs;
- \$10.1 million increase in net gains from sale of CRE securities; and
- \$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 37% interest in Colony Credit (refer to Note 4 of the consolidated financial statements).

These increases were partially offset by

- \$5.1 million of higher other-than-temporary impairment, net of write-offs recorded in the six months ended June 30, 2017, on N-Star CDOs and CMBS held by consolidated N-Star CDOs;
- \$6.5 million higher unrealized loss on the contingent consideration liability in connection with Colony's management internalization in 2015, with the final contingent consideration amount measured in June 2018 (refer to Note 14 of the consolidated financial statements); and
- \$12.0 million loss compared to \$3.2 million gain in the six months ended June 30, 2018 and 2017, respectively, on remeasurement of a foreign currency loan receivable in our healthcare segment.

Income Tax (Expense) Benefit

We recorded an income tax benefit of \$33.4 million in the six months ended June 30, 2018 compared to an income tax expense of \$3.6 million in the six months ended June 30, 2017. The large income tax benefit in 2018 arose primarily from 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, while 2017 included income tax expense recorded in relation to the gain on sale of real estate in our Industrial segment.

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 the six months ended June 30, 2018 from operations of hotels held for sale in the THL Hotel Portfolio acquired in July 2017, while the \$12.6 million net income from discontinued operations in the six months ended June 30, 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

During the six months ended June 30, 2018, \$4.0 million was recorded to decrease net loss attributable to common stockholders, representing the excess in aggregate carrying value of the legacy NRF Series D preferred stock, for which redemption notices were delivered in May 2018, over their redemption price of \$25.00 per share. This was because the Series D preferred stock carrying value included a premium that was recognized based on its trading price at the closing of the Merger.

In comparison, a \$5.4 million charge against net income available to common stockholders was recorded in the six months ended June 30, 2017, representing the excess of the redemption price at \$25.00 per share over the carrying value of our Series A and Series F preferred stock, which we redeemed in full in June 2017.

Segments

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

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

(In thousands)	Healthcare		Industrial		Hospitality	
	Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,	
	2018	2017	2018	2017	2018	2017
Total revenues	\$ 145,419	\$ 159,357	\$ 72,477	\$ 56,125	\$ 229,373	\$ 221,522
Straight-line rent revenue and amortization of above- and below-market lease intangibles	(1,580)	(8,385)	(2,554)	(1,150)	(6)	(13)
Interest income	—	—	(62)	—	—	—
Other income	—	—	—	—	(68)	—
Property operating expenses ⁽¹⁾	(69,983)	(72,460)	(20,483)	(16,195)	(143,321)	(139,818)
Compensation expense ⁽¹⁾	—	—	(300)	(310)	—	—
NOI or EBITDA	\$ 73,856	\$ 78,512	\$ 49,078	\$ 38,470	\$ 85,978	\$ 81,691

(In thousands)	Healthcare		Industrial		Hospitality	
	Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017	2018	2017
Total revenues	\$ 298,014	\$ 298,170	\$ 141,230	\$ 113,167	\$ 425,155	\$ 397,235
Straight-line rent revenue and amortization of above- and below-market lease intangibles	(5,899)	(15,384)	(4,851)	(2,813)	(13)	(27)
Interest income	—	—	(594)	—	—	—
Other income	—	—	—	—	(556)	—
Property operating expenses ⁽¹⁾	(136,949)	(133,146)	(41,294)	(32,692)	(279,416)	(258,309)
Transaction, investment and servicing costs	—	—	—	(101)	—	—
Compensation expense ⁽¹⁾	—	—	(779)	(893)	—	—
NOI or EBITDA	\$ 155,166	\$ 149,640	\$ 93,712	\$ 76,668	\$ 145,170	\$ 138,899

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

Healthcare

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

At June 30, 2018, our interest in our healthcare segment was 71%.

Results of operations of our Healthcare segment were as follows:

(In thousands)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Total revenues	\$ 145,419	298,014
Net loss attributable to Colony Capital, Inc.	(14,356)	(24,716)

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

(In thousands)	June 30, 2018
Real estate	
Held for investment	\$ 5,248,929
Held for sale	1,583
Debt	3,223,363

During the six months ended June 30, 2018, we sold three skilled nursing facilities totaling 471 beds for aggregate gross proceeds of \$14.1 million. These activities reflect our continued monetization initiatives on non-core assets. Additionally, one medical office building encumbered with a \$3 million mortgage was consensually transferred to the lender in February 2018.

In May 2018, we modified and cured default on \$46.5 million of debt in our healthcare portfolio, extending its maturity from May 2019 to May 2020 with a one-year extension option. Additionally, as discussed in Note 12, we currently expect to exercise our option to extend the maturity of the \$100.5 million floating rate component of the \$1.85 billion non-recourse mortgage debt on our healthcare portfolio to December 2019, by funding any required prepayment; however, there can be no assurances that we will do so. To the extent we do not exercise the extension option or repay the floating rate component, the December 2019 maturity date of the remaining \$1.75 billion fixed rate component, would be accelerated. The Company is currently evaluating its options in connection with the December 2019 maturity of the fixed rate component.

Net Operating Income

NOI generated by our healthcare portfolio was as follows:

(\$ in thousands)	Three Months Ended June 30,		2018 vs. 2017		Six Months Ended June 30,		2018 vs. 2017	
	2018	2017	\$ Change	% Change	2018	2017	\$ Change	% Change
Medical office buildings	\$ 13,718	\$ 14,408	\$ (690)	-5 %	\$ 30,269	\$ 26,382	\$ 3,887	15 %
Senior housing—operating	16,770	19,418	(2,648)	-14 %	34,242	35,732	(1,490)	-4 %
Net lease—senior housing	14,483	14,407	76	1 %	30,022	26,868	3,154	12 %
Net lease—skilled nursing facilities	24,079	24,904	(825)	-3 %	50,904	50,288	616	1 %
Net lease—hospitals	4,806	5,375	(569)	-11 %	9,729	10,370	(641)	-6 %
Total NOI	<u>\$ 73,856</u>	<u>\$ 78,512</u>	<u>\$ (4,656)</u>	<u>-6 %</u>	<u>\$ 155,166</u>	<u>\$ 149,640</u>	<u>\$ 5,526</u>	<u>4 %</u>

The \$4.7 million or 6% decrease in NOI for the three months ended June 30, 2018 compared to the same period in 2017 was primarily due to sales of our non-core healthcare properties in late 2017 and early 2018, lower contractual rents and rental concessions granted in two skilled nursing portfolios, as well as higher bad debt expense in the second quarter of 2018.

NOI for the six months ended June 30, 2018 and 2017 are not directly comparable as the six months ended June 30, 2017 included only 80 days of activities post-Merger in the first quarter. After giving effect to the 10-day pre-Merger period in 2017, NOI decreased \$2.7 million as a result of (i) sales of our non-core healthcare properties in late 2017 and early 2018, (ii) lower contractual rents and rental concessions granted in two skilled nursing portfolios and (iii) higher bad debt expense in the second quarter of 2018, all of which were partially offset by additional income from early lease termination in the first quarter of 2018.

Healthcare Portfolio

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

The following table presents selected operating metrics of our healthcare segment as of and for the three months ended June 30, 2018 and 2017:

	Number of Buildings	Capacity	Average Occupancy ⁽¹⁾	Average Remaining Lease Term (Years)
2018				
Medical office buildings	108	3.8 million square feet	82.6%	N/A
Senior housing—operating	109	6,436 units	86.8%	N/A
Net lease—senior housing	83	4,153 units	82.3%	11.5
Net lease—skilled nursing facilities	99	11,829 beds	82.2%	6.4
Net lease—hospitals	14	872 beds	59.6%	10.8
Total	413			
2017				
Medical office buildings	113	4.0 million square feet	84.0%	N/A
Senior housing—operating	109	6,436 units	86.7%	N/A
Net lease—senior housing	82	4,065 units	83.6%	11.3
Net lease—skilled nursing facilities	107	12,794 beds	83.4%	7.7
Net lease—hospitals	14	872 beds	63.4%	11.9
Total	425			

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

Revenue mix of our healthcare portfolio weighted by NOI for the twelve months ended March 31, 2018 (as our operators report on a quarter lag) is as follows:

Payor Sources	Revenue Mix % ⁽¹⁾
Private Pay	60%
Medicaid	30%
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.

Industrial

Our industrial segment is composed primarily of light industrial assets. Our strategy is to pursue accretive asset acquisitions, capturing the benefits of scale as one of the few institutional investors primarily focused on the fragmented light industrial sector.

Light industrial buildings are generally 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 are designed to meet the local and regional distribution needs of businesses of every size, from large international to local and regional firms, by providing smaller industrial distribution spaces located closer to a company's customer base.

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

At June 30, 2018, we owned 37.2% of our industrial platform based on 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 approximately \$245 million of additional capital closed in the first six months of 2018, bringing the total third party capital to approximately \$1.4 billion at June 30, 2018.

In May 2018, we increased the capacity on our line of credit from \$200 million to \$400 million. At June 30, 2018, our outstanding debt had a carrying value of \$1.06 billion that is fixed at a weighted average rate of 3.83%, with a weighted average remaining maturity of 11.1 years.

Results of operations of our Industrial segment were as follows:

(In thousands)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Total revenues	\$ 72,477	141,230
Net income attributable to Colony Capital, Inc.	810	2,088

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

(In thousands)	June 30, 2018
Real estate	
Held for investment	\$ 2,827,734
Held for sale	4,433
Debt	1,060,627

Net Operating Income

NOI generated by our industrial portfolio was as follows:

(\$ in thousands)	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2018	2017	\$	%	2018	2017	\$	%
NOI—Industrial	\$ 49,078	\$ 38,470	\$ 10,608	27.6%	\$ 93,712	\$ 76,668	\$ 17,044	22.2%

The increase in NOI between the three months ended June 30, 2018 and 2017 as well as the six months ended June 30, 2018 and 2017 was driven by strong tenant demand in the light industrial sector, resulting from a combination of growth in the size of our portfolio, higher tenant reimbursements as well as higher rental rates for both new leases and renewals. Average occupancy, however, decreased from 94.0% to 92.5%, in the three month periods and from 94.4% to 93.2% in the six month periods under comparison, driven in part by vacancy in newly acquired properties.

Industrial Portfolio

Our industrial portfolio is well-diversified with 47.5 million square feet and over 950 tenants across 20 major U.S. markets, with significant concentrations (by total square feet) in Dallas (16%) and Atlanta (14%).

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)
June 30, 2018	392	47,497	92.9%	3.8
December 31, 2017	369	43,325	95.1%	3.7

- At June 30, 2018, 76% of our tenants (based on leased square feet) were international and national companies, with the top ten tenants making up 8% of our portfolio based on annualized base rent.
- Total portfolio leased percentage declined from 95.1% at December 31, 2017 to 92.9% at June 30, 2018, driven in part by vacancy in new acquisitions. Notwithstanding, leasing activity and tenant demand continue to remain strong, with initial rental rates on new and renewal leases commencing in 2018 experiencing approximately 7% growth (on cash basis) compared to prior ending rents.
- At June 30, 2018, no more than 17% of existing leases by square footage were scheduled to expire in any single year over the next ten years.
- Acquisitions and dispositions in the six months ended June 30, 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⁾	25	4,398	80%	\$ 434,649	NA	NA
Dispositions	2	226	NA	NA	\$ 13,500	\$ —

⁽¹⁾ Purchase price includes capitalized transaction costs for asset acquisitions.

⁽²⁾ Includes acquisition of \$11.0 million of land for co-development with operating partners.

- As of June 30, 2018, we funded \$2.0 million with remaining unfunded purchase commitment of \$105.2 million for the acquisition of land and six buildings totaling approximately 786,000 square feet. Acquisition of five of the buildings closed in July 2018.
- At June 30, 2018, one building in Colorado with carrying value of \$4.4 million was held for sale. The building was sold in August 2018.

Hospitality

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

At June 30, 2018, we owned 94% of our Hospitality segment.

Results of operations of our Hospitality segment were as follows:

(In thousands)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Total revenues	\$ 229,373	425,155
Net income (loss) attributable to Colony Capital, Inc.	5,767	(4,283)

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

(In thousands)	June 30, 2018
Real estate	
Held for investment	\$ 3,842,354
Debt	2,568,635

In July 2018, we refinanced \$512.0 million of debt principal in our hotel portfolio at prevailing market rates and extended their upcoming maturity to July 2020 with five one-year extension options. Additionally, we are in the process of extending the maturities on remaining debt in the hotel portfolio that are maturing in 2018.

EBITDA

EBITDA generated by our hospitality portfolio was as follows:

(\$ in thousands)	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2018	2017	\$	%	2018	2017	\$	%
Select service	48,103	\$ 45,244	\$ 2,859	6.3%	\$ 80,468	\$ 76,442	\$ 4,026	5.3%
Extended stay	33,549	32,231	1,318	4.1%	56,467	55,741	726	1.3%
Full service	4,326	4,216	110	2.6%	8,235	6,716	1,519	22.6%
Total	85,978	\$ 81,691	\$ 4,287	5.2%	\$ 145,170	\$ 138,899	\$ 6,271	4.5%

EBITDA increased \$4.3 million or 5.2% from the three months ended June 30, 2018 compared to the same period in 2017 as total rooms sold increased 1.8% and average occupancy also increased 1.8% from 78.2% to 79.6% and revenue per available room ("RevPAR") was 3.2% higher.

EBITDA for the six months ended June 30, 2018 and 2017 are not directly comparable as the six months ended June 30, 2017 included only 80 days of activities post-Merger in the first quarter. After giving effect to the 10-day pre-Merger period in 2017, EBITDA increased \$2.3 million, which can be attributed to a 1.5% increase in average occupancy from 73.9% to 75.0% and a 2.3% increase in RevPAR.

The increase in EBITDA for both the three and six month periods under comparison resulted from a combination of higher corporate demand and benefits from room renovations, partially offset by higher salaries as well as food and beverage costs.

Hotel Portfolio

Our hotel portfolio is located across 26 states in the U.S, with concentrations (based on EBITDA) in California (21%), Texas (15%) and Florida (12%).

A majority of our portfolio is affiliated with top hotel brands. Composition of our hotel portfolio by brand at June 30, 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	June 30,		Three Months Ended June 30,			Six Months Ended June 30,		
	Number of Hotel Properties	Number of Rooms	Average Occupancy	ADR ⁽¹⁾	RevPAR ⁽²⁾	Average Occupancy	ADR ⁽¹⁾	RevPAR ⁽²⁾
2018								
Select service	97	13,193	77.7%	\$ 127	\$ 99	73.1%	\$ 125	\$ 91
Extended stay	66	7,936	82.9%	136	113	78.6%	133	104
Full service	4	962	77.3%	166	128	72.5%	173	126
Total	167	22,091	79.6%	132	105	75.0%	130	98
2017								
Select service	97	13,193	75.8%	\$ 125	\$ 95	71.7%	\$ 124	\$ 89
Extended stay	66	7,936	81.7%	134	110	77.6%	132	103
Full service	4	962	80.6%	157	126	74.0%	161	119
Total	167	22,091	78.2%	130	102	73.9%	129	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.

CLNC and Other Equity and Debt

CLNC

At June 30, 2018, we have a 36.6% interest (on a fully diluted basis) in Colony Credit with a carrying value of \$1.1 billion. Our share of net income in Colony Credit was \$5.4 million for the three months ended June 30, 2018 and \$1.8 million for the six months ended June 30, 2018 with a loss recorded in the first quarter of 2018, as significant transaction costs were incurred in connection with the closing of the Combination.

Other Equity and Debt

Our interests in other equity and debt assets are held as direct interests as well as indirect interests through unconsolidated ventures. Strategic investments include our approximately 11.0% interest in NRE as well as our co-investments alongside third party capital that we raised and manage for investment management economics in the form of real estate, loans receivable and investments in unconsolidated ventures. Non-strategic investments include net lease, multifamily and multi-tenant office properties, the THL Hotel Portfolio, our interest in a portfolio of CRE loans and securities, limited partnership interests in real estate private equity funds and various other equity investments. Over time, we intend to recycle capital from non-strategic investments in our other equity and debt investments and shift our balance sheet exposure to strategic investments and our core real estate segments.

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

(In thousands)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Total revenues	\$ 190,950	\$ 396,104
Net income attributable to Colony Capital, Inc.	31,333	80,442

Significant investments and corresponding debt in our other equity and debt portfolio at June 30, 2018 were as follows.

Type	Carrying Value (In thousands)
Real estate	
Held for investment	\$ 2,335,091
Held for sale	577,905
Investments in unconsolidated ventures	
NRE	75,044
Third party private funds acquired through the Merger, at fair value	142,744
Other ⁽¹⁾	890,936
Loans receivable	1,715,273
CRE debt securities, at fair value	107,772
Debt ⁽²⁾	2,293,958

⁽¹⁾ Significant investments include acquisition, development and construction loans (\$183.8 million) and preferred equity investments (\$364.6 million).

⁽²⁾ Includes \$133.4 million of debt financing real estate held for sale. Excludes \$195.6 million of debt that will be assumed by the buyer upon sale of the property holding entity and is separately classified as held for sale.

Significant activities in our other equity and debt segment in the six months ended June 30, 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. This included certain of our U.S. commercial real estate loans, net lease properties, limited partnership interests in third party private funds as well as acquisition, development and construction loans accounted for as equity method investments, which represent transferable assets consistent with Colony Credit's strategy. 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 June 30, 2018, we hold a 36.6% interest (on a fully diluted basis) in Colony Credit.
- In March 2018, we syndicated 30% of equity in our portfolio of distressed CRE loans in Ireland to a third party investor for \$67.0 million.
- In May 2018, we 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, together with \$469 million of third party capital raised and managed by us.
- In June 2018, we 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.
- 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 N-Star CDO, to third parties, resulting in a deconsolidated of these securitization trusts; while the underlying assets of the remaining consolidated N-Star CDO was liquidated. As of June 30, 2018, we no longer have any consolidated securitization trusts.
- We have contracted to sell the majority of our investments in third party private funds acquired through the Merger, which had a total carrying value of \$132.5 million as of June 30, 2018. The sale is expected to close in the third quarter of 2018.
- 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.

Results of operations of our Investment Management segment were as follows. Net loss recognized during the first half of 2018 was driven by a \$139.0 million write-off of the NorthStar I and NorthStar II management contract intangible assets upon closing of the Combination, as well as write-off of the NorthStar trade name of \$59.5 million in June 2018.

(In thousands)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Total revenues ⁽¹⁾	\$ 49,543	92,064
Net loss attributable to Colony Capital, Inc.	(47,070)	(127,590)

⁽¹⁾ Includes \$3.4 million and \$7.6 million of cost reimbursement income from retail companies, NRE and Colony Credit for the three and six months ended June 30, 2018, which are recorded gross as income and expense in the results of operations.

Balance sheet investments of \$232.5 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 of \$11.7 million, interests in our sponsored non-traded REITs of \$6.5 million, as well as interests in other asset managers.

Capital Raising and Assets Under Management

In the six months ended June 30, 2018, we raised \$3.8 billion of third party capital commitments (including our pro rata share from equity method investments in third party asset managers of \$0.2 billion), driven primarily by capital commitments of \$2.5 billion from our co-sponsored digital real estate infrastructure vehicle and approximately \$0.5 billion from our co-investment vehicle in a multinational European hospitality group, partially offset by continued asset sales.

Below is our total third party assets under management ("AUM") at June 30, 2018:

(In billions)	June 30, 2018	December 31, 2017
Third party AUM ⁽¹⁾	\$28.2	\$26.9

⁽¹⁾ Assets for which the Company and its affiliates provide investment management services, including assets for which the Company may or may not charge management fees and/or incentives. AUM is based on reported gross undepreciated carrying value of managed investments as reported by each underlying vehicle at June 30, 2018. AUM further includes a) uncalled capital commitments and b) the Company's pro rata share of assets of investee's real estate investment management platform as presented and calculated by the investee.

The Company's third party AUM at June 30, 2018 increased \$1.3 billion from December 31, 2017 as new capital was raised in 2018 primarily through our co-sponsored digital real estate infrastructure vehicle and our sponsored co-investment vehicle in a multinational European hospitality group, AccorInvest, the property arm of AccorHotels, partially offset by continued realization of investments by liquidating funds.

Below is a summary of our third party AUM at June 30, 2018:

Type	Products	Description	AUM (in billions)
Institutional funds	Credit funds, opportunistic funds, value-add funds, Colony industrial open end fund and other co-investment vehicles	Earns base and asset management fees from all managed funds; potential for carried interest on sponsored funds	\$ 10.0
Retail Companies	NorthStar Healthcare NorthStar/RXR NY Metro ⁽¹⁾ NorthStar Capital Income Fund	Earns base management fees and potential for carried interest	3.6
Public companies	NorthStar Realty Europe Corp. Colony Credit Real Estate, Inc. ⁽²⁾	NYSE-listed European equity REIT NYSE-listed credit REIT	2.1 3.1
Non-wholly owned real estate investment management platform	Joint venture investments in co-sponsored investment vehicles and third party asset managers	Earns share of earnings from investments in unconsolidated ventures Includes co-sponsored digital real estate infrastructure vehicle, investments in RXR Realty (27% interest in a real estate investor, developer and asset manager with AUM of \$18 billion) and AHI (43% interest in a healthcare asset manager and sponsor of non-traded vehicles with AUM of \$3 billion)	9.4
			\$ 28.2

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

⁽²⁾ Represents third party ownership share at June 30, 2018 of CLNC's pro rata share of total assets, excluding consolidated securitization trusts.

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. The management agreement 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 Infrastructure Vehicle—In partnership with Digital Bridge, we closed on a new co-sponsored digital real estate infrastructure vehicle on February 28, 2018. As of August 6, 2018, total callable commitments of the vehicle was \$3.3 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.

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

Retail Distribution Business—On April 30, 2018, the Company combined NorthStar Securities, the Company's 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 the current and future investment products sponsored by the Company and S2K as well as third party sponsored products.

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.

(In thousands)	Three Months Ended June 30,	
	2018	2017
Net income (loss) attributable to common stockholders	\$ (92,806)	\$ 38,555
Adjustments for FFO attributable to common interests in Operating Company and common stockholders:		
Net income (loss) attributable to noncontrolling common interests in Operating Company	(5,728)	2,330
Real estate depreciation and amortization	140,599	135,421
Impairment of real estate	9,522	12,816
Gain on sales of real estate	(42,750)	(15,112)
Less: Adjustments attributable to noncontrolling interests in investment entities ⁽¹⁾	(29,471)	(44,048)
FFO attributable to common interests in Operating Company and common stockholders	\$ (20,634)	\$ 129,962

⁽¹⁾ For the three months ended June 30, 2018, adjustments attributable to noncontrolling interests in investment entities include \$44.4 million of real estate depreciation and amortization, \$5.6 million of impairment of real estate, offset by \$20.5 million of gain on sales of real estate. For the three months ended June 30, 2017, adjustments attributable to noncontrolling interests in investment entities include \$39.8 million of real estate depreciation and amortization, \$9.8 million of impairment of real estate, offset by \$5.6 million of gain on sales of real estate.

NOI and EBITDA

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

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

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

NOI and EBITDA exclude historical cost depreciation and amortization, which are based on different useful life estimates depending on the age of the properties, as well as adjust for the effects of real estate impairment and gains or losses on sales of depreciated properties, which eliminate differences arising from investment and disposition decisions. This allows for comparability of operating performance of our properties period over period and also against the results of other equity REITs in the same sectors.

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

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

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

(In thousands)	Healthcare		Industrial		Hospitality	
	Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,	
	2018	2017	2018	2017	2018	2017
Net income (loss) from continuing operations	\$ (20,080)	\$ (11,394)	\$ 4,668	\$ 9,072	\$ 6,771	\$ 5,750
Adjustments:						
Straight-line rent revenue and amortization of above- and below-market lease intangibles	(1,580)	(8,385)	(2,554)	(1,150)	(6)	(13)
Interest income	—	—	(62)	—	—	—
Other income	—	—	—	—	(68)	—
Interest expense	45,179	47,844	10,856	7,934	36,494	35,884
Transaction, investment and servicing costs	3,110	1,566	60	26	3,546	3,049
Depreciation and amortization	38,229	49,577	32,482	25,804	35,925	33,508
Impairment loss	1,982	—	174	—	—	—
Compensation and administrative expense	2,196	2,003	3,416	2,733	1,598	2,385
Gain on sale of real estate	—	—	—	(8,695)	—	—
Other (gain) loss, net	4,465	(2,489)	—	—	162	219
Income tax (benefit) expense	355	(210)	38	2,746	1,556	909
NOI or EBITDA	\$ 73,856	\$ 78,512	\$ 49,078	\$ 38,470	\$ 85,978	\$ 81,691

(In thousands)	Healthcare		Industrial		Hospitality	
	Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017	2018	2017
Income (loss) from continuing operations	\$ (32,614)	(20,660)	\$ 10,989	9,591	\$ (5,115)	2,134
Adjustments:						
Straight-line rent revenue and amortization of above- and below-market lease intangibles	(5,899)	(15,384)	(4,851)	(2,813)	(13)	(27)
Interest income	—	—	(594)	—	—	—
Other income	—	—	—	—	(556)	—
Interest expense	96,120	88,936	21,046	20,360	70,855	63,133
Transaction, investment and servicing costs	5,420	3,689	134	26	5,088	4,786
Depreciation and amortization	79,356	90,458	62,427	50,443	71,382	63,549
Impairment loss	5,762	—	174	—	—	—
Compensation and administrative expense	4,129	4,523	6,639	5,608	3,615	4,082
Gain on sale of real estate	—	—	(2,293)	(8,695)	—	—
Other (gain) loss, net	1,539	(3,954)	—	—	(161)	295
Income tax expense	1,353	2,032	41	2,148	75	947
NOI or EBITDA	\$ 155,166	\$ 149,640	\$ 93,712	\$ 76,668	\$ 145,170	\$ 138,899

Liquidity and Capital Resources

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

Our current primary liquidity needs are to fund:

- acquisitions of our target assets and related ongoing commitments;
- our general partner commitments to our future investment vehicles and co-investment commitments to other investment vehicles;
- principal and interest payments on our borrowings, including interest obligation on our corporate level debt;
- our operations, including compensation, administrative and overhead costs;
- distributions to our stockholders;

- acquisitions of common stock under our common stock repurchase program; and
- income tax liabilities of taxable REIT subsidiaries and of the Company subject to limitations as a REIT.

Our current primary sources of liquidity are:

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

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

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

Liquidity Needs

Commitments

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

Dividends

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

Common Stock—Our board of directors declared the following dividends in 2018:

Declaration Date	Record Date	Payment Date	Dividend Per Share
February 26, 2018	March 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

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

Description	Dividend Rate Per Annum	Shares Outstanding June 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	
Series D (redemption pending)	8.5%	8,000	4,250	0.5312500
		65,464	\$ 31,388	

In May 2018, the Company issued a notice of redemption for all outstanding Series D preferred stock, with the redemption made 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 six months ended June 30, 2018, the Company repurchased 54,813,323 shares of its class A common stock, at an aggregate cost of approximately \$318.5 million (excluding commissions), or a weighted-average price of \$5.81 per share. As of August 6, 2018, \$281.5 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 investments in unconsolidated ventures. Such income is partially offset by interest expense associated with borrowings against our investments.

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

Investment-Level Financing

We have various forms of investment-level financing, as described in Note 12 to the consolidated financial statements. Additionally, as discussed in Note 12, we currently expect to exercise our option to extend the maturity of the \$100.5 million floating rate component of the \$1.85 billion non-recourse mortgage debt on our healthcare portfolio to December 2019, by funding any required prepayment; however, there can be no assurances that we will do so. To the extent we do not exercise the extension option or repay the floating rate component, the December 2019 maturity date of the remaining \$1.75 billion fixed rate component, would be accelerated. The Company is currently evaluating its options in connection with the December 2019 maturity of the fixed rate component.

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

Corporate Credit Facility

As described in Note 12 to the consolidated financial statements, the JPM Credit Agreement provides a secured revolving credit facility in the maximum principal amount of \$1.0 billion, which may be increased up to \$1.5 billion, subject to customary conditions. The 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 August 6, 2018, the borrowing base valuation was sufficient to permit borrowings of up to the full \$1.0 billion commitment, of which \$1.0 billion was available to be drawn.

The JPM Credit Agreement contains various affirmative and negative covenants, including financial covenants that require the Company to maintain minimum tangible net worth, liquidity levels and financial ratios, as defined in the JPM Credit Agreement. We were in compliance with the financial covenants as of June 30, 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 six months ended June 30, 2018.

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

Cash Flows

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

(In thousands)	Six Months Ended June 30,	
	2018	2017
Net cash provided by (used in):		
Operating activities	\$ 211,380	\$ 181,550
Investing activities	63,357	434,422
Financing activities	(782,477)	(213,024)

Operating Activities

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

Our operating activities generated cash of \$211.4 million and \$181.6 million in the six months ended June 30, 2018 and 2017, respectively. However, our operating activities during the six months ended June 30, 2018 and 2017 are not directly comparable as 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.

Net cash provided by investing activities was \$63.4 million and \$434.4 million for the six months ended June 30, 2018 and 2017, respectively.

In the six months ended June 30, 2018, our loan and securities portfolio generated \$225.6 million of net cash inflows, including \$142.3 million of proceeds from the sale of our equity interests in two securitization trusts, net of cash and restricted cash deconsolidated. Additionally, we received \$230.1 million of return of capital from our investments, with \$142.3 million from our initial investment in a digital real estate infrastructure joint venture as we raised third party capital through a co-sponsored investment vehicle. These increases were partially offset by a contribution of \$141.2 million of cash and restricted cash to Colony Credit as part of the Combination, additional contributions to our joint venture investments of \$189.2 million as well as net cash outflow of \$114.0 million for acquisitions of and additions to real estate, primarily in industrial, exceeding proceeds from sale of real estate.

The significantly higher net cash inflow from investing activities in the six months ended June 30, 2017 was driven by net proceeds of \$500.5 million from the sale of our shares in Starwood Waypoint Homes and proceeds from the sale of various non-core real estate investments totaling \$973.6 million, of which \$664.4 million was from the sale of our manufactured housing portfolio acquired in the Merger. This was partially offset by cash outflow of \$791.8 million for the

acquisition of and additions to real estate as well as \$202.2 million net cash outflows related to our loan and securities portfolio, including \$549.7 million for the acquisition of a distressed loan portfolio in Ireland.

Additionally, in the six months ended June 30, 2017, although the Merger was completed in an all-stock exchange, we assumed certain liabilities of NSAM and NRF which arose as a result of the Merger and were settled shortly after the Closing Date. These amounts included approximately \$226.1 million which was paid to former NSAM stockholders, representing a one-time special dividend, and approximately \$78.9 million in payroll taxes representing shares that were canceled and remitted to taxing authorities on behalf of employees whose equity-based compensation was accelerated and fully vested upon closing of the Merger. 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 the six months ended June 30, 2017.

Financing Activities

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

Net cash used in financing activities was \$782.5 million and \$213.0 million for the six months ended June 30, 2018 and 2017, respectively. The significantly higher net cash outflows in the six months ended June 30, 2018 was driven by repurchases of our common stock for \$319.0 million compared to \$168.0 million in the same period in 2017. In both the six months ended June 30, 2018 and 2017, debt repayments and payment of financing costs exceeded borrowings by \$324.9 million and \$317.2 million, respectively. Additionally, in the six months ended June 30, 2017, net cash outflow was partially offset by \$330 million of proceeds received from the sale of a minority interest in our healthcare platform.

Contractual Obligations, Commitments and Contingencies

There were no material changes outside the ordinary course of business to the information regarding specified contractual obligations contained in our Form 10-K for the year ended December 31, 2017, as filed with the SEC.

Guarantees and Off-Balance Sheet Arrangements

In connection with financing arrangements for certain unconsolidated ventures, we provided customary non-recourse carve-out guarantees. We believe that the likelihood of making any payments under the guarantees is remote and no liability has been recorded as of June 30, 2018.

In connection with the THL Hotel Portfolio, we entered into guarantee agreements with various hotel franchisors, pursuant to which we guaranteed the franchisees' obligations, including payments of franchise fees and marketing fees, for the term of the agreements, which expire between 2018 and 2037. In the event of default or termination of the franchise agreements, the Company is liable for liquidated damages not to exceed \$100 million.

We have off-balance sheet arrangements with respect to our retained interests in certain deconsolidated N-Star CDOs. In each case, our exposure to loss is limited to the carrying value of our investment.

Risk Management

Risk management is a significant component of our strategy to deliver consistent risk-adjusted returns to our stockholders. 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 senior management, will periodically review our policies with respect to risk assessment and risk management, including key risks to which we are subject, including credit risk, liquidity risk, financing risk, foreign currency risk and market risk, and the steps that management has taken to monitor and control such risks. The audit committee of our board of directors will maintain oversight of financial reporting risk matters.

Underwriting

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

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

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

Asset Management

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

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

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 in order to maximize returns and manage portfolio risk, we may dispose of an asset earlier than anticipated or hold an asset longer than anticipated if we determine it to be appropriate depending upon prevailing market conditions or factors regarding a particular asset. We can provide no assurances, however, that we will be successful in identifying or managing all of the risks associated with acquiring, holding or disposing of a particular asset or that we will not realize losses on certain assets.

Interest Rate and Foreign Currency Hedging

Subject to maintaining our qualification as a REIT for U.S. federal income tax purposes and our exemption from registration under the 1940 Act, we may mitigate the risk of interest rate volatility through the use of hedging instruments, such as interest rate swap agreements and interest rate cap agreements. The goal of our interest rate management strategy is to minimize or eliminate the effects of interest rate changes on the value of our assets, to improve risk-adjusted returns and, where possible, to lock in, on a long-term basis, a favorable spread between the yield on our assets and the cost of financing such assets.

In addition, because we are exposed to foreign currency exchange rate fluctuations, we employ foreign currency risk management strategies, including the use of, among others, currency hedges, and matched currency financing.

We can provide no assurances, however, that our efforts to manage interest rate and foreign currency exchange rate volatility will successfully mitigate the risks of such volatility on our portfolio.

Financing Strategy

Our financing strategy is to employ investment-specific financing principally on a non-recourse basis with matching terms and currencies, as available and applicable, through first mortgages, senior loan participations or securitizations. In addition to investment-specific financings, we may use and have used credit facilities on a shorter term basis and repurchase facilities and public and private, secured and unsecured debt issuances on a longer term basis. The amount of leverage we use is based on our assessment of a variety of factors, including, among others, the anticipated liquidity and price volatility of the assets in our investment portfolio, the potential for losses and extension risk in our portfolio, the ability to raise additional equity to reduce leverage and create liquidity for future investments, the availability of credit at favorable prices or at all, the credit quality of our assets, our outlook for borrowing costs relative to the income earned on our assets and financial covenants within our credit facilities. Our decision to use leverage to finance our assets is at our discretion and not subject to the approval of our stockholders.

We currently expect to target an overall leverage rate of approximately 50% or less. To the extent that we use leverage in the future, we may mitigate interest rate risk through utilization of hedging instruments, primarily interest rate swap and cap agreements, to serve as a hedge against future interest rate increases on our borrowings.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP, which requires the use of estimates and assumptions that involve the exercise of judgment and that affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Other than the adoption of new accounting pronouncements for revenue recognition and financial instruments, which are included in Note 2 to our consolidated financial statements, there have been no changes to our critical accounting policies or those of our unconsolidated joint ventures since the filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Recent Accounting Updates

Recent accounting updates are included in Note 2 to our consolidated financial statements in Item 1 of this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk includes the exposure to loss resulting from changes in interest rates, credit curve spreads, foreign currency exchange rates, commodity prices, equity prices and credit risk in our underlying investments. Our primary market risks are credit risk, interest rate risk, credit curve spread risk, foreign currency risk and inflation, either directly or indirectly through our investments in unconsolidated ventures.

Credit Risk

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

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

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

Interest Rate and Credit Curve Spread Risk

Interest rate risk relates to the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international

economic and political considerations and other factors beyond our control. Credit curve spread risk is highly sensitive to the dynamics of the markets for loans and securities we hold. Excessive supply of these assets combined with reduced demand will cause the market to require a higher yield. This demand for higher yield will cause the market to use a higher spread over the U.S. Treasury securities yield curve, or other benchmark interest rates, to value these assets.

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

In connection with the Merger, we assumed a \$2 billion notional forward starting interest rate swap intended to hedge against future refinancing costs of certain mortgage debt assumed in the Merger. The interest rate swap is currently out of the money and may be subject to future margin calls. If an early termination event were to occur with respect to the swap, we would be required to pay the termination value to our counterparty. As of August 6, 2018, the termination value was

approximately \$66.9 million. This interest rate swap does not qualify for hedge accounting, therefore, unrealized gains (losses) resulting from fair value changes at the end of each reporting period are recognized in earnings. As of August 6, 2018, a hypothetical 100 basis point increase or decrease in the 10-year treasury forward curve applied to our interest rate swap would result in an unrealized gain of approximately \$161.1 million or unrealized loss of \$182.7 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 June 30, 2018, we had approximately €507.3 million, £242.0 million and NOK 761.7 million or a total of \$1,005.7 million, in net investments in our European subsidiaries and a £56.0 million or \$74.0 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 \$0.7 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 June 30, 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 June 30, 2018, we do not expect any counterparty to default on its obligations.

Inflation

Many of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors influence our performance more so than inflation, although inflation rates can often have a meaningful influence over the direction of interest rates. Furthermore, our financial statements are prepared in accordance with GAAP and our distributions as determined by our board of directors will be primarily based on our taxable income, and, in each case, our activities and balance sheet are measured with reference to historical cost and/or fair value without considering inflation.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) that are designed to ensure that information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

As required by Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at June 30, 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 June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company may be involved in litigations and claims in the ordinary course of business. As of June 30, 2018, the Company was not involved in any material legal proceedings.

Item 1A. Risk Factors.

There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

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

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

Redemption of OP Units—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 April 2018 and May 2018, in satisfaction of redemption requests by certain OP unit holders, we issued an aggregate of 1,486,529 shares of our class A common stock, of which:

- 472,686 shares of our class A common stock were issued to certain of our employees and to an entity controlled by certain of our employees;
- 629,449 shares of our class A common stock were issued to entities controlled by Thomas J. Barrack, Jr., the Company's Executive Chairman; and
- 384,394 shares of our class A common stock were issued to an educational institution and a non-profit organization.

In connection with the redemption of OP units by Mr. Barrack in April 2018, we issued 28,072 shares of our class A common stock to Mr. Barrack upon conversion of an equal number of shares of our class B common stock held by Mr. Barrack.

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 June 30, 2018:

Period	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Approximate Dollar Value that May Yet Be Purchased Under the Program
April 1, 2018 through April 30, 2018	5,910,690	\$ 5.65	5,910,690	\$ 20,602,685
May 1, 2018 through May 31, 2018	6,596,339	5.92	6,596,339	281,519,402
June 1, 2018 through June 30, 2018	—	N/A	N/A	281,519,402
Total	12,507,029	\$ 5.79	12,507,029	\$ 281,519,402

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
3.1*	Articles of Amendment and Restatement of Colony Capital, Inc. (fka Colony NorthStar, Inc.), as amended
3.2	Articles Supplementary designating Colony Capital, Inc.'s (fka Colony NorthStar, Inc.) 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).
3.3	Articles Supplementary designating Colony Capital, Inc.'s (fka Colony NorthStar, Inc.) 7.125% Series J Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, par value \$0.01 per share (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form 8-A filed on September 22, 2017).
3.4	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).
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).
31.1*	Certification of Richard B. Saltzman, President and Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Darren J. Tangen, Chief Financial Officer and Treasurer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Richard B. Saltzman, President and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Darren J. Tangen, Chief Financial Officer and Treasurer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101**	Financial statements from the Quarterly Report on Form 10-Q of Colony Capital, Inc. for the quarter ended June 30, 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.

* Filed herewith

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

SIGNATURES

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

Dated: August 9, 2018

COLONY CAPITAL, INC.

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

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

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

COLONY NORTHSTAR, INC.

ARTICLES OF AMENDMENT

THIS IS TO CERTIFY THAT:

FIRST: The charter of Colony NorthStar, Inc., a Maryland corporation (the “Corporation”), is hereby amended by deleting existing Article II in its entirety and substituting in lieu thereof a new article to read as follows:

ARTICLE II

NAME

The name of the corporation (the “Corporation”) is:

Colony Capital, Inc.

SECOND: The amendment to the charter of the Corporation as set forth above has been duly approved by at least a majority of the entire Board of Directors of the Corporation as required by law. The amendment set forth herein is made without action by the stockholders of the Corporation, pursuant to Section 2-605(a)(1) of the Maryland General Corporation Law.

THIRD: These Articles of Amendment shall become effective as of 12:01 a.m. Eastern time on June 25, 2018.

FOURTH: The undersigned acknowledges these Articles of Amendment to be the corporate act of the Corporation and as to all matters or facts required to be verified under oath, the undersigned acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

(signature page follows)

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment to be signed in its name and on its behalf by its Chief Executive Officer and President and attested to by its Secretary on this 22nd day of June, 2018.

ATTEST:

COLONY NORTHSTAR, INC.

/s/ Ronald M. Sanders

Name: Ronald M. Sanders

Title: Secretary

By: /s/ Richard B. Saltzman

Name: Richard B. Saltzman

Title: Chief Executive Officer & President

[Signature Page to Articles of Amendment]

COLONY NORTHSTAR, INC.

ARTICLES OF AMENDMENT AND RESTATEMENT

FIRST: Colony NorthStar, Inc., a Maryland corporation (the “Corporation”), desires to amend and restate its charter as currently in effect and as hereinafter amended.

SECOND: The following provisions and Exhibits A, B, C, D, E, F, G and H (the “Exhibits”) are all the provisions of the charter currently in effect and as hereinafter amended:

ARTICLE I

INCORPORATOR

The undersigned, Ronald J. Lieberman, whose address is 399 Park Avenue, 19th Floor, New York, NY 10022, being at least 18 years of age, formed a corporation under the general laws of the State of Maryland on May 31, 2016.

ARTICLE II

NAME

The name of the corporation (the “Corporation”) is:

Colony NorthStar, Inc.

ARTICLE III

PURPOSE

The purposes for which the Corporation is formed are to engage in any lawful act or activity (including, without limitation or obligation, engaging in business as a real estate investment trust under the Internal Revenue Code of 1986, as amended, or any successor statute (the “Code”)) for which corporations may be organized under the general laws of the State of Maryland as now or hereafter in force. For purposes of these Articles, “REIT” means a real estate investment trust under Sections 856 through 860 of the Code.

ARTICLE IV

PRINCIPAL OFFICE IN STATE AND RESIDENT AGENT

The address of the principal office of the Corporation in the State of Maryland is c/o CSC-Lawyers Incorporating Service Company, 7 St. Paul Street, Suite 820, Baltimore, MD 21202. The name of the resident agent of the Corporation in the State of Maryland is CSC-Lawyers Incorporating Service Company, whose post address is 7 St. Paul Street, Suite 820, Baltimore, MD 21202. The resident agent is a Maryland corporation.

ARTICLE V

**PROVISIONS FOR DEFINING, LIMITING
AND REGULATING CERTAIN POWERS OF THE
CORPORATION AND OF THE STOCKHOLDERS AND DIRECTORS**

Section 5.1 Number of Directors. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. The number of directors of the Corporation initially shall be ten, which number may be increased or decreased only by the Board of Directors pursuant to the Bylaws of the Corporation (the "Bylaws"), but shall never be less than the minimum number required by the Maryland General Corporation Law (the "MGCL"). The names of the directors who shall serve until the first annual meeting of stockholders and until their successors are duly elected and qualify are:

David T. Hamamoto
Jon A. Fosheim
Douglas Crocker II
Thomas J. Barrack, Jr.
Nancy A Curtin
George G. C. Parker
John A. Somers
John L. Steffens
Charles W. Schoenherr
Justin Metz

Any vacancy on the Board of Directors may be filled in the manner provided in the Bylaws. The Corporation may not elect to be subject to any provision contained in Subtitle 8 of Title 3 of the MGCL.

Section 5.2 Extraordinary Actions. Except as specifically provided in Article VIII, notwithstanding any provision of law permitting or requiring any action to be taken or approved by the affirmative vote of stockholders entitled to cast a greater number of votes, any such action shall be effective and valid if declared advisable by the Board of Directors and taken or approved by the affirmative vote of stockholders entitled to cast a majority of all the votes entitled to be cast on the matter.

Section 5.3 Authorization by Board of Stock Issuance. The Board of Directors may authorize the issuance from time to time of shares of stock of the Corporation of any class or series, whether now or hereafter authorized, or securities or rights convertible into shares of its stock of any class or series, whether now or hereafter authorized, for such consideration as the Board of Directors may deem advisable (or without consideration in the case of a stock split or stock dividend), subject to such restrictions or limitations, if any, as may be set forth in the charter of the Corporation (the "Charter") or the Bylaws.

Section 5.4 Preemptive Rights. Except as may be provided by the Board of Directors in setting the terms of classified or reclassified shares of stock pursuant to Section 6.6 or as may otherwise be provided by a contract approved by the Board of Directors, no holder of shares of stock of the Corporation shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of stock of the Corporation or any other security of the Corporation which it may issue or sell.

Section 5.5 Indemnification. (a) The Corporation shall, to the maximum extent permitted by Maryland law in effect from time to time, indemnify, and pay or reimburse reasonable expenses in advance of final disposition of a proceeding to, (i) any individual who is a present or former director or officer of the Corporation or (ii) any individual who, while a director or officer of the Corporation and at the request of the Corporation, serves or has served as a director, officer, trustee, member, manager, employee, partner or agent of another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or any other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her service in such capacity. The Corporation shall provide such indemnification and advancement of expenses

to a person who served a predecessor of the Corporation in any of the capacities described in (i) or (ii) above and shall have the power, with the approval of the Board of Directors, to provide the same (or lesser) indemnification and advancement of expenses to any employee or agent of the Corporation or a predecessor of the Corporation. Any amendment of this Section 5.5(a) shall be prospective only and shall not affect the applicability of this section with respect to any act or failure to act that occurred prior to such amendment.

(b) The Corporation may, to the fullest extent permitted by law, purchase and maintain insurance on behalf of any person described in the preceding paragraph against any liability which may be asserted against such person.

(c) The indemnification provided herein shall not be deemed to limit the right of the Corporation to indemnify any other person for any such expenses to the fullest extent permitted by law, nor shall it be deemed exclusive of any other rights to which any person seeking indemnification from the Corporation may be entitled under any agreement, vote of stockholders or disinterested directors, or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

Section 5.6 Determinations by Board. The determination as to any of the following matters, made by or pursuant to the direction of the Board of Directors, shall be final and conclusive and shall be binding upon the Corporation and every holder of shares of its stock: the amount of the net income of the Corporation for any period and the amount of assets at any time legally available for the payment of dividends, acquisition of its stock or the payment of other distributions on its stock; the amount of paid-in surplus, net assets, other surplus, cash flow, funds from operations, adjusted funds from operations, net profit, net assets in excess of capital, undivided profits or excess of profits over losses on sales of assets; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been set aside, paid or discharged); any interpretation or resolution of any ambiguity with respect to any provision of the Charter (including any of the terms, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of any shares of any class or series of stock of the Corporation) or of the Bylaws; the number of shares of stock of any class or series of the Corporation; the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Corporation or of any shares of stock of the Corporation; any matter relating to the acquisition, holding and disposition of any assets by the Corporation; any interpretation of the terms and conditions of one or more agreements with any person, corporation, association, company, trust, partnership (limited or general) or other entity; the compensation of directors, officers, employees or agents of the Corporation; or any other matter relating to the business and affairs of the Corporation or required or permitted by applicable law, the Charter or Bylaws or otherwise to be determined by the Board of Directors.

Section 5.7 REIT Qualification. If the Corporation elects to qualify for federal income tax treatment as a REIT, the Board of Directors shall use its reasonable best efforts to take such actions as are necessary or appropriate to preserve the status of the Corporation as a REIT; however, if the Board of Directors determines that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT, the Board of Directors may revoke or otherwise terminate the Corporation's REIT election pursuant to Section 856(g) of the Code. The Board of Directors, in its sole and absolute discretion, also may (a) determine that compliance with any restriction or limitation on stock ownership and transfers set forth in Article VII is no longer required for REIT qualification and (b) make any other determination or take any other action pursuant to Article VII.

Section 5.8 Removal of Directors. Subject to the rights of holders of one or more classes or series of Preferred Stock to elect or remove one or more directors, any director, or the entire Board of Directors, may be removed from office at any time by the affirmative vote of a majority of the votes entitled to be cast generally in the election of directors.

Section 5.9 Corporate Opportunities. The Corporation shall have the power, by resolution of the Board of Directors, to renounce any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, business opportunities or classes or categories of business opportunities that are presented to the Corporation or developed by or presented to one or more directors or officers of the Corporation.

Section 5.10 Appraisal Rights. Holders of shares of Common Stock (as defined herein) shall be entitled to exercise the rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the MGCL or any successor statute. In addition to such statutory rights of an objecting stockholder and notwithstanding the limitations on exercising the rights of an objecting stockholder under Section 3-202(c)(1) of the MGCL, a holder of Class A Common Stock or Class B Common Stock shall have the additional right, pursuant to this Section 5.10, to demand and receive payment of the fair value of such stockholder's shares of Common Stock in any merger, consolidation or statutory share exchange if the holder of such shares of Common Stock is required by the terms of an agreement or plan of merger, consolidation, or statutory share exchange to accept for such shares of Common Stock anything except (a) shares of stock of the corporation surviving or resulting from such merger, consolidation or statutory share exchange, or depository receipts in respect thereof, (b) shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger, consolidation or statutory share exchange will be either listed on a national securities exchange or held of record by more than 2,000 holders, (c) cash in lieu of fractional shares or fractional depository receipts described in the foregoing subsections (a) and (b) of this Section 5.10, or (d) any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subsections (a), (b) and (c) of this Section 5.10. This Section 5.10 shall not alter the effect of Section 3-202(c)(3) of the MGCL. Holders of shares of Common Stock exercising the rights of an objecting stockholder provided in this Section 5.10 shall comply with the requirements to properly exercise such rights set forth in Title 3, Subtitle 2 of the MGCL to the same extent as if the holders were exercising the rights of an objecting stockholder provided for in Title 3, Subtitle 2 of the MGCL or any successor statute including, without limitation, voting against the transaction and providing the Corporation with all required notices.

ARTICLE VI

STOCK

Section 6.1 Authorized Shares. The Corporation has authority to issue 1,250,000,000 shares of stock, consisting of 949,000,000 shares of Class A Common Stock, \$0.01 par value per share ("Class A Common Stock"), 1,000,000 shares of Class B Common Stock, \$0.01 par value per share ("Class B Common Stock"), 50,000,000 shares of Performance Common Stock, \$0.01 par value per share ("Performance Common Stock" and together with the Class A Common Stock and Class B Common Stock, the "Common Stock"), and 250,000,000 shares of Preferred Stock, \$0.01 par value per share ("Preferred Stock"), including those shares of Preferred Stock described in the Exhibits attached hereto. The aggregate par value of all authorized shares of stock having par value is \$12,500,000. If shares of one class of stock are classified or reclassified into shares of another class of stock pursuant to Section 6.2, 6.3, 6.4, 6.5 or 6.6 of this Article VI, the number of authorized shares of the former class shall be automatically decreased and the number of shares of the latter class shall be automatically increased, in each case by the number of shares so classified or reclassified, so that the aggregate number of shares of stock of all classes that the Corporation has authority to issue shall not be more than the total number of shares of stock set forth in the first sentence of this paragraph.

Section 6.2 Class A Common Stock. Subject to the provisions of Article VII and except as may otherwise be specified in the Charter, each share of Class A Common Stock shall entitle the holder thereof to one vote. The Board of Directors may reclassify any unissued shares of Class A Common Stock from time to time in one or more classes or series of Common Stock or Preferred Stock.

Section 6.2.1 Dividends and other Distributions. The Board of Directors may from time to time authorize and the Corporation shall declare to the holders of Class A Common Stock such dividends or other distributions in cash or other assets of the Corporation or in securities of the Corporation or from any other source as the Board of Directors in its discretion shall determine, but only out of funds legally available therefor. The Board of Directors shall endeavor to authorize, and the Corporation shall declare and pay, such dividends and other distributions as shall be necessary for the Corporation to qualify as a REIT under the Code (unless the Board of Directors has determined that it is no longer in the best interests of the Corporation to continue to be qualified as a REIT); however, stockholders shall have no right to any dividend or other distribution unless and until authorized by the Board of Directors and declared by the

Corporation. The exercise of the powers and rights of the Board of Directors pursuant to this Section 6.2.1 shall be subject to the preferences of any class or series of stock at the time outstanding.

Section 6.2.2 Liquidation Rights. In the event of any voluntary or involuntary liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation, the holders of Class A Common Stock shall be entitled to participate, together with the holders of shares of any other class or series of stock now existing or hereafter classified or reclassified not having a preference over Class A Common Stock as to distributions in the liquidation, dissolution or winding up of the Corporation, in the distribution of any assets of the Corporation remaining after the Corporation shall have paid, or provided for payment of, all debts and liabilities of the Corporation and after the Corporation shall have paid, or set aside for payment, to the holders of any class or series of stock having preferences over the Class A Common Stock as to distributions in the event of dissolution, liquidation or winding up of the Corporation.

Section 6.2.3 Equal Status. Except as expressly provided in this Article VI, Class A Common Stock, Class B Common Stock and Performance Common Stock shall have the same rights and privileges and rank equally, share ratably and be identical in all respects as to all matters.

Section 6.3 Class B Common Stock. Subject to the provisions of Article VII, the rights, preferences, privileges and restrictions granted and imposed upon the Class B Common Stock are as follows:

Section 6.3.1 Definitions. For the purpose of only this Section 6.3, the following terms shall have the following meanings:

Affiliate. The term “Affiliate” means, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, or (ii) any officer, director, general partner or trustee of such Person or any Person referred to in the foregoing clause (i).

Beneficial Owner. The term “Beneficial Owner” has the meaning set forth in Rule 13d-3 and Rule 13d-5 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Beneficial Ownership. The term “Beneficial Ownership” shall mean, with respect to any security, the direct or indirect ownership of such security by any Beneficial Owner of such security, except that, in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time.

Business Day. The term “Business Day” has the meaning set forth in Article VII below.

Control. The term “Control” means, when used with respect to any Person, the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

Exchange Act. The term “Exchange Act” has the meaning set forth in the definition of “Beneficial Owner.”

Executive. The term “Executive” means each Person who is a member of, or an interest holder of, CCH Management Partners I, LLC or CCH Management Partners II, LLC, Colony Capital, LLC or Colony Capital Holdings, LLC, other than Thomas J. Barrack, Jr., in each case for so long as he or she remains employed by the Corporation or any of its Affiliates.

Family Member. The term “Family Member” means, as to any Person that is an individual, (i) such Person’s spouse, ancestors (whether by blood or by adoption or step-ancestors by marriage), descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law and descendants (whether by blood or by adoption or step-descendants by marriage) of a brother or sister and (ii) any *inter vivos* or testamentary trusts (whether revocable or irrevocable) of which only such Person, his or her spouse, ancestors (whether by blood or by adoption or step-ancestors by marriage), descendants

(whether by blood or by adoption or step-descendants by marriage), brothers and sisters, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law and descendants (whether by blood or by adoption or step-descendants by marriage) of a brother or sister are the sole initial income beneficiaries.

Initial Holder. The term “Initial Holder” shall mean Thomas J. Barrack, Jr.

OP Unit. The term “OP Unit” shall mean “Membership Common Unit” as set forth in the Partnership Agreement.

Operating Partnership. The term “Operating Partnership” shall mean Colony Capital Operating Company, LLC.

Partnership Agreement. The term “Partnership Agreement” shall mean the Third Amended and Restated Limited Liability Company Agreement of Colony Capital Operating Company, LLC.

Person. The term “Person” shall mean an individual or a corporation, partnership (general or limited), trust, estate, custodian, nominee, unincorporated organization, association, limited liability company or any other individual or entity in its own or any representative capacity.

Qualified Transferee. The term “Qualified Transferee” shall mean (a) Colony Capital, LLC and Colony Capital Holdings, LLC, (b) any Executive, (c) any Family Member or Affiliate of an Executive or of the Initial Holder, or (d) any Person (to the extent not included in clause (c)) Controlled by any combination of one or more Executives, the Initial Holder and/or one or more Family Members of an Executive or the Initial Holder. None of the Corporation, the Operating Partnership, or the Trustee shall be a Qualified Transferee.

Transfer. The term “Transfer” (and the correlative terms “Transferring” and “Transferred”) has the meaning set forth in Article VII below; provided that for purposes of this Article VI, “Transfer” (and the correlative terms “Transferring” and “Transferred”) shall not include any hypothecation, pledge or security interest that does not include a transfer or sharing of any voting rights of such securities unless and until the secured party gains possession or control of any such voting rights.

Trustee. The term “Trustee” has the meaning set forth in Article VII below.

Section 6.3.2 Voting Rights. Subject to the provisions of Article VII and except as may otherwise be specified in the Charter, each share of Class B Common Stock shall entitle the holder thereof to thirty-six and one-half (36.5) votes on each matter on which holders of Class A Common Stock are entitled to vote. The Class B Common Stock and Class A Common Stock shall vote together as a single class. The Board of Directors may reclassify any unissued shares of Class B Common Stock from time to time in one or more classes or series of Common Stock or Preferred Stock.

Section 6.3.3 Dividends and other Distributions; Subdivisions or Combinations. Subject to the preferences applicable to any class or series of Preferred Stock, if any, outstanding at any time, if and when the Board of Directors authorizes or declares a dividend or other distribution of cash, property or shares of stock of the Corporation with respect to each share of Class A Common Stock out of assets or funds of the Corporation legally available therefor, such authorization or declaration also shall constitute a simultaneous authorization or declaration of an equivalent dividend or other distribution with respect to each share of Class B Common Stock. If the Corporation in any manner subdivides or combines the outstanding shares of Class A Common Stock, the outstanding shares of Class B Common Stock will be subdivided or combined in the same manner.

Section 6.3.4 Liquidation Rights. In the event of any voluntary or involuntary liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation, each holder of Class B Common Stock shall be entitled to participate, together with the holders of shares of any other class or series of stock now existing or hereafter classified or reclassified not having a preference over Class B Common Stock as to distributions in the liquidation, dissolution or winding up of the Corporation, in the distribution of any assets of the Corporation remaining after the Corporation shall have paid, or provided for payment of, all debts and liabilities of the Corporation and after the Corporation shall have paid, or set aside for payment, to the holders of any class or series of stock having preference over the Class B Common Stock as to distributions in the event of dissolution, liquidation or winding up of the Corporation.

Section 6.3.5 Equal Status. Except as expressly provided in this Article VI, Class A Common Stock, Class B Common Stock and Performance Common Stock shall have the same rights and privileges and rank equally, share ratably and be identical in all respects as to all matters.

Section 6.3.6 Conversion. The Class B Common Stock is not convertible into or exchangeable for any other property or securities of the Corporation, except as provided in this Section 6.3.6.

(a) Automatic Conversion. Shares of Class B Common Stock shall convert automatically into fully paid and nonassessable shares of Class A Common Stock at a ratio of one share of Class A Common Stock for each share of Class B Common Stock in the following circumstances:

(i) In the event that the Initial Holder or any of his Family Members Transfers or causes to be Transferred, directly or indirectly, Beneficial Ownership of Class B Common Stock, other than to the Initial Holder or any of his Family Members, each share of Class B Common Stock being Transferred shall convert automatically into one share of Class A Common Stock immediately prior to such Transfer; and

(ii) In the event that:

(b) the Initial Holder Transfers or causes to be Transferred, directly or indirectly, Beneficial Ownership of OP Units held, directly or indirectly, by the Initial Holder, other than to a Qualified Transferee,

(c) a Qualified Transferee Transfers or causes to be Transferred, directly or indirectly, Beneficial Ownership of OP Units held, directly or indirectly, by such Qualified Transferee, other than to the Initial Holder or to another Qualified Transferee; or

(d) a Qualified Transferee that is a Beneficial Owner of OP Units ceases at any time to continue to be a "Qualified Transferee" (as defined above), including, without limitation, as a result of the failure of any Executive to be employed by the Corporation or any of its Affiliates or as a result of divorce or annulment; then, in each case, one share of Class B Common Stock Beneficially Owned by the Initial Holder (or the Initial Holder's Family Members, to the extent the Initial Holder does not then Beneficially Own sufficient shares), upon such Transfer (in the case of clause (x) or (y) above) or cessation (in the case of clause (z) above), shall automatically convert into one share of Class A Common Stock for every thirty-five and one-half OP Units (x) so Transferred or caused to be so Transferred by the Initial Holder or such Qualified Transferee, or (y) then held by the Person who ceased to continue to be a "Qualified Transferee" (as defined above) (in each case rounding up to the nearest thirty-five and one-half OP Units).

Any shares of Class B Common Stock automatically converted pursuant to this paragraph (a) shall be converted as and at the times specified in this paragraph (a) without any further action by the holders thereof and whether or not the certificates representing such shares (if any) are surrendered to the Corporation. Upon the automatic conversion of shares of Class B Common Stock pursuant to this paragraph (a), the Beneficial Owner thereof shall identify for the Corporation the holder of record of the shares so converted.

(b) Conversion at the Option of the Holder. Pursuant to and in accordance with this paragraph (b), each holder of Class B Common Stock shall have the right, at such holder's option at any time and from time to time, to convert all or a portion of such holder's shares of Class B Common Stock into an equal number of fully paid and nonassessable shares of Class A Common Stock by delivering the certificates (if any)

representing the shares of Class B Common Stock to be converted, duly endorsed for transfer, together with a written conversion notice to the transfer agent for the Class B Common Stock (or if there is no transfer agent, to the Corporation). Such conversion notice shall state: (i) the number of shares of Class B Common Stock to be converted; and (ii) the date on which such conversion shall occur (which date shall be a Business Day no less than five Business Days and not exceeding twenty Business Days from the date of such conversion notice) (the "Optional Conversion Date"). Notwithstanding the foregoing, if the shares of Class B Common Stock are held in global form, such notice shall comply with applicable procedures of the Depository Trust Company ("DTC"). In connection with the exercise of any optional conversion right, the Corporation shall comply with all U.S. federal and state securities laws and stock exchange rules in connection with any conversion of shares of Class B Common Stock into shares of Class A Common Stock. Holders of shares of Class B Common Stock may withdraw any conversion notice by a written notice of withdrawal delivered to the Corporation's transfer agent prior to the close of business on the Business Day prior to the Optional Conversion Date. The notice of withdrawal must state: (x) the number of withdrawn shares of Class B Common Stock; (y) if certificated shares of Class B Common Stock have been issued, the certificate numbers of the withdrawn shares of Class B

Common Stock; and (z) the number of shares of Class B Common Stock, if any, which remain subject to the conversion notice. Notwithstanding the foregoing, if the shares of Class B Common Stock are held in global form, the notice of withdrawal shall comply with applicable DTC procedures. Each conversion pursuant to this paragraph (b) for which the conversion notice has been given and not properly withdrawn shall be deemed to have been effected immediately prior to the close of business on the Optional Conversion Date.

Section 6.4 Performance Common Stock.

Section 6.4.1 Voting Rights. Except as may otherwise be specified in the Charter, the holders of shares of Performance Common Stock shall have no voting rights. Notwithstanding the foregoing but subject to Article VII, the consent of the holders of a majority of the shares of Performance Common Stock, voting as a separate class, shall be required for any amendment to the Charter that would increase or decrease the aggregate number of shares of Performance Common Stock, increase or decrease the par value of the shares of Performance Common Stock, or alter or change the powers, preferences, or special rights of the Performance Common Stock so as to affect them adversely. The holders of Performance Common Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote. On any matter on which the holders of Performance Common Stock (in their capacity as such) shall have the right to vote, each holder of record of shares of Performance Common Stock on the relevant record date shall be entitled to cast one vote in person or by proxy for each share of Performance Common Stock standing in such holder's name on the stock transfer records of the Corporation. The Board of Directors may reclassify any unissued shares of Performance Common Stock from time to time in one or more classes or series of Common Stock or Preferred Stock.

Section 6.4.2 Dividends and Other Distributions. The Board of Directors may cause dividends to be paid to the holders of shares of Performance Common Stock out of funds legally available for the payment of dividends by declaring an amount per share as a dividend. When and as dividends are declared on the Class A Common Stock, whether payable in cash, in property or in shares of stock or other securities of the Corporation, the holders of shares of Performance Common Stock shall be entitled to share, ratably according to the number of shares of Performance Common Stock held by them, in such dividends; provided, that dividends shall not be declared on Performance Common Stock unless dividends are declared concurrently on shares of Class A Common Stock, and any per share dividend declared on Performance Common Stock shall in no case exceed the per share dividend declared on shares of Class A Common Stock at the time such dividends on the Performance Common Stock are declared. If the Corporation in any manner subdivides or combines the outstanding shares of Class A Common Stock, the outstanding shares of Performance Common Stock will be subdivided or combined in the same manner.

Section 6.4.3 Conversion. Each share of Performance Common Stock shall be convertible into one fully paid and nonassessable share of Class A Common Stock upon the terms and conditions relating to the conversion of Performance Common Stock as set forth by the Board of Directors or the Board of Directors of any predecessor (by merger or otherwise) of the Corporation. The Corporation will at all times reserve and keep available, solely for the

purpose of issue upon conversion of the outstanding shares of Performance Common Stock, such number of shares of Class A Common Stock as shall be issuable upon the conversion of all such outstanding shares of Performance Common Stock. The Corporation covenants that if any shares of Class A Common Stock, required to be reserved for purposes of conversion hereunder, require registration with or approval of any governmental authority under any federal or state law before such shares of Class A Common Stock may be issued upon conversion, the Corporation will use its best efforts to cause such shares to be duly registered or approved, as the case may be. The Corporation will endeavor to list the shares of Class A Common Stock required to be delivered upon conversion prior to such delivery upon each national securities exchange, if any, upon which the outstanding Class A Common Stock is listed at the time of such delivery. The Corporation covenants that all shares of Class A Common Stock which shall be issued upon conversion of the shares of Performance Common Stock will, upon issue, be fully paid and nonassessable and not entitled to any preemptive rights.

Section 6.4.4 Equal Status. Except as expressly provided in this Article VI, Class A Common Stock, Class B Common Stock and Performance Common Stock shall have the same rights and privileges and rank equally, share ratably and be identical in all respects as to all matters.

Section 6.5 Preferred Stock. The Board of Directors may classify any unissued shares of Preferred Stock and reclassify any previously classified but unissued shares of Preferred Stock of any series from time to time, into one or more classes or series of stock.

Section 6.6 Classified or Reclassified Shares. Prior to issuance of classified or reclassified shares of any class or series, the Board of Directors by resolution shall: (a) designate that class or series to distinguish it from all other classes and series of stock of the Corporation; (b) specify the number of shares to be included in the class or series; (c) set or change, subject to the provisions of Article VII and subject to the express terms of any class or series of stock of the Corporation outstanding at the time, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series; and (d) cause the Corporation to file articles supplementary with the State Department of Assessments and Taxation of Maryland ("SDAT"). Any of the terms of any class or series of stock set or changed pursuant to clause (c) of this Section 6.6 may be made dependent upon facts or events ascertainable outside the Charter (including determinations by the Board of Directors or other facts or events within the control of the Corporation) and may vary among holders thereof, provided that the manner in which such facts, events or variations shall operate upon the terms of such class or series of stock is clearly and expressly set forth in the articles supplementary or other Charter document.

Section 6.7 Stockholders' Consent in Lieu of Meeting. Any action required or permitted to be taken at any meeting of the holders of Common Stock entitled to vote generally in the election of directors may be taken without a meeting by consent, in writing or by electronic transmission, in any manner and by any vote permitted by the MGCL and set forth in the Bylaws.

Section 6.8 Charter and Bylaws. The rights of all stockholders and the terms of all stock are subject to the provisions of the Charter and the Bylaws.

Section 6.9 Distributions. The Board of Directors from time to time may authorize the Corporation to declare and pay to stockholders such dividends or other distributions in cash or other assets of the Corporation or in securities of the Corporation, including in shares of one class or series of the Corporation's stock payable to holders of shares of another class or series of stock of the Corporation, or from any other source as the Board of Directors in its sole and absolute discretion shall determine. The exercise of the powers and rights of the Board of Directors pursuant to this Section 6.9 shall be subject to the provisions of any class or series of shares of the Corporation's stock at the time outstanding.

Section 6.10 Transferable Shares. Notwithstanding any other provision in the Charter, no determination shall be made by the Board of Directors nor shall any transaction be entered into by the Corporation that would cause any shares or other beneficial interest in the Corporation not to constitute "transferable shares" or "transferable certificates of beneficial interest" under Section 856(a)(2) of the Code.

ARTICLE VII

RESTRICTION ON TRANSFER AND OWNERSHIP OF SHARES

Section 7.1 Definitions. For the purpose of this Article VII, the following terms shall have the following meanings:

Aggregate Stock Ownership Limit. The term “Aggregate Stock Ownership Limit” shall mean 9.8 percent in value of the aggregate of the outstanding shares of Capital Stock, or such other percentage determined by the Board of Directors in accordance with Section 7.2.8 of the Charter.

Beneficial Ownership. The term “Beneficial Ownership” shall mean ownership of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include interests that would be treated as owned through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) and 856(h)(3) of the Code. The terms “Beneficial Owner,” “Beneficially Owns” and “Beneficially Owned” shall have the correlative meanings.

Business Day. The term “Business Day” shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in New York City are authorized or required by law, regulation or executive order to close.

Capital Stock. The term “Capital Stock” shall mean all classes or series of stock of the Corporation, including, without limitation, Class A Common Stock, Class B Common Stock, Performance Common Stock and Preferred Stock.

Charitable Beneficiary. The term “Charitable Beneficiary” shall mean one or more beneficiaries of the Trust as determined pursuant to Section 7.3.6, provided that each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

Common Stock Ownership Limit. The term “Common Stock Ownership Limit” shall mean 9.8 percent (in value or in number of shares, whichever is more restrictive) of the aggregate of the outstanding shares of Common Stock, or such other percentage determined by the Board of Directors in accordance with Section 7.2.8 of the Charter.

Constructive Ownership. The term “Constructive Ownership” shall mean ownership of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include interests that would be treated as owned through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code. The terms “Constructive Owner,” “Constructively Owns” and “Constructively Owned” shall have the correlative meanings.

Excepted Holder. The term “Excepted Holder” shall mean a stockholder of the Corporation for whom an Excepted Holder Limit is created by the Charter or by the Board of Directors pursuant to Section 7.2.7.

Excepted Holder Limit. The term “Excepted Holder Limit” shall mean, provided that the affected Excepted Holder agrees to comply with the requirements established by the Board of Directors pursuant to Section 7.2.7 and subject to adjustment pursuant to Section 7.2.8, the percentage limit established by the Board of Directors pursuant to Section 7.2.7.

Initial Date. The term “Initial Date” shall mean the effective time of the merger of NorthStar Asset Management Group Inc., a Delaware corporation, with and into the Corporation.

Market Price. The term “Market Price” on any date shall mean, with respect to any class or series of outstanding shares of Capital Stock, the Closing Price for such Capital Stock on such date. The “Closing Price” on any date shall mean the last sale price for such Capital Stock, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such Capital Stock, in either case as reported in the principal

consolidated transaction reporting system with respect to securities listed or admitted to trading on the NYSE or, if such Capital Stock is not listed or admitted to trading on the NYSE, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such Capital Stock is listed or admitted to trading or, if such Capital Stock is not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if such Capital Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such Capital Stock selected by the Board of Directors or, in the event that no trading price is available for such Capital Stock, the fair market value of the Capital Stock, as determined by the Board of Directors.

NYSE. The term “NYSE” shall mean the New York Stock Exchange.

Person. The term “Person” shall mean an individual, corporation, partnership, limited liability company, estate, trust (including a trust qualified under Sections 401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

Prohibited Owner. The term “Prohibited Owner” shall mean, with respect to any purported Transfer, any Person who, but for the provisions of this Article VII, would Beneficially Own or Constructively Own shares of Capital Stock in violation of Section 7.2.1, and if appropriate in the context, shall also mean any Person who would have been the record owner of the shares that the Prohibited Owner would have so owned.

Restriction Termination Date. The term “Restriction Termination Date” shall mean the first day after the Initial Date on which the Board determines pursuant to Section 5.7 of the Charter that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT or that compliance with the restrictions and limitations on Beneficial Ownership, Constructive Ownership and Transfers of shares of Capital Stock set forth herein is no longer required in order for the Corporation to qualify as a REIT.

Transfer. The term “Transfer” shall mean any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event, condition or set of circumstances that causes any Person to acquire or have Beneficial Ownership or Constructive Ownership, or any agreement to take any such actions or cause any such events, of Capital Stock or the right to vote or receive dividends or other distributions on shares of Capital Stock, including (a) a change in the capital structure of the Corporation or in the relative values of different shares of Capital Stock, (b) a change in the relationship between two or more Persons which cause a change in Beneficial Ownership or Constructive Ownership, (c) the granting or exercise of any option or warrant (or any acquisition or disposition of any option or warrant), pledge, security interest, or similar right to acquire shares of Capital Stock, (d) any acquisition or disposition of any securities or rights convertible into or exchangeable for Capital Stock or any interest in Capital Stock or any exercise of any such conversion or exchange right and (e) Transfers of interests in other entities that result in changes in Beneficial Ownership or Constructive Ownership of Capital Stock; in each case, whether voluntary or involuntary, whether owned of record, Constructively Owned or Beneficially Owned and whether by operation of law or otherwise. The terms “Transferring” and “Transferred” shall have the correlative meanings.

Trust. The term “Trust” shall mean any trust provided for in Section 7.3.1.

Trustee. The term “Trustee” shall mean the Person unaffiliated with the Corporation and a Prohibited Owner that is appointed by the Corporation to serve as trustee of the Trust.

Section 7.2 Capital Stock.

Section 7.2.1 Ownership Limitations. During the period commencing on the Initial Date and prior to the Restriction Termination Date, but subject to Section 7.4:

(a) Basic Restrictions.

(i) (1) No Person, other than an Excepted Holder, shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Aggregate Stock Ownership Limit, (2) no Person, other than an Excepted Holder, shall Beneficially Own or Constructively Own shares of Common Stock in excess of the Common Stock Ownership Limit and (3) no Excepted Holder shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Excepted Holder Limit for such Excepted Holder.

(ii) No Person shall Beneficially Own or Constructively Own shares of Capital Stock to the extent that (1) such Beneficial Ownership or Constructive Ownership of Capital Stock would result in the Corporation being “closely held” within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year), (2) such Beneficial Ownership or Constructive Ownership of Capital Stock would result in the Corporation owning (directly or Constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by the Corporation (either directly or indirectly through one or more partnerships or limited liability companies) from such tenant for the taxable year of the Corporation during which such determination is being made would reasonably be expected to equal or exceed the lesser of (a) one percent of the Corporation’s gross income (as determined for purposes of Section 856(c) of the Code), or (b) an amount that would cause the Corporation to fail to satisfy any of the gross income requirements of Section 856(c) of the Code, or (3) such Beneficial Ownership or Constructive Ownership of Capital Stock would result in the Corporation otherwise failing to qualify as a REIT.

(iii) Any Transfer of shares of Capital Stock that, if effective, would result in the Capital Stock being beneficially owned by less than 100 Persons (determined under the principles of Section 856(a)(5) of the Code) shall be void ab initio, and the intended transferee shall acquire no rights in such shares of Capital Stock.

(b) Transfer in Trust. If any Transfer of shares of Capital Stock occurs which, if effective, would result in any Person Beneficially Owning or Constructively Owning shares of Capital Stock in violation of Section 7.2.1(a)(i) or (ii),

(i) then that number of shares of the Capital Stock the Beneficial Ownership or Constructive Ownership of which otherwise would cause such Person to violate Section 7.2.1(a)(i) or (ii) (rounded up to the nearest whole share) shall be automatically transferred to a Trust for the benefit of a Charitable Beneficiary, as described in Section 7.3, effective as of the close of business on the Business Day prior to the date of such Transfer, and such Person shall acquire no rights in such shares; or

(ii) if the transfer to the Trust described in clause (i) of this sentence would not be effective for any reason to prevent the violation of Section 7.2.1(a)(i) or (ii), then the Transfer of that number of shares of Capital Stock that otherwise would cause any Person to violate Section 7.2.1(a)(i) or (ii) shall be void ab initio, and the intended transferee shall acquire no rights in such shares of Capital Stock.

(iii) To the extent that, upon a transfer of shares of Capital Stock pursuant to this Section 7.2.1(b), a violation of any provision of this Article VII would nonetheless be continuing (for example where the ownership of shares of Capital Stock by a single Trust would violate the 100 stockholder requirement applicable to REITs), then shares of Capital Stock shall be transferred to that number of Trusts, each having a distinct Trustee and a Charitable Beneficiary or Beneficiaries that are distinct from those of each other Trust, such that there is no violation of any provision of this Article VII.

Section 7.2.2 Remedies for Breach. If the Board of Directors shall at any time determine that a Transfer or other event has taken place that results in a violation of Section 7.2.1 or that a Person intends to acquire or has attempted to acquire Beneficial Ownership or Constructive Ownership of any shares of Capital Stock in violation of Section 7.2.1 (whether or not such violation is intended), the Board of Directors shall take such action as it deems advisable to refuse

to give effect to or to prevent such Transfer or other event, including, without limitation, causing the Corporation to redeem shares, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer or other event; provided, however, that any Transfer or attempted Transfer or other event in violation of Section 7.2.1 shall automatically result in the transfer to the Trust described above, and, where applicable, such Transfer (or other event) shall be void ab initio as provided above irrespective of any action (or non-action) by the Board of Directors.

Section 7.2.3 Notice of Restricted Transfer. Any Person who acquires or attempts or intends to acquire Beneficial Ownership or Constructive Ownership of shares of Capital Stock that will or may violate Section 7.2.1(a) or any Person who would have owned shares of Capital Stock that resulted in a transfer to the Trust pursuant to the provisions of

Section 7.2.1(b) shall immediately give written notice to the Corporation of such event or, in the case of such a proposed or attempted transaction, give at least 15 days prior written notice, and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer on the Corporation's status as a REIT.

Section 7.2.4 Owners Required To Provide Information. From the Initial Date and prior to the Restriction Termination Date:

(a) every owner of five percent or more (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding shares of Capital Stock, within 30 days after the end of each taxable year, shall give written notice to the Corporation stating the name and address of such owner, the number of shares of Capital Stock Beneficially Owned and a description of the manner in which such shares are held. Each such owner shall provide to the Corporation such additional information as the Corporation may request in order to determine the effect, if any, of such Beneficial Ownership on the Corporation's status as a REIT and to ensure compliance with the Aggregate Stock Ownership Limit; and

(b) each Person who is a Beneficial Owner or Constructive Owner of Capital Stock and each Person (including the stockholder of record) who is holding Capital Stock for a Beneficial Owner or Constructive Owner shall provide to the Corporation such information as the Corporation may request, in order to determine the Corporation's status as a REIT and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

Section 7.2.5 Remedies Not Limited. Subject to Section 5.7 of the Charter, nothing contained in this Section 7.2 shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation in preserving the Corporation's status as a REIT.

Section 7.2.6 Ambiguity. In the case of an ambiguity in the application of any of the provisions of this Section 7.2, Section 7.3 or any definition contained in Section 7.1, the Board of Directors may determine the application of the provisions of this Section 7.2 or Section 7.3 or any such definition with respect to any situation based on the facts known to it. In the event Section 7.2 or 7.3 requires an action by the Board of Directors and the Charter fails to provide specific guidance with respect to such action, the Board of Directors may determine the action to be taken so long as such action is not contrary to the provisions of Sections 7.1, 7.2 or 7.3. Absent a decision to the contrary by the Board of Directors, if a Person would have (but for the remedies set forth in Section 7.2.2) acquired Beneficial Ownership or Constructive Ownership of Capital Stock in violation of Section 7.2.1, such remedies (as applicable) shall apply first to the shares of Capital Stock which, but for such remedies, would have been Beneficially Owned or Constructively Owned (but not actually owned) by such Person, pro rata among the Persons who actually own such shares of Capital Stock based upon the relative number of the shares of Capital Stock held by each such Person.

Section 7.2.7 Exceptions.

(a) The Board of Directors, in its sole discretion, may exempt, prospectively or retroactively, a Person from the Common Stock Ownership Limit or the Aggregate Stock Ownership Limit, as the case may be, and may establish or increase an Excepted Holder Limit for such Person if:

(i) such Person submits to the Board of Directors information satisfactory to the Board of Directors, in its reasonable discretion, demonstrating that such Person is not an individual for purposes of Section 542(a)(2) of the Code (determined taking into account

Section 856(h)(3)(A) of the Code); (ii) such Person submits to the Board of Directors information satisfactory to the Board, in its reasonable discretion, demonstrating that no Person who is an individual for purposes of Section 542(a)(2) of the Code (determined taking into account Section 856(h)(3)(A) of the Code) would be considered to Beneficially Own shares of Common Stock in excess of the Common Stock Ownership Limit or Capital Stock in excess of the Aggregate Stock Ownership Limit, (iii) such Person submits to the Board of Directors information satisfactory to the Board of Directors, in its reasonable discretion, demonstrating that clauses (1), (2) and (3) of subparagraph (a)(ii) of Section 7.2.1 will not be violated by reason of such Person's ownership of Common Stock in excess of the Common Stock Ownership Limit or Capital Stock in excess of the Aggregate Stock Ownership Limit pursuant to the exemption granted under this subparagraph 7.2.7(a); and (iv) such Person provides to the Board of Directors such representations and undertakings, if any, as the Board of Directors may, in its reasonable discretion, require to ensure that the conditions in clauses (i), (ii) and (iii) hereof are satisfied and will continue to be satisfied throughout the period during which such Person owns Common Stock in excess of the Common Stock Ownership Limit or Capital Stock in excess of the Aggregate Stock Ownership Limit pursuant to any exemption thereto granted under this subparagraph (a), and such Person agrees that any violation of such representations and undertakings or any attempted violation thereof will result in the application of the remedies set forth in Section 7.2 (including without limitation, Section 7.2.5) with respect to shares of Common Stock held in excess of the Common Stock Ownership Limit or Capital Stock held in excess of the Aggregate Stock Ownership Limit with respect to such Person (determined without regard to the exemption granted such Person under this subparagraph (a)).

(b) Prior to granting any exception pursuant to Section 7.2.7(a), the Board of Directors may require a ruling from the Internal Revenue Service or an opinion of counsel, in either case in form and substance satisfactory to the Board of Directors as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT; provided, however, that the Board of Directors shall not be obligated to require obtaining a favorable ruling or opinion in order to grant an exception hereunder.

(c) Subject to Section 7.2.1(a)(ii), an underwriter that participates in a public offering or a private placement of Capital Stock (or securities convertible into or exchangeable for Capital Stock) may Beneficially Own or Constructively Own shares of Capital Stock (or securities convertible into or exchangeable for Capital Stock) in excess of the Aggregate Stock Ownership Limit or the Common Stock Ownership Limit, but only to the extent necessary to facilitate such public offering or private placement.

(d) In connection with granting any exemption or waiver pursuant to Section 7.2.7(a), the Board of Directors may include such terms and conditions in such waiver as it determines are advisable.

(e) The Board of Directors may only reduce the Excepted Holder Limit for an Excepted Holder: (1) with the written consent of such Excepted Holder at any time, or (2) pursuant to the terms and conditions of the agreements and undertakings entered into with such Excepted Holder in connection with the establishment of the Excepted Holder Limit for that Excepted Holder. No Excepted Holder Limit shall be reduced to a percentage that is less than the Common Stock Ownership Limit.

Section 7.2.8 Increase or Decrease in Common Stock Ownership or Aggregate Stock Ownership Limits. Subject to Section 7.2.1(a)(ii) and this Section 7.2.8, the Board of Directors may from time to time increase or decrease the Common Stock Ownership Limit and the Aggregate Stock Ownership Limit for one or more Persons and increase or decrease the Common Stock Ownership Limit and the Aggregate Stock Ownership Limit for all other Persons. No decreased Common Stock Ownership Limit or Aggregate Stock Ownership Limit will be effective for any Person whose percentage of ownership of Capital Stock is in excess of such decreased Common Stock Ownership Limit or Aggregate Stock Ownership Limit, as applicable, until such time as such Person's percentage of ownership of Capital Stock equals or falls below the decreased Common Stock Ownership Limit or Aggregate Stock Ownership Limit, as applicable; provided, however, any further acquisition of Capital Stock by any such Person (other than a Person for whom an exemption has been granted pursuant to Section 7.2.7(a) or an Excepted Holder) in excess of the Capital Stock owned by such person on the date the decreased Common Stock Ownership Limit or Aggregate Stock Ownership Limit, as applicable, became effective will be in violation of the Common Stock Ownership Limit or Aggregate Stock Ownership Limit. No increase to the Common Stock Ownership Limit or Aggregate Stock Ownership Limit may be approved if the new Common Stock Ownership Limit and/or Aggregate Stock Ownership Limit would allow five or fewer Persons to Beneficially Own, in the aggregate more than 49.9% in value of the outstanding Capital Stock.

Section 7.2.9 Legend. Each certificate for shares of Capital Stock shall bear substantially the following legend:

The shares represented by this certificate are subject to restrictions on Beneficial and Constructive Ownership and Transfer for the purpose, among others, of the Corporation's maintenance of its status as a Real Estate Investment Trust under the Code. Subject to certain further restrictions and except as expressly provided in the Corporation's Charter, (i) no Person may Beneficially Own or Constructively Own shares of the Corporation's Common Stock in excess of the Common Stock Ownership Limit unless such Person is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable); (ii) no Person may Beneficially Own or Constructively Own shares of Capital Stock of the Corporation in excess of the Aggregate Stock Ownership Limit, unless such Person is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable); (iii) no Person may Beneficially Own or Constructively Own Capital Stock that would result in the Corporation being "closely held" under Section 856(h) of the Code or otherwise cause the Corporation to fail to qualify as a REIT; and (iv) no Person may Transfer shares of Capital Stock if such Transfer would result in the Capital Stock of the Corporation being owned by fewer than 100 Persons. Any Person who Beneficially Owns or Constructively Owns or attempts to Beneficially Own or Constructively Own shares of Capital Stock which causes or will cause a Person to Beneficially Own or Constructively Own shares of Capital Stock in excess or in violation of the above limitations must immediately notify the Corporation. If any of the restrictions on transfer or ownership are violated, the shares of Capital Stock represented hereby will be automatically transferred to a Trustee of a Trust for the benefit of one or more Charitable Beneficiaries. In addition, the Corporation may redeem shares upon the terms and conditions specified by the Board of Directors in its sole and absolute discretion if the Board of Directors determines that ownership or a Transfer or other event may violate the restrictions described above. Furthermore, upon the occurrence of certain events, attempted Transfers in violation of the restrictions described above may be void ab initio. All capitalized terms in this legend have the meanings defined in the Charter of the Corporation, as the same may be amended from time to time, a copy of which, including the restrictions on transfer and ownership, will be furnished to each holder of Capital Stock of the Corporation on request and without charge. Requests for such a copy may be directed to the Secretary of the Corporation at its principal office.

Instead of the foregoing legend, the certificate may state that the Corporation will furnish a full statement about certain restrictions on transferability to a stockholder on request and without charge.

Section 7.3 Transfer of Capital Stock in Trust.

Section 7.3.1 Ownership in Trust. Upon any purported Transfer or other event described in Section 7.2.1(b) that would result in a transfer of shares of Capital Stock to a Trust, such shares of Capital Stock shall be deemed to have been transferred to the Trustee as trustee of a Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the Business Day prior to the purported Transfer or other event that results in the transfer to the Trust pursuant to Section 7.2.1(b). The Trustee shall be appointed by the Corporation and shall be a Person unaffiliated with the Corporation and any Prohibited Owner. Each Charitable Beneficiary shall be designated by the Corporation as provided in Section 7.3.6.

Section 7.3.2 Status of Shares Held by the Trustee. Shares of Capital Stock held by the Trustee shall be issued and outstanding shares of Capital Stock. The Prohibited Owner shall have no rights in the shares held by the Trustee. The Prohibited Owner shall not benefit economically from ownership of any shares held in trust by the Trustee, shall have no rights to dividends or other distributions and shall not possess any rights to vote or other rights attributable to the shares held in the Trust.

Section 7.3.3 Dividend and Voting Rights. The Trustee shall have all voting rights and rights to dividends or other distributions with respect to shares of Capital Stock held in the Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or other distribution paid prior to the discovery by the Corporation that the shares of Capital Stock have been transferred to the Trustee shall be paid by the recipient of such dividend or other distribution to the Trustee upon demand and any dividend or other distribution authorized but unpaid shall be paid when due to the Trustee. Any dividend or other distribution so paid to the Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares held in the Trust and, subject to Maryland law, effective as of the date that the shares of Capital Stock have been transferred to the Trustee, the Trustee shall have the authority (at the Trustee's sole and absolute discretion) (i) to rescind as void any

vote cast by a Prohibited Owner prior to the discovery by the Corporation that the shares of Capital Stock have been transferred to the Trustee and (ii) to recast such vote; provided, however, that if the Corporation has already taken irreversible corporate action, then the Trustee shall not have the authority to rescind and recast such vote. Notwithstanding the provisions of this Article VII, until the Corporation has received notification that shares of Capital Stock have been transferred into a Trust, the Corporation shall be entitled to rely on its stock transfer and other stockholder records for purposes of preparing lists of stockholders entitled to vote at meetings, determining the validity and authority of proxies and otherwise conducting votes and determining the other rights of stockholders.

Section 7.3.4 Sale of Shares by Trustee. Within 20 days of receiving notice from the Corporation that shares of Capital Stock have been transferred to the Trust, the Trustee of the Trust shall sell the shares held in the Trust to a person, designated by the Trustee, whose ownership of the shares will not violate the ownership limitations set forth in Section 7.2.1(a). Upon such sale, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in this Section 7.3.4. The Prohibited Owner shall receive the lesser of (1) the price paid by the Prohibited Owner for the shares or, if the Prohibited Owner did not give value for the shares in connection with the event causing the shares to be held in the Trust (*e.g.*, in the case of a gift, devise or other such transaction), the Market Price of the shares on the day of the event causing the shares to be held in the Trust and (2) the price per share received by the Trustee (net of any commissions and other expenses of sale) from the sale or other disposition of the shares held in the Trust. The Trustee may reduce the amount payable to the Prohibited Owner by the amount of dividends and other distributions which have been paid to the Prohibited Owner and are owed by the Prohibited Owner to the Trustee pursuant to Section 7.3.3 of this Article VII. Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Corporation that shares of Capital Stock have been transferred to the Trustee, such shares are sold by a Prohibited Owner, then (i) such shares shall be deemed to have been sold on behalf of the Trust and (ii) to the extent that the Prohibited Owner received an amount for such shares that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this Section 7.3.4, such excess shall be paid to the Trustee upon demand.

Section 7.3.5 Purchase Right in Stock Transferred to the Trustee. Shares of Capital Stock transferred to the Trustee shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Trust (or, in the case of a devise or gift, the Market Price at the time of such devise or gift) and (ii) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation may reduce the amount payable to the Prohibited Owner by the amount of dividends and other distributions which have been paid to the Prohibited Owner and are owed by the Prohibited Owner to the Trustee pursuant to Section 7.3.3 of this Article VII. The Corporation may pay the amount of such reduction to the Trustee for the benefit of the Charitable Beneficiary. The Corporation shall have the right to accept such offer until the Trustee has sold the shares held in the Trust pursuant to Section 7.3.4. Upon such a sale to the Corporation, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner.

Section 7.3.6 Designation of Charitable Beneficiaries. By written notice to the Trustee, the Corporation shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Trust such that (1) the shares of Capital Stock held in the Trust would not violate the restrictions set forth in Section 7.2.1(a) in the hands of such Charitable Beneficiary and (2) each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code. Neither the failure of the Corporation to make such designation nor the failure of the Corporation to appoint the Trustee before the automatic transfer provided in Section 7.2.1(b) shall make such transfer ineffective, provided that the Corporation thereafter makes such designation and appointment.

Section 7.4 NYSE Transactions. Nothing in this Article VII shall preclude the settlement of any transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system. The fact that the settlement of any transaction occurs shall not negate the effect of any other provision of this Article VII and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article VII.

Section 7.5 Enforcement. The Corporation is authorized specifically to seek equitable relief, including injunctive relief, to enforce the provisions of this Article VII.

Section 7.6 Non-Waiver. No delay or failure on the part of the Corporation or the Board of Directors in exercising any right hereunder shall operate as a waiver of any right of the Corporation or the Board of Directors, as the case may be, except to the extent specifically waived in writing.

ARTICLE VIII

AMENDMENTS

The Corporation reserves the right from time to time to make any amendment to its Charter, now or hereafter authorized by law, including any amendment altering the terms or contract rights, as expressly set forth in the Charter, of any shares of outstanding stock. All rights and powers conferred by the Charter on stockholders, directors and officers are granted subject to this reservation. Except as otherwise provided in the Charter, any amendment to the Charter shall be valid only if declared advisable by the Board of Directors and approved by the affirmative vote of a majority of all the votes entitled to be cast on the matter. However, any amendment to Article VII or to this sentence of the Charter shall be valid only if declared advisable by the Board of Directors and approved by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter.

ARTICLE IX

LIMITATION OF LIABILITY

To the maximum extent that Maryland law in effect from time to time permits limitation of the liability of directors and officers of a corporation, no present or former director or officer of the Corporation shall be liable to the Corporation or its stockholders for money damages. Neither the amendment nor repeal of this Article IX, nor the adoption or amendment of any other provision of the Charter or Bylaws inconsistent with this Article IX, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

THIRD: The amendment to and restatement of the charter as hereinabove set forth have been duly advised by the Board of Directors and approved by the stockholders of the Corporation as required by law.

FOURTH: The current address of the principal office of the Corporation is as set forth in Article IV of the foregoing amendment and restatement of the charter.

FIFTH: The name and address of the Corporation's current resident agent are as set forth in Article IV of the foregoing amendment and restatement of the charter.

SIXTH: The number of directors of the Corporation and the names of those currently in office are as set forth in Article V of the foregoing amendment and restatement of the charter.

SEVENTH: The total number of shares of stock which the Corporation had authority to issue immediately prior to this amendment and restatement was 1,500, consisting of 1,000 shares of Common Stock, \$0.01 par value per share, and 500 shares of Performance Common Stock, \$0.01 par value per share. The aggregate par value of all shares of stock having par value was \$15.

EIGHTH: The total number of shares of stock which the Corporation has authority to issue pursuant to the foregoing amendment and restatement of the charter is 1,250,000,000, consisting of 949,000,000 shares of Class A Common Stock, \$0.01 par value per share, 1,000,000 shares of Class B Common Stock, \$0.01 par value per share, 50,000,000 shares of Performance Common Stock, \$0.01 par value per share, and 250,000,000 shares of Preferred Stock, \$0.01 par value per share, of which (a) 2,900,000 shares are classified and designated as 8.75% Series A Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, (b) 14,920,000 shares are classified and designated as 8.25% Series B Cumulative Redeemable Perpetual Preferred Stock, liquidation preference

\$25.00 per share, (c) 5,750,000 shares are classified and designated as 8.875% Series C Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, (d) 8,050,000 shares are classified and designated as 8.500% Series D Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, (e) 10,350,000 shares are classified and designated as 8.75% Series E Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, (f) 10,400,000 shares are classified and designated as 8.50% Series F Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, (g) 3,450,000 shares are classified and designated as 7.50% Series G Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, and (h) 11,500,000 shares are classified and designated as 7.125% Series H Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share. The aggregate par value of all authorized shares of stock having par value is \$12,500,000.

NINTH: These Articles of Amendment and Restatement shall become effective at 4:01 p.m., New York City time, on January 10, 2017.

TENTH: The undersigned officer acknowledges these Articles of Amendment and Restatement to be the corporate act of the Corporation and as to all matters or facts required to be verified under oath, the undersigned officer acknowledges that, to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment and Restatement to be signed in its name and on its behalf by its President and attested to by its Secretary on this 10th day of January, 2017.

ATTEST:

COLONY NORTHSTAR, INC.

/s/ Ronald J. Lieberman

Name: Ronald J. Lieberman

Title: Secretary

By: /s/ Albert Tylis

Name: Albert Tylis

Title: President

(SEAL)

EXHIBIT A
SERIES A PREFERRED STOCK

Under a power contained in the charter (the “**Charter**”) of Colony NorthStar, Inc., a Maryland corporation (the “**Corporation**”), the Board of Directors of the Corporation classified and designated 2,900,000 shares (the “**Shares**”) of the Preferred Stock (as defined in the Charter), as shares of 8.75% Series A Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share (“**Series A Preferred Stock**”), with the following preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption set forth below, which upon any restatement of the Charter, shall be deemed to be part of Article VI of the Charter, with any necessary or appropriate changes to the enumeration or lettering of sections or subsections hereof:

8.75% Series A Cumulative Redeemable Perpetual Preferred Stock

Section 1. Number of Shares and Designation. This series of Preferred Stock shall be designated as 8.75% Series A Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share (the “**Series A Preferred Stock**”), and 2,900,000 shall be the number of shares of Preferred Stock constituting such series.

Section 2. Definitions. For purposes of the Series A Preferred Stock, the following terms shall have the meanings indicated:

“**Annual Dividend Rate**” shall have the meaning set forth in paragraph (a) of Section 3 hereof.

“**Board of Directors**” shall mean the Board of Directors of the Corporation or any committee authorized by such Board of Directors to perform any of its responsibilities with respect to the Series A Preferred Stock.

“**Business Day**” shall mean any day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

“**Change of Control**” shall have the meaning set forth in paragraph (a) of Section 5 hereof.

“**Charter**” shall mean the charter of the Corporation.

“**Common Stock**” shall mean, collectively, the Class A Common Stock of the Corporation, par value \$.01 per share, the Class B Common Stock of the Corporation, par value \$.01 per share, and the Performance Common Stock of the Corporation, par value \$.01 per share.

“**Dividend Payment Date**” shall mean February 15, May 15, August 15 and November 15, of each year, commencing on or about February 15, 2017; provided, however, that if any Dividend Payment Date falls on any day other than a Business Day, the dividend payment due on such Dividend Payment Date shall be paid on the first Business Day immediately following such Dividend Payment Date.

“**Dividend Payment Record Date**” shall have the meaning set forth in paragraph (a) of Section 3 hereof.

“**Dividend Periods**” shall mean quarterly dividend periods commencing on February 15, May 15, August 15 and November 15, of each year and ending on and including the day preceding the first day of the next succeeding Dividend Period (other than the initial Dividend Period with respect to each Series A Preferred Stock, which, (i) for Series A Preferred Stock issued prior to January 11, 2017, shall commence on, and include, November 15, 2016 and end on and include February 14, 2017; and (ii) for Series A Preferred Stock issued on or after January 11, 2017, shall commence on the Dividend Payment Date with respect to which dividends were actually paid on Series A Preferred Stock that were outstanding immediately preceding the issuance of such Series A Preferred Stock and end on and include the day preceding the first day of the next succeeding Dividend Period).

“**Junior Shares**” shall mean the Common Stock and any other class or series of stock of the Corporation constituting junior shares of stock within the meaning set forth in paragraph (c) of Section 9 hereof.

“**Liquidation Preference**” shall have the meaning set forth in paragraph (a) of Section 4 hereof.

“Parity Shares” shall have the meaning set forth in paragraph (b) of Section 9 hereof.

“Person” shall mean any individual, firm, partnership, corporation, limited liability company or other entity, and shall include any successor (by merger or otherwise) of such entity.

“Redemption Date” shall have the meaning set forth in paragraph (c) of Section 5 hereof.

“Redemption Price” shall have the meaning set forth in paragraph (c) of Section 5 hereof.

“Series A Preferred Stock” shall have the meaning set forth in Section 1 hereof.

“Series B Preferred Stock” shall mean the 8.25% Series B Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series C Preferred Stock” shall mean the 8.875% Series C Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series D Preferred Stock” shall mean the 8.500% Series D Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series E Preferred Stock” shall mean the 8.75% Series E Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series F Preferred Stock” shall mean the 8.50% Series F Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series G Preferred Stock” shall mean the 7.50% Series G Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series H Preferred Stock” shall mean the 7.125% Series H Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Set apart for payment” shall be deemed to include, without any action other than the following, the recording by the Corporation in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to a declaration of a dividend or other distribution by the Board of Directors, the allocation of funds to be so paid on any series or class of shares of stock of the Corporation.

“Transfer Agent” means American Stock Transfer & Trust Company, New York, New York, or such other agent or agents of the Corporation as may be designated by the Board of Directors or its designee as the transfer agent for the Series A Preferred Stock.

“Voting Preferred Shares” shall have the meaning set forth in Section 10 hereof.

“Voting Stock” shall have the meaning set forth in paragraph (a) of Section 5 hereof.

Section 3. Dividends. (a) The holders of Series A Preferred Stock shall be entitled to receive, when, as and if authorized by the Board of Directors and declared by the Corporation out of assets legally available for that purpose, dividends payable in cash at the rate per annum of \$2.1875 per share of Series A Preferred Stock (the **“Annual Dividend Rate”**) (equivalent to a rate of 8.75% of the Liquidation Preference per annum). Such dividends with respect to each share of Series A Preferred Stock issued prior to January 11, 2017 shall be cumulative from, and including, November 15, 2016 and with respect to each share of Series A Preferred Stock issued on or after January 11, 2017 shall be cumulative from the Dividend Payment Date with respect to which dividends were actually paid on shares of Series A Preferred Stock that were outstanding immediately preceding the issuance of such shares of Series A Preferred Stock, whether or not in any Dividend Period or Periods there shall be assets of the Corporation legally available for the payment of such dividends, and shall be payable quarterly, when, as and if authorized by the Board of Directors and declared by the Corporation, in arrears on Dividend Payment Dates, commencing with respect to each share of Series A Preferred Stock on the first Dividend Payment Date following issuance of such shares of Series A Preferred Stock. Dividends are cumulative from the most recent Dividend Payment Date to which dividends have been paid, whether or not in any Dividend Period or Periods there shall be assets legally available therefor. Each such dividend shall be payable in arrears to the holders of record of the Series A Preferred Stock, as they appear on the share records of the Corporation at the close of business on such record dates, not more than 30 days preceding the applicable Dividend Payment Date (the

“**Dividend Payment Record Date**”), as shall be fixed by the Board of Directors. Accrued and unpaid dividends for any past Dividend Periods may be authorized and declared and paid at any time, without reference to any regular Dividend Payment Date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Directors. If following a Change of Control, the Series A Preferred Stock is not listed on the New York Stock Exchange or the American Stock Exchange or quoted on NASDAQ, the Annual Dividend Rate will be increased to \$2.4375 per share of Series A Preferred Stock (equivalent to a rate of 9.75% of the Liquidation Preference per annum) and the holders of Series A Preferred Stock shall be entitled to receive, when, as and if authorized by the Board of Directors and declared by the Corporation out of assets legally available for that purpose, dividends payable in cash cumulative from, but excluding, the first date on which both the Change of Control has occurred and the Series A Preferred Stock is not so listed or quoted at the increased Annual Dividend Rate for as long as the Series A Preferred Stock is not so listed or quoted.

(b) The amount of dividends payable for each full Dividend Period for the Series A Preferred Stock shall be computed by dividing the Annual Dividend Rate by four. The amount of dividends payable for the initial Dividend Period, or any other period shorter or longer than a full Dividend Period, on the Series A Preferred Stock shall be computed on the basis of twelve 30-day months and a 360-day year. Holders of Series A Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of cumulative dividends, as herein provided, on the Series A Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series A Preferred Stock that may be in arrears.

(c) So long as any Series A Preferred Stock are outstanding, no dividends, except as described in the immediately following sentence, shall be authorized and declared or paid or set apart for payment on any series or class or classes of Parity Shares for any period unless full cumulative dividends have been or contemporaneously are authorized and declared and paid or authorized and declared and a sum sufficient for the payment thereof set apart for such payment on the Series A Preferred Stock for all past Dividend Periods. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends authorized and declared upon Series A Preferred Stock and all dividends authorized and declared upon any other series or class or classes of Parity Shares shall be authorized and declared ratably in proportion to the respective amounts of dividends accumulated and unpaid on the Series A Preferred Stock and such Parity Shares.

(d) So long as any Series A Preferred Stock are outstanding, no dividends (other than dividends or distributions paid solely in shares of, or options, warrants or rights to subscribe for or purchase shares of, Junior Shares) shall be authorized and declared or paid or set apart for payment or other distribution authorized and declared or made upon Junior Shares, nor shall any Junior Shares be redeemed, purchased or otherwise acquired (other than a redemption, purchase or other acquisition of Common Stock made for purposes of and in compliance with requirements of an employee incentive or benefit plan of the Corporation or any subsidiary, or as permitted under Article VII of the Charter), for any consideration (or any moneys to be paid to or made available for a sinking fund for the redemption of any such shares) by the Corporation, directly or indirectly (except by conversion into or exchange for Junior Shares), unless in each case the full cumulative dividends on all outstanding Series A Preferred Stock and any other Parity Shares of the Corporation shall have been paid or set apart for payment for all past Dividend Periods with respect to the Series A Preferred Stock and all past dividend periods with respect to such Parity Shares.

Section 4. Liquidation Preference. (a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Junior Shares, the holders of Series A Preferred Stock shall be entitled to receive Twenty-Five Dollars (\$25.00) per share of the Series A Preferred Stock (the “Liquidation Preference”) plus an amount equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution to such holder; but such holders of Series A Preferred Stock shall not be entitled to any further payment. If, upon any such liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of Series A Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other Parity Shares, then such assets, or the proceeds thereof, shall be distributed among the holders of such Series A Preferred Stock and any such other

Parity Shares ratably in accordance with the respective amounts that would be payable on such Series A Preferred Stock and any such other Parity Shares if all amounts payable thereon were paid in full. For the purposes of this Section 4, (i) a consolidation or merger of the Corporation with one or more entities, (ii) a statutory share exchange and (iii) a sale or transfer of all or substantially all of the Corporation's assets shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Subject to the rights of the holders of shares of any series or class or classes of shares of stock ranking on a parity with or prior to the Series A Preferred Stock upon liquidation, dissolution or winding up, upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of the Series A Preferred Stock, as provided in this Section 4, any series or class or classes of Junior Shares shall, subject to any respective terms and provisions applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series A Preferred Stock shall not be entitled to share therein.

Section 5. Redemption at the Option of the Corporation. (a) If at any time following a change of control, the Series A Preferred Stock is not listed on the New York Stock Exchange or American Stock Exchange, or quoted on NASDAQ, the Corporation will have the option to redeem the Series A Preferred Stock, in whole but not in part, within 90 days after the first date on which both the change of control has occurred and the Series A Preferred Stock is not so listed or quoted, for cash at \$25.00 per share plus accrued and unpaid dividends (whether or not declared), to the redemption date. A **"Change of Control"** shall be deemed to have occurred at such time as (i) the date a "person" or "group" (within the meaning of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the **"Securities Exchange Act"**)) becomes the ultimate "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act, except that a person or group shall be deemed to have beneficial ownership of all shares of voting stock that such person or group has the right to acquire regardless of when such right is first exercisable), directly or indirectly, of voting stock representing more than 50% of the total voting power of the total voting stock of the Corporation; (ii) the date the Corporation sells, transfers or otherwise disposes of all or substantially all of its assets; or (iii) the date of the consummation of a merger or share exchange of the Corporation with another entity where the Corporation's stockholders immediately prior to the merger or share exchange would not beneficially own, immediately after the merger or share exchange, shares representing 50% or more of all votes (without consideration of the rights of any class of stock to elect directors by a separate group vote) to which all stockholders of the corporation issuing cash or securities in the merger or share exchange would be entitled in the election of directors, or where members of the Board of Directors immediately prior to the merger or share exchange would not immediately after the merger or share exchange constitute a majority of the board of directors of the corporation issuing cash or securities in the merger or share exchange. **"Voting Stock"** shall mean stock of any class or kind having the power to vote generally in the election of directors.

(b) Except as otherwise permitted by the Charter and paragraph (a) above, the Series A Preferred Stock shall not be redeemable by the Corporation prior to September 14, 2011. On and after September 14, 2011, the Corporation, at its option, may redeem the shares of Series A Preferred Stock, in whole or in part, as set forth herein, subject to the provisions described below.

(c) On and after September 14, 2011, the Series A Preferred Stock shall be redeemable at the option of the Corporation, in whole or in part, at any time or from time to time, at a redemption price of \$25.00 per share of Series A Preferred Stock, plus any accrued and unpaid dividends to the date fixed for redemption (the **"Redemption Price"**). Each date on which Series A Preferred Stock are to be redeemed (a **"Redemption Date"**) (which may not be before September 14, 2011) shall be selected by the Corporation, shall be specified in the notice of redemption and shall not be less than 30 days or more than 60 days after the date on which the Corporation gives, or causes to be given, notice of redemption by mail pursuant to the next paragraph.

A notice of redemption (which may be contingent on the occurrence of a future event) shall be mailed, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series A Preferred Stock at their respective addresses as they appear on the Corporation's share transfer records. A failure to give such notice or any defect in the notice or in its mailing shall not affect the validity of the proceedings for the redemption of any Series A Preferred Stock except as to the holder to whom notice was defective or not given. Each notice shall state: (i) the Redemption Date; (ii) the Redemption Price; (iii) the number of shares of

Series A Preferred Stock to be redeemed and, if fewer than all the shares of Series A Preferred Stock held by such holder are to be redeemed, the number of such shares of Series A Preferred Stock to be redeemed from such holder; (iv) the place or places where the certificates evidencing the shares of Series A Preferred Stock are to be surrendered for payment of the Redemption Price; and (v) that distributions on the shares to be redeemed will cease to accrue on such Redemption Date except as otherwise provided herein.

(d) Upon any redemption of Series A Preferred Stock, the Corporation shall pay any accrued and unpaid dividends in arrears for any Dividend Period ending on or prior to the Redemption Date. If the Redemption Date falls after a Dividend Payment Record Date and prior to the corresponding Dividend Payment Date, then each holder of Series A Preferred Stock at the close of business on such Dividend Payment Record Date shall be entitled to the dividend payable on such Series A Preferred Stock on the corresponding Dividend Payment Date notwithstanding the redemption of such Series A Preferred Stock before such Dividend Payment Date. Except as provided above, the Corporation shall make no payment or allowance for unpaid dividends, whether or not in arrears, on Series A Preferred Stock called for redemption.

(e) If full cumulative dividends on the Series A Preferred Stock and any other series or class or classes of Parity Shares of the Corporation have not been paid or declared and set apart for payment, except as otherwise permitted under the Charter, the Series A Preferred Stock may not be redeemed in part and the Corporation may not purchase, redeem or otherwise acquire Series A Preferred Stock or any Parity Shares other than in exchange for Junior Shares.

(f) Notice having been mailed as aforesaid, from and after the Redemption Date (unless the Corporation shall fail to make available the amount of cash necessary to effect such redemption), (i) except as otherwise provided herein, dividends on the shares of Series A Preferred Stock so called for redemption shall cease to accrue, (ii) said shares shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as holders of Series A Preferred Stock of the Corporation shall cease (except the rights to receive the cash payable upon such redemption, without interest thereon, upon surrender and endorsement of their certificates if so required and to receive any dividends payable thereon). The Corporation's obligation to provide cash in accordance with the preceding sentence shall be deemed fulfilled if, on or before the Redemption Date, the Corporation shall deposit with a bank or trust company (which may be an affiliate of the Corporation) that has an office in the Borough of Manhattan, City of New York, or in Baltimore, Maryland and that has, or is an affiliate of a bank or trust company that has, a capital and surplus of at least \$50,000,000, the cash necessary for such redemption, in trust, with irrevocable instructions that such cash be applied to the redemption of the Series A Preferred Stock so called for redemption. No interest shall accrue for the benefit of the holder of Series A Preferred Stock to be redeemed on any cash so set aside by the Corporation. Subject to applicable escheat laws, any such cash unclaimed at the end of two years from the Redemption Date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of such cash.

As promptly as practicable after the surrender in accordance with said notice of the certificates for any such shares of Series A Preferred Stock so redeemed (properly endorsed or assigned for transfer, if the Corporation shall so require and if the notice shall so state), such shares of Series A Preferred Stock shall be exchanged for the cash (without interest thereon) for which such shares of Series A Preferred Stock have been redeemed. If fewer than all of the outstanding shares of Series A Preferred Stock are to be redeemed, the shares of Series A Preferred Stock to be redeemed shall be selected by the Corporation from the outstanding shares of Series A Preferred Stock not previously called for redemption by lot or pro rata (as nearly as may be) or by any other method determined by the Corporation in its sole discretion to be equitable. If fewer than all the shares of Series A Preferred Stock evidenced by any certificate are redeemed, then new certificates evidencing the unredeemed shares of Series A Preferred Stock shall be issued without cost to the holder thereof.

Section 6. Reacquired Shares to Be Retired. All shares of Series A Preferred Stock which shall have been issued and reacquired in any manner by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series.

Section 7. No Right of Conversion. The Series A Preferred Stock are not convertible into or exchangeable for any other property or securities of the Corporation at the option of any holder of Series A Preferred Stock.

Section 8. Permissible Distributions. In determining whether a distribution (other than upon liquidation, dissolution or winding up), whether by dividend, or upon redemption or other acquisition of shares or otherwise, is permitted under Maryland law, amounts that would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of shares of any class or series of stock whose preferential rights upon dissolution are superior or prior to those receiving the distribution shall not be added to the Corporation's total liabilities.

Section 9. Ranking. Any class or series of stock of the Corporation shall be deemed to rank:

(a) prior to the Series A Preferred Stock, as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of Series A Preferred Stock;

(b) on a parity with the Series A Preferred Stock, as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the Series A Preferred Stock, if the holders of such class or series and the Series A Preferred Stock shall be entitled to the receipt of dividends and of amounts distributable upon liquidation, dissolution or winding up in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation preferences, without preference or priority one over the other ("**Parity Shares**"); and

(c) junior to the Series A Preferred Stock, as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up, if such class or series of stock shall be Common Stock or if the holders of Series A Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of such class or series, and such class or series shall not in either case rank prior to the Series A Preferred Stock ("**Junior Shares**").

As of the date hereof, 14,920,000 authorized shares of Series B Preferred Stock, 5,750,000 authorized shares of Series C Preferred Stock, 8,050,000 authorized shares of Series D Preferred Stock, 10,350,000 authorized shares of Series E Preferred Stock, 10,400,000 authorized shares of Series F Preferred Stock, 3,450,000 authorized shares of Series G Preferred Stock and 11,500,000 authorized shares of Series H Preferred Stock are Parity Shares.

Section 10. Voting. Except as otherwise set forth herein, the Series A Preferred Stock shall not have any relative, participating, optional or other voting rights or powers, and the consent of the holders thereof shall not be required for the taking of any corporate action.

If and whenever six quarterly dividends (whether or not consecutive) payable on the Series A Preferred Stock or any series or class of Parity Shares shall be in arrears (which shall, with respect to any such quarterly dividend, mean that any such dividend has not been paid in full), whether or not earned or declared, the number of directors then constituting the Board of Directors shall be increased by two and the holders of Series A Preferred Stock, together with the holders of shares of every other series or class of Parity Shares having like voting rights (shares of any such other series, the "**Voting Preferred Shares**"), voting as a single class regardless of series, shall be entitled to elect two additional directors to serve on the Board of Directors at any annual meeting of stockholders or special meeting held in place thereof, or at a special meeting of the holders of Series A Preferred Stock and the Voting Preferred Shares called as hereinafter provided. Whenever all arrears in dividends on the Series A Preferred Stock and the Voting Preferred Shares then outstanding shall have been paid and full dividends thereon for the current quarterly dividend period shall have been paid or declared and set apart for payment, then the right of the holders of the Series A Preferred Stock and the Voting Preferred Shares to elect such additional directors shall cease (but subject always to the same provision for the vesting of such voting rights in the case of any similar future arrearages in six quarterly dividends), and the terms of

office of the persons elected as directors by the holders of the Series A Preferred Stock and the Voting Preferred Shares shall forthwith terminate and the number of directors constituting the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the holders of shares of Series A Preferred Stock and the Voting Preferred Shares, the Secretary of the Corporation may, and upon the written request of any holder of Series A Preferred Stock (addressed to the Secretary at the principal office of the Corporation) shall, call a special meeting of the holders of the Series A Preferred Stock and of the Voting Preferred Shares for the election of the directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the Bylaws of the Corporation for a special meeting of the stockholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the Secretary within 20 days after receipt of such request, then any holder of Series A Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books of the Corporation. The directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders or special meeting held in lieu thereof, and until their successors are duly elected and qualify, and if such office shall not have previously terminated as above provided. If any vacancy shall occur among the directors elected by the holders of the Series A Preferred Stock and the Voting Preferred Shares, a successor shall be elected by the Board of Directors to serve until the next annual meeting of the stockholders or special meeting held in place thereof, and until their successors are duly elected and qualify, and if such office shall not have previously terminated as provided above. In no event shall the holders of Series A Preferred Stock be entitled pursuant to this Section 10 to elect a director that would cause the Corporation to fail to satisfy a requirement relating to director independence of any national securities exchange on which any class or series of the Corporation's stock is listed.

So long as any Series A Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by the Charter, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of Series A Preferred Stock and the Voting Preferred Shares, at the time outstanding, voting as a single class regardless of series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(a) Any amendment, alteration or repeal of any of the provisions of the Charter or these Articles Supplementary that materially and adversely affects the voting powers, rights or preferences of the holders of the Series A Preferred Stock or the Voting Preferred Shares; provided, however, that (i) the amendment of the provisions of the Charter so as to authorize or create or to increase the authorized amount of, any Junior Shares or any shares of any class or series ranking on a parity with the Series A Preferred Stock or the Voting Preferred Shares (including any amendment to increase the amount of authorized shares of Series A Preferred Stock) shall not be deemed to materially adversely affect the voting powers, rights or preferences of the holders of Series A Preferred Stock and (ii) any filing with the State Department of Assessments and Taxation of Maryland by the Corporation including in connection with a merger, consolidation or otherwise, shall not be deemed to be an amendment, alteration or repeal of any of the provisions of the Charter or these Articles Supplementary that materially and adversely affects the voting powers, rights or preferences of the holders of the Series A Preferred Stock, provided that: (1) the Corporation is the surviving entity and the Series A Preferred Stock remain outstanding with the terms thereof materially unchanged in any respect adverse to the holders thereof; or (2) the resulting, surviving or transferee entity is organized under the laws of any state and substitutes or exchanges the Series A Preferred Stock for other preferred stock or shares having preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption thereof that are substantially similar to that of the Series A Preferred Stock (except for changes that do not materially and adversely affect the holders of Series A Preferred Stock); and provided further, that if any such amendment, alteration or repeal would materially and adversely affect any voting powers, rights or preferences of the Series A Preferred Stock or one or more but not all series of Voting Preferred Shares at the time outstanding, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of all series similarly affected, at the time outstanding, voting as a single class regardless of series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be required in lieu of the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of the Series A Preferred Stock and the Voting Preferred Shares otherwise entitled to vote in accordance herewith; or

(b) The authorization or creation of, or the increase in the authorized amount of, any shares of any class or series or any security convertible into shares of any class or series ranking prior to the Series A Preferred Stock in the distribution on any liquidation, dissolution or winding up of the Corporation or in the payment of dividends; provided, however, that, in the case of each of subparagraphs (a) and (b), no such vote of the holders of Series A Preferred Stock or Voting Preferred Shares, as the case may be, shall be required if, at or prior to the time when such amendment, alteration or repeal is to take effect, or when the issuance of any such prior shares or convertible security is to be made, as the case may be, provision is made for the redemption of all Series A Preferred Stock or Voting Preferred Shares, as the case may be, at the time outstanding in accordance with Section 5 hereof or, in the case of a merger, consolidation or otherwise, regardless of the date of the transaction, the holders of the Series A Preferred Stock receive in the transaction their liquidation preference plus accrued and unpaid dividends.

Section 11. Information Rights. During any period in which the Corporation is not subject to Section 13 or 15(d) of the Securities Exchange Act and any shares of Series A Preferred Stock are outstanding, the Corporation will (i) transmit by mail to all holders of Series A Preferred Stock, as their names and addresses appear in the Corporation's record books and without cost to such holders, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act and (ii) promptly, upon request, supply copies of such reports to any prospective holder of Series A Preferred Stock. The Corporation will mail the information to the holders of Series A Preferred Stock within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the Securities and Exchange Commission if the Corporation were subject to Section 13 or 15(d) of the Securities Exchange Act.

Section 12. Record Holders. The Corporation and the Transfer Agent may deem and treat the record holder of any Series A Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

Section 13. Restrictions on Ownership and Transfer. The Series A Preferred Stock constitute Preferred Stock, and Preferred Stock constitutes Capital Stock of the Corporation. Therefore, the Series A Preferred Stock, being Capital Stock, is governed by and issued subject to all the limitations, terms and conditions of the Charter applicable to Capital Stock generally, including but not limited to the terms and conditions (including exceptions and exemptions) of Article VII of the Charter applicable to Capital Stock. The foregoing sentence shall not be construed to limit the applicability to the Series A Preferred Stock of any other term or provision of the Charter.

EXHIBIT B
SERIES B PREFERRED STOCK

Under a power contained in the charter (the “**Charter**”) of Colony NorthStar, Inc., a Maryland corporation (the “**Corporation**”), the Board of Directors of the Corporation classified and designated 14,920,000 shares (the “**Shares**”) of the Preferred Stock (as defined in the Charter), as shares of 8.25% Series B Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share (“**Series B Preferred Stock**”), with the following preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption set forth below, which upon any restatement of the Charter, shall be deemed to be part of Article VI of the Charter, with any necessary or appropriate changes to the enumeration or lettering of sections or subsections hereof:

8.25% Series B Cumulative Redeemable Perpetual Preferred Stock

Section 1. Number of Shares and Designation. This series of Preferred Stock shall be designated as 8.25% Series B Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share (the “**Series B Preferred Stock**”), and 14,920,000 shall be the number of shares of Preferred Stock constituting such series.

Section 2. Definitions. For purposes of the Series B Preferred Stock, the following terms shall have the meanings indicated:

“**Annual Dividend Rate**” shall have the meaning set forth in paragraph (a) of Section 3 hereof.

“**Board of Directors**” shall mean the Board of Directors of the Corporation or any committee authorized by such Board of Directors to perform any of its responsibilities with respect to the Series B Preferred Stock.

“**Business Day**” shall mean any day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

“**Change of Control**” shall have the meaning set forth in paragraph (a) of Section 5 hereof.

“**Charter**” shall mean the charter of the Corporation.

“**Common Stock**” shall mean, collectively, the Class A Common Stock of the Corporation, par value \$.01 per share, the Class B Common Stock of the Corporation, par value \$.01 per share, and the Performance Common Stock of the Corporation, par value \$.01 per share.

“**Dividend Payment Date**” shall mean February 15, May 15, August 15 and November 15, of each year, commencing on or about February 15, 2017; provided, however, that if any Dividend Payment Date falls on any day other than a Business Day, the dividend payment due on such Dividend Payment Date shall be paid on the first Business Day immediately following such Dividend Payment Date.

“**Dividend Payment Record Date**” shall have the meaning set forth in paragraph (a) of Section 3 hereof.

“**Dividend Periods**” shall mean quarterly dividend periods commencing on February 15, May 15, August 15 and November 15, of each year and ending on and including the day preceding the first day of the next succeeding Dividend Period (other than the initial Dividend Period with respect to each share of Series B Preferred Stock, which, (i) for Series B Preferred Stock issued prior to January 11, 2017, shall commence on, and include, November 15, 2016 and end on and include February 14, 2017; and (ii) for Series B Preferred Stock issued on or after January 11, 2017, shall commence on the Dividend Payment Date with respect to which dividends were actually paid on Series B Preferred Stock that were outstanding immediately preceding the issuance of such Series B Preferred Stock and end on and include the day preceding the first day of the next succeeding Dividend Period).

“**Junior Shares**” shall mean the Common Stock and any other class or series of stock of the Corporation constituting junior shares of stock within the meaning set forth in paragraph (c) of Section 9 hereof.

“**Liquidation Preference**” shall have the meaning set forth in paragraph (a) of Section 4 hereof.

“**Parity Shares**” shall have the meaning set forth in paragraph (b) of Section 9 hereof.

“**Person**” shall mean any individual, firm, partnership, corporation, limited liability company or other entity, and shall include any successor (by merger or otherwise) of such entity.

“**Redemption Date**” shall have the meaning set forth in paragraph (c) of Section 5 hereof.

“**Redemption Price**” shall have the meaning set forth in paragraph (c) of Section 5 hereof.

“**Series A Preferred Stock**” shall mean the 8.75% Series A Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“**Series B Preferred Stock**” shall have the meaning set forth in Section 1 hereof.

“**Series C Preferred Stock**” shall mean the 8.875% Series C Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“**Series D Preferred Stock**” shall mean the 8.500% Series D Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“**Series E Preferred Stock**” shall mean the 8.75% Series E Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“**Series F Preferred Stock**” shall mean the 8.50% Series F Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“**Series G Preferred Stock**” shall mean the 7.50% Series G Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“**Series H Preferred Stock**” shall mean the 7.125% Series H Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“**Set apart for payment**” shall be deemed to include, without any action other than the following, the recording by the Corporation in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to a declaration of a dividend or other distribution by the Board of Directors, the allocation of funds to be so paid on any series or class of shares of stock of the Corporation.

“**Transfer Agent**” means American Stock Transfer & Trust Company, New York, New York, or such other agent or agents of the Corporation as may be designated by the Board of Directors or its designee as the transfer agent for the Series B Preferred Stock.

“**Voting Preferred Shares**” shall have the meaning set forth in Section 10 hereof.

“**Voting Stock**” shall have the meaning set forth in paragraph (a) of Section 5 hereof.

Section 3. Dividends.

(a) The holders of Series B Preferred Stock shall be entitled to receive, when, as and if authorized by the Board of Directors and declared by the Corporation out of assets legally available for that purpose, dividends payable in cash at the rate per annum of \$2.0625 per share of Series B Preferred Stock (the “**Annual Dividend Rate**”) (equivalent to a rate of 8.25% of the Liquidation Preference per annum). Such dividends with respect to each share of Series B Preferred Stock issued prior to January 11, 2017 shall be cumulative from, and including, November 15, 2016 and with respect to each share of Series B Preferred Stock issued on or after January 11, 2017 shall be cumulative from the Dividend Payment Date with respect to which dividends were actually paid on shares of Series B Preferred Stock that were outstanding immediately preceding the issuance of such shares of Series B Preferred Stock, whether or not in any Dividend Period or Periods there shall be assets of the Corporation legally available for the payment of such dividends, and shall be payable quarterly, when, as and if authorized by the Board of Directors and declared by the Corporation, in arrears on Dividend Payment Dates, commencing with respect to each share of Series B Preferred Stock on the first Dividend Payment Date following issuance of such shares of Series B Preferred Stock. Dividends are cumulative from the most recent Dividend Payment Date to which dividends have been paid, whether or not

in any Dividend Period or Periods there shall be assets legally available therefor. Each such dividend shall be payable in arrears to the holders of record of the Series B Preferred Stock, as they appear on the share records of the Corporation at the close of business on such record dates, not more than 30 days preceding the applicable Dividend Payment Date (the “**Dividend Payment Record Date**”), as shall be fixed by the Board of Directors. Accrued and unpaid dividends for any past Dividend Periods may be authorized and declared and paid at any time, without reference to any regular Dividend Payment Date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Directors. If following a Change of Control, the Series B Preferred Stock is not listed on the New York Stock Exchange or the American Stock Exchange or quoted on NASDAQ, the Annual Dividend Rate will be increased to \$2.3125 per share of Series B Preferred Stock (equivalent to a rate of 9.25% of the Liquidation Preference per annum) and the holders of Series B Preferred Stock shall be entitled to receive, when, as and if authorized by the Board of Directors and declared by the Corporation out of assets legally available for that purpose, dividends payable in cash cumulative from, but excluding, the first date on which both the Change of Control has occurred and the Series B Preferred Stock is not so listed or quoted at the increased Annual Dividend Rate for as long as the Series B Preferred Stock is not so listed or quoted.

(b) The amount of dividends payable for each full Dividend Period for the Series B Preferred Stock shall be computed by dividing the Annual Dividend Rate by four. The amount of dividends payable for the initial Dividend Period, or any other period shorter or longer than a full Dividend Period, on the Series B Preferred Stock shall be computed on the basis of twelve 30-day months and a 360-day year. Holders of Series B Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of cumulative dividends, as herein provided, on the Series B Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series B Preferred Stock that may be in arrears.

(c) So long as any shares of Series B Preferred Stock are outstanding, no dividends, except as described in the immediately following sentence, shall be authorized and declared or paid or set apart for payment on any series or class or classes of Parity Shares for any period unless full cumulative dividends have been or contemporaneously are authorized and declared and paid or authorized and declared and a sum sufficient for the payment thereof set apart for such payment on the Series B Preferred Stock for all past Dividend Periods. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends authorized and declared upon Series B Preferred Stock and all dividends authorized and declared upon any other series or class or classes of Parity Shares shall be authorized and declared ratably in proportion to the respective amounts of dividends accumulated and unpaid on the Series B Preferred Stock and such Parity Shares.

(d) So long as any shares of Series B Preferred Stock are outstanding, no dividends (other than dividends or distributions paid solely in shares of, or options, warrants or rights to subscribe for or purchase shares of, Junior Shares) shall be authorized and declared or paid or set apart for payment or other distribution authorized and declared or made upon Junior Shares, nor shall any Junior Shares be redeemed, purchased or otherwise acquired (other than a redemption, purchase or other acquisition of Common Stock made for purposes of and in compliance with requirements of an employee incentive or benefit plan of the Corporation or any subsidiary, or as permitted under Article VII of the Charter), for any consideration (or any moneys to be paid to or made available for a sinking fund for the redemption of any such shares) by the Corporation, directly or indirectly (except by conversion into or exchange for Junior Shares), unless in each case the full cumulative dividends on all outstanding Series B Preferred Stock and any other Parity Shares of the Corporation shall have been paid or set apart for payment for all past Dividend Periods with respect to the Series B Preferred Stock and all past dividend periods with respect to such Parity Shares.

Section 4. Liquidation Preference. (a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Junior Shares, the holders of Series B Preferred Stock shall be entitled to receive Twenty-Five Dollars (\$25.00) per share of the Series B Preferred Stock (the “**Liquidation Preference**”) plus an amount equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution to such holder; but such holders of Series B Preferred Stock shall not

be entitled to any further payment. If, upon any such liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of Series B Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other Parity Shares, then such assets, or the proceeds thereof, shall be distributed among the holders of such Series B Preferred Stock and any such other Parity Shares ratably in accordance with the respective amounts that would be payable on such Series B Preferred Stock and any such other Parity Shares if all amounts payable thereon were paid in full. For the purposes of this Section 4, (i) a consolidation or merger of the Corporation with one or more entities, (ii) a statutory share exchange and (iii) a sale or transfer of all or substantially all of the Corporation's assets shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Subject to the rights of the holders of shares of any series or class or classes of shares of stock ranking on a parity with or prior to the Series B Preferred Stock upon liquidation, dissolution or winding up, upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of the Series B Preferred Stock, as provided in this Section 4, any series or class or classes of Junior Shares shall, subject to any respective terms and provisions applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series B Preferred Stock shall not be entitled to share therein.

Section 5. Redemption at the Option of the Corporation. (a) If at any time following a change of control, the Series B Preferred Stock is not listed on the New York Stock Exchange or American Stock Exchange, or quoted on NASDAQ, the Corporation will have the option to redeem the Series B Preferred Stock, in whole but not in part, within 90 days after the first date on which both the change of control has occurred and the Series B Preferred Stock is not so listed or quoted, for cash at \$25.00 per share plus accrued and unpaid dividends (whether or not declared), to the redemption date. A "**Change of Control**" shall be deemed to have occurred at such time as (i) the date a "person" or "group" (within the meaning of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act")) becomes the ultimate "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act, except that a person or group shall be deemed to have beneficial ownership of all shares of voting stock that such person or group has the right to acquire regardless of when such right is first exercisable), directly or indirectly, of voting stock representing more than 50% of the total voting power of the total voting stock of the Corporation; (ii) the date the Corporation sells, transfers or otherwise disposes of all or substantially all of its assets; or (iii) the date of the consummation of a merger or share exchange of the Corporation with another entity where the Corporation's stockholders immediately prior to the merger or share exchange would not beneficially own, immediately after the merger or share exchange, shares representing 50% or more of all votes (without consideration of the rights of any class of stock to elect directors by a separate group vote) to which all stockholders of the corporation issuing cash or securities in the merger or share exchange would be entitled in the election of directors, or where members of the Board of Directors immediately prior to the merger or share exchange would not immediately after the merger or share exchange constitute a majority of the board of directors of the corporation issuing cash or securities in the merger or share exchange. "**Voting Stock**" shall mean stock of any class or kind having the power to vote generally in the election of directors. Any redemption pursuant to this Section 5(a) shall follow generally the procedures set forth in the second paragraph of Section 5(c).

(b) Except as otherwise permitted by the Charter and paragraph (a) above, the Series B Preferred Stock shall not be redeemable by the Corporation prior to February 7, 2012. On and after February 7, 2012, the Corporation, at its option, may redeem the shares of Series B Preferred Stock, in whole or in part, as set forth herein, subject to the provisions described below.

(c) On and after February 7, 2012, the Series B Preferred Stock shall be redeemable at the option of the Corporation, in whole or in part, at any time or from time to time, at a redemption price of \$25.00 per share of Series B Preferred Stock, plus any accrued and unpaid dividends to the date fixed for redemption (the "**Redemption Price**"). Each date on which Series B Preferred Stock are to be redeemed (a "**Redemption Date**") (which may not be before February 7, 2012) shall be selected by the Corporation, shall be specified in the notice of redemption and shall not be less than 30 days or more than 60 days after the date on which the Corporation gives, or causes to be given, notice of redemption by mail pursuant to the next paragraph.

A notice of redemption (which may be contingent on the occurrence of a future event) shall be mailed, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series B Preferred Stock at their respective addresses as they appear on the Corporation's share transfer records. A failure to give such notice or any defect in the notice or in its mailing shall not affect the validity of the proceedings for the redemption of any Series B Preferred Stock except as to the holder to whom notice was defective or not given. Each notice shall state: (i) the Redemption Date; (ii) the Redemption Price; (iii) the number of shares of Series B Preferred Stock to be redeemed and, if fewer than all the shares of Series B Preferred Stock held by such holder are to be redeemed, the number of such shares of Series B Preferred Stock to be redeemed from such holder; (iv) the place or places where the certificates evidencing the shares of Series B Preferred Stock are to be surrendered for payment of the Redemption Price; and (v) that distributions on the shares to be redeemed will cease to accrue on such Redemption Date except as otherwise provided herein.

(d) Upon any redemption of Series B Preferred Stock, the Corporation shall pay any accrued and unpaid dividends in arrears for any Dividend Period ending on or prior and up to the Redemption Date. If the Redemption Date falls after a Dividend Payment Record Date and prior to the corresponding Dividend Payment Date, then each holder of Series B Preferred Stock at the close of business on such Dividend Payment Record Date shall be entitled to the dividend payable on such Series B Preferred Stock on the corresponding Dividend Payment Date notwithstanding the redemption of such Series B Preferred Stock before such Dividend Payment Date. Except as provided above, the Corporation shall make no payment or allowance for unpaid dividends, whether or not in arrears, on Series B Preferred Stock called for redemption.

(e) If full cumulative dividends on the Series B Preferred Stock and any other series or class or classes of Parity Shares of the Corporation have not been paid or declared and set apart for payment, except as otherwise permitted under the Charter, the Series B Preferred Stock may not be redeemed in part and the Corporation may not purchase, redeem or otherwise acquire Series B Preferred Stock or any Parity Shares other than in exchange for Junior Shares.

(f) Notice having been mailed as aforesaid, from and after the Redemption Date (unless the Corporation shall fail to make available the amount of cash necessary to effect such redemption), (i) except as otherwise provided herein, dividends on the shares of Series B Preferred Stock so called for redemption shall cease to accrue, (ii) said shares shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as holders of Series B Preferred Stock of the Corporation shall cease (except the rights to receive the cash payable upon such redemption, without interest thereon, upon surrender and endorsement of their certificates if so required and to receive any dividends payable thereon). The Corporation's obligation to provide cash in accordance with the preceding sentence shall be deemed fulfilled if, on or before the Redemption Date, the Corporation shall deposit with a bank or trust company (which may be an affiliate of the Corporation) that has an office in the Borough of Manhattan, City of New York, or in Baltimore, Maryland and that has, or is an affiliate of a bank or trust company that has, a capital and surplus of at least \$50,000,000, the cash necessary for such redemption, in trust, with irrevocable instructions that such cash be applied to the redemption of the Series B Preferred Stock so called for redemption. No interest shall accrue for the benefit of the holder of Series B Preferred Stock to be redeemed on any cash so set aside by the Corporation. Subject to applicable escheat laws, any such cash unclaimed at the end of two years from the Redemption Date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of such cash.

As promptly as practicable after the surrender in accordance with said notice of the certificates for any such shares of Series B Preferred Stock so redeemed (properly endorsed or assigned for transfer, if the Corporation shall so require and if the notice shall so state), such shares of Series B Preferred Stock shall be exchanged for the cash (without interest thereon) for which such shares of Series B Preferred Stock have been redeemed. If fewer than all of the outstanding shares of Series B Preferred Stock are to be redeemed, the shares of Series B Preferred Stock to be redeemed shall be selected by the Corporation from the outstanding shares of Series B Preferred Stock not previously called for redemption by lot or pro rata (as nearly as may be) or by any other method determined by the Corporation in its sole discretion to be equitable. If fewer than all the shares of Series B Preferred Stock evidenced by any certificate are redeemed, then new certificates evidencing the unredeemed shares of Series B Preferred Stock shall be issued without cost to the holder thereof.

Section 6. Reacquired Shares to Be Retired. All shares of Series B Preferred Stock which shall have been issued and reacquired in any manner by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series.

Section 7. No Right of Conversion. The Series B Preferred Stock are not convertible into or exchangeable for any other property or securities of the Corporation at the option of any holder of Series B Preferred Stock.

Section 8. Permissible Distributions. In determining whether a distribution (other than upon liquidation, dissolution or winding up), whether by dividend, or upon redemption or other acquisition of shares or otherwise, is permitted under Maryland law, amounts that would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of shares of any class or series of stock whose preferential rights upon dissolution are superior or prior to those receiving the distribution shall not be added to the Corporation's total liabilities.

Section 9. Ranking. Any class or series of stock of the Corporation shall be deemed to rank:

(a) prior to the Series B Preferred Stock, as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of Series B Preferred Stock;

(b) on a parity with the Series B Preferred Stock, as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the Series B Preferred Stock, if the holders of such class or series and the Series B Preferred Stock shall be entitled to the receipt of dividends and of amounts distributable upon liquidation, dissolution or winding up in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation preferences, without preference or priority one over the other ("**Parity Shares**"); and

(c) junior to the Series B Preferred Stock, as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up, if such class or series of stock shall be Common Stock or if the holders of Series B Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of such class or series, and such class or series shall not in either case rank prior to the Series B Preferred Stock ("**Junior Shares**").

As of the date hereof, 2,900,000 authorized shares of Series A Preferred Stock, 5,750,000 authorized shares of Series C Preferred Stock, 8,050,000 authorized shares of Series D Preferred Stock, 10,350,000 authorized shares of Series E Preferred Stock, 10,400,000 authorized shares of Series F Preferred Stock, 3,450,000 authorized shares of Series G Preferred Stock and 11,500,000 authorized shares of Series H Preferred Stock are Parity Shares.

Section 10. Voting. Except as otherwise set forth herein, the Series B Preferred Stock shall not have any relative, participating, optional or other voting rights or powers, and the consent of the holders thereof shall not be required for the taking of any corporate action.

If and whenever six quarterly dividends (whether or not consecutive) payable on the Series B Preferred Stock or any series or class of Parity Shares shall be in arrears (which shall, with respect to any such quarterly dividend, mean that any such dividend has not been paid in full), whether or not earned or declared, the number of directors then constituting the Board of Directors shall be increased by two and the holders of Series B Preferred Stock, together with the holders of shares of every other series or class of Parity Shares having like voting rights (shares of any such other series, the "**Voting Preferred Shares**"), voting as a single class regardless of series, shall be entitled to elect two additional directors to serve on the Board of Directors at any annual meeting of stockholders or special meeting held in place thereof, or at a special meeting of the holders of Series B Preferred Stock and the Voting Preferred Shares called as hereinafter provided. Whenever all arrears in dividends on the Series B Preferred Stock and the Voting Preferred Shares then outstanding shall have been paid and full dividends thereon for the current quarterly dividend period shall

have been paid or declared and set apart for payment, then the right of the holders of the Series B Preferred Stock and the Voting Preferred Shares to elect such additional directors shall cease (but subject always to the same provision for the vesting of such voting rights in the case of any similar future arrearages in six quarterly dividends), and the terms of office of the persons elected as directors by the holders of the Series B Preferred Stock and the Voting Preferred Shares shall forthwith terminate and the number of directors constituting the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the holders of shares of Series B Preferred Stock and the Voting Preferred Shares, the Secretary of the Corporation may, and upon the written request of any holder of Series B Preferred Stock (addressed to the Secretary at the principal office of the Corporation) shall, call a special meeting of the holders of the Series B Preferred Stock and of the Voting Preferred Shares for the election of the directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the Bylaws of the Corporation for a special meeting of the stockholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the Secretary within 20 days after receipt of such request, then any holder of Series B Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books of the Corporation. The directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders or special meeting held in lieu thereof, and until their successors are duly elected and qualify, and if such office shall not have previously terminated as above provided. If any vacancy shall occur among the directors elected by the holders of the Series B Preferred Stock and the Voting Preferred Shares, a successor shall be elected by the Board of Directors to serve until the next annual meeting of the stockholders or special meeting held in place thereof, and until their successors are duly elected and qualify, and if such office shall not have previously terminated as provided above. In no event shall the holders of Series B Preferred Stock be entitled pursuant to this Section 10 to elect a director that would cause the Corporation to fail to satisfy a requirement relating to director independence of any national securities exchange on which any class or series of the Corporation's stock is listed.

So long as any shares of Series B Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by the Charter, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of Series B Preferred Stock and the Voting Preferred Shares, at the time outstanding, voting as a single class regardless of series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(a) Any amendment, alteration or repeal of any of the provisions of the Charter or these Articles Supplementary that materially and adversely affects the voting powers, rights or preferences of the holders of the Series B Preferred Stock or the Voting Preferred Shares; provided, however, that (i) the amendment of the provisions of the Charter so as to authorize or create or to increase the authorized amount of, any Junior Shares or any shares of any class or series ranking on a parity with the Series B Preferred Stock or the Voting Preferred Shares (including any amendment to increase the amount of authorized shares of Series B Preferred Stock) shall not be deemed to materially adversely affect the voting powers, rights or preferences of the holders of Series B Preferred Stock and (ii) any filing with the State Department of Assessments and Taxation of Maryland by the Corporation including in connection with a merger, consolidation or otherwise, shall not be deemed to be an amendment, alteration or repeal of any of the provisions of the Charter or these Articles Supplementary that materially and adversely affects the voting powers, rights or preferences of the holders of the Series B Preferred Stock, provided that: (1) the Corporation is the surviving entity and the Series B Preferred Stock remain outstanding with the terms thereof materially unchanged in any respect adverse to the holders thereof; or (2) the resulting, surviving or transferee entity is organized under the laws of any state and substitutes or exchanges the Series B Preferred Stock for other preferred stock or shares having preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption thereof that are substantially similar to that of the Series B Preferred Stock (except for changes that do not materially and adversely affect the holders of Series B Preferred Stock); and provided further, that if any such amendment, alteration or repeal would materially and adversely affect any voting powers, rights or preferences of the Series B Preferred Stock or one or more but not all series of Voting Preferred Shares at the time outstanding, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of all series similarly affected, at the time outstanding, voting as a single class regardless of series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be required in lieu of the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of the

Series B Preferred Stock and the Voting Preferred Shares otherwise entitled to vote in accordance herewith; or

(b) The authorization or creation of, or the increase in the authorized amount of, any shares of any class or series or any security convertible into shares of any class or series ranking prior to the Series B Preferred Stock in the distribution on any liquidation, dissolution or winding up of the Corporation or in the payment of dividends; provided, however, that, in the case of each of subparagraphs (a) and (b), no such vote of the holders of Series B Preferred Stock or Voting Preferred Shares, as the case may be, shall be required if, at or prior to the time when such amendment, alteration or repeal is to take effect, or when the issuance of any such prior shares or convertible security is to be made, as the case may be, provision is made for the redemption of all Series B Preferred Stock or Voting Preferred Shares, as the case may be, at the time outstanding in accordance with Section 5 hereof or, in the case of a merger, consolidation or otherwise, regardless of the date of the transaction, the holders of the Series B Preferred Stock receive in the transaction their liquidation preference plus accrued and unpaid dividends.

Section 11. Information Rights. During any period in which the Corporation is not subject to Section 13 or 15(d) of the Securities Exchange Act and any shares of Series B Preferred Stock are outstanding, the Corporation will (i) transmit by mail to all holders of Series B Preferred Stock, as their names and addresses appear in the Corporation's record books and without cost to such holders, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act and (ii) promptly, upon request, supply copies of such reports to any prospective holder of Series B Preferred Stock. The Corporation will mail the information to the holders of Series B Preferred Stock within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the Securities and Exchange Commission if the Corporation were subject to Section 13 or 15(d) of the Securities Exchange Act.

Section 12. Record Holders. The Corporation and the Transfer Agent may deem and treat the record holder of any Series B Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

Section 13. Restrictions on Ownership and Transfer. The Series B Preferred Stock constitute Preferred Stock, and Preferred Stock constitutes Capital Stock of the Corporation. Therefore, the Series B Preferred Stock, being Capital Stock, is governed by and issued subject to all the limitations, terms and conditions of the Charter applicable to Capital Stock generally, including but not limited to the terms and conditions (including exceptions and exemptions) of Article VII of the Charter applicable to Capital Stock. The foregoing sentence shall not be construed to limit the applicability to the Series B Preferred Stock of any other term or provision of the Charter.

EXHIBIT C
SERIES C PREFERRED STOCK

Under a power contained in the charter (the “**Charter**”) of Colony NorthStar, Inc., a Maryland corporation (the “**Corporation**”), the Board of Directors of the Corporation, classified and designated 5,750,000 shares (the “**Shares**”) of the Preferred Stock (as defined in the Charter), as shares of 8.875% Series C Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share (the “**Series C Preferred Stock**”), with the following preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption set forth below, which upon any restatement of the Charter, shall be deemed to be part of Article VI of the Charter, with any necessary or appropriate changes to the enumeration or lettering of sections or subsections hereof:

8.875% Series C Cumulative Redeemable Perpetual Preferred Stock

Section 1. Number of Shares and Designation. This series of Preferred Stock shall be designated as 8.875% Series C Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share (the “**Series C Preferred Stock**”), and 5,750,000 shall be the number of shares of Preferred Stock constituting such series.

Section 2. Definitions. For purposes of the Series C Preferred Stock, the following terms shall have the meanings indicated:

“**Alternative Conversion Consideration**” shall have the meaning set forth in paragraph (e) of Section 7 hereof.

“**Alternative Form Consideration**” shall have the meaning set forth in paragraph (e) of Section 7 hereof.

“**Annual Dividend Rate**” shall have the meaning set forth in paragraph (a) of Section 3 hereof.

“**Board of Directors**” shall mean the Board of Directors of the Corporation or any committee authorized by such Board of Directors to perform any of its responsibilities with respect to the Series C Preferred Stock.

“**Business Day**” shall mean any day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

“**Change of Control Conversion Date**” shall have the meaning set forth in paragraph (c) of Section 7 hereof.

“**Change of Control Conversion Right**” shall have the meaning set forth in paragraph (a) of Section 7 hereof.

“**Change of Control**” shall have the meaning set forth in paragraph (a) of Section 5 hereof.

“**Charter**” shall mean the charter of the Corporation.

“**Class A Common Stock**” shall mean the Class A Common Stock of the Corporation, par value \$.01 per share.

“**Common Stock**” shall mean, collectively, the Class A Common Stock, the Class B Common Stock of the Corporation, par value \$.01 per share, and the Performance Common Stock of the Corporation, par value \$.01 per share.

“**Common Stock Conversion Consideration**” shall have the meaning set forth in paragraph (a) of Section 7 hereof.

“**Common Stock Price**” shall have the meaning set forth in paragraph (d) of Section 7 hereof.

“**Conversion Consideration**” shall have the meaning set forth in paragraph (e) of Section 7 hereof.

“**Conversion Rate**” shall have the meaning set forth in paragraph (a) of Section 7 hereof.

“**Depository**” shall have the meaning set forth in paragraph (l) of Section 7 hereof.

“**Dividend Parity Stock**” shall have the meaning set forth in paragraph (c) of Section 3 hereof.

“Dividend Payment Date” shall mean February 15, May 15, August 15 and November 15, of each year, commencing on or about February 15, 2017; provided, however, that if any Dividend Payment Date falls on any day other than a Business Day, the dividend payment due on such Dividend Payment Date shall instead be paid on the first Business Day immediately following such Dividend Payment Date without any adjustment to the amount of the dividend due on that Dividend Payment Date on account of such delay.

“Dividend Payment Record Date” shall have the meaning set forth in paragraph (a) of Section 3 hereof.

“Dividend Period” shall mean a quarterly dividend period commencing on, and including, a Dividend Payment Date and ending on, but excluding, the next succeeding Dividend Payment Date (other than the initial Dividend Period with respect to each share of Series C Preferred Stock, which, (i) for shares of Series C Preferred Stock issued prior to January 11, 2017, shall commence on, and include, November 15, 2016 and end on, but exclude, the first Dividend Payment Date; and (ii) for shares of Series C Preferred

Stock issued on or after January 11, 2017, shall commence on, and include, the Dividend Payment Date with respect to which dividends were actually paid on Series C Preferred Stock that were outstanding immediately preceding the issuance of such Series C Preferred Stock and end on, but exclude, the next succeeding Dividend Payment Date).

“DTC” shall have the meaning set forth in paragraph (l) of Section 7 hereof.

“Exchange Cap” shall have the meaning set forth in paragraph (b) of Section 7 hereof.

“Junior Shares” shall mean the Common Stock and any other class or series of stock of the Corporation constituting junior shares of stock within the meaning set forth in paragraph (c) of Section 9 hereof.

“Liquidation Preference” shall have the meaning set forth in paragraph (a) of Section 4 hereof.

“Person” shall mean any individual, firm, partnership, corporation, limited liability company or other entity, and shall include any successor (by merger or otherwise) of such entity.

“Preferred Directors” shall have the meaning set forth in Section 10 hereof.

“Redemption Date” shall have the meaning set forth in paragraph (c) of Section 5 hereof.

“Redemption Price” shall have the meaning set forth in paragraph (a) of Section 5 hereof.

“Securities Exchange Act” shall have the meaning set forth in paragraph (a) of Section 5 hereof.

“Series A Preferred Stock” shall mean the 8.75% Series A Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series B Preferred Stock” shall mean the 8.25% Series B Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series C Preferred Stock” shall have the meaning set forth in Section 1 hereof.

“Series D Preferred Stock” shall mean the 8.500% Series D Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series E Preferred Stock” shall mean the 8.75% Series E Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series F Preferred Stock” shall mean the 8.50% Series F Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series G Preferred Stock” shall mean the 7.50% Series G Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series H Preferred Stock” shall mean the 7.125% Series H Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Set apart for payment” shall be deemed to include, without any action other than the following, the recording by the Corporation in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to a

declaration of a dividend or other distribution by the Board of Directors, the allocation of funds to be so paid on any series or class of shares of stock of the Corporation.

“**Share Cap**” shall have the meaning set forth in paragraph (a) of Section 7 hereof.

“**Share Split**” shall have the meaning set forth in paragraph (b) of Section 7 hereof.

“**Transfer Agent**” means American Stock Transfer & Trust Company, New York, New York, or such other agent or agents of the Corporation as may be designated by the Board of Directors or its designee as the transfer agent for the Series C Preferred Stock.

“**Voting Preferred Shares**” shall have the meaning set forth in Section 10 hereof.

“**Voting Stock**” shall have the meaning set forth in paragraph (a) of Section 5 hereof.

Section 3. Dividends. (a) The holders of Series C Preferred Stock shall be entitled to receive, when, as and if authorized by the Board of Directors and declared by the Corporation out of assets legally available for that purpose, dividends payable in cash at the rate per annum of \$2.21875 per share of Series C Preferred Stock (the “**Annual Dividend Rate**”) (equivalent to a rate of 8.875% of the Liquidation Preference per annum). Such dividends with respect to each share of Series C Preferred Stock issued prior to January 11, 2017 shall be cumulative from, and including, November 15, 2016 and with respect to each share of Series C Preferred Stock issued on or after January 11, 2017 shall be cumulative from, and including, the Dividend Payment Date with respect to which dividends were actually paid on shares of Series C Preferred Stock that were outstanding immediately preceding the issuance of such shares of Series C Preferred Stock, whether or not in any Dividend Period or Periods there shall be assets of the Corporation legally available for the payment of such dividends, and shall be payable quarterly, when, as and if authorized by the Board of Directors and declared by the Corporation, in arrears on Dividend Payment Dates, commencing with respect to each share of Series C Preferred Stock on the first Dividend Payment Date following issuance of such shares of Series C Preferred Stock. Dividends are cumulative from the most recent Dividend Payment Date to which dividends have been paid, whether or not in any Dividend Period or Periods there shall be assets legally available therefor. Each such dividend shall be payable in arrears to the holders of record of the Series C Preferred Stock, as they appear on the share records of the Corporation at the close of business on such record dates, not more than 30 days preceding the applicable Dividend Payment Date (the “**Dividend Payment Record Date**”), as shall be fixed by the Board of Directors. Accrued and unpaid dividends for any past Dividend Periods may be authorized and declared and paid at any time, without reference to any regular Dividend Payment Date, to holders of record on such date, not exceeding 30 days preceding the payment date thereof, as may be fixed by the Board of Directors.

(b) The amount of dividends payable for each full Dividend Period for the Series C Preferred Stock shall be computed by dividing the Annual Dividend Rate by four. The amount of dividends payable for the initial Dividend Period, or any other period shorter or longer than a full Dividend Period, on the Series C Preferred Stock shall be computed on the basis of twelve 30-day months and a 360-day year. Holders of Series C Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of cumulative dividends, as herein provided, on the Series C Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series C Preferred Stock that may be in arrears.

(c) So long as any shares of Series C Preferred Stock are outstanding, no dividends, except as described in the immediately following sentence, shall be authorized and declared or paid or set apart for payment on any series or class or classes of capital stock of the Corporation ranking on a parity with the Series C Preferred Stock as to payment of dividends (“**Dividend Parity Stock**”) for any period unless full cumulative dividends have been or contemporaneously are authorized, declared and paid or authorized, declared and a sum sufficient for the payment thereof set apart for such payment on the Series C Preferred Stock for all past Dividend Periods. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends authorized and declared upon Series C Preferred Stock and all dividends authorized and declared upon any series or class or classes of Dividend Parity Stock shall be authorized and declared ratably in proportion to the respective amounts of dividends accrued and unpaid on the Series C Preferred Stock and such Dividend Parity Stock.

(d) So long as any shares of Series C Preferred Stock are outstanding, no dividends (other than dividends or distributions paid solely in shares of, or options, warrants or rights to subscribe for or purchase shares of, Junior Shares) shall be authorized and declared or paid or set apart for payment or other distribution authorized and declared or made upon Junior Shares, nor shall any Junior Shares be redeemed, purchased or otherwise acquired (other than (i) a redemption, purchase or other acquisition of Common Stock made for purposes of and in compliance with requirements of an employee incentive or benefit plan of the Corporation or any subsidiary, (ii) pursuant to Article VII of the Charter, (iii) as a result of a reclassification of such Junior Shares for or into other Junior Shares, or (iv) the purchase of fractional interests in Junior Shares pursuant to the conversion or exchange provisions of any securities convertible into or exchangeable for such Junior Shares), for any consideration (or any monies to be paid to or made available for a sinking fund for the redemption of any such shares) by the Corporation, directly or indirectly (except by conversion into or exchange for Junior Shares), unless in each case the full cumulative dividends on all outstanding Series C Preferred Stock and any Dividend Parity Stock of the Corporation shall have been paid or set apart for payment for all past Dividend Periods with respect to the Series C Preferred Stock and all past dividend periods with respect to such Dividend Parity Stock.

Section 4. Liquidation Preference. (a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Junior Shares, the holders of Series C Preferred Stock shall be entitled to receive \$25.00 per share of the Series C Preferred Stock (the "**Liquidation Preference**") plus an amount equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution to such holder; but such holders of Series C Preferred Stock shall not be entitled to any further payment. If, upon any such liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of Series C Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other capital stock of the Corporation ranking on a parity with the Series C Preferred Stock as to such distribution, then such assets, or the proceeds thereof, shall be distributed among the holders of such Series C Preferred Stock and any such other stock ratably in accordance with the respective amounts that would be payable on such Series C Preferred Stock and any such other stock if all amounts payable thereon were paid in full. For the purposes of this Section 4, (i) a consolidation or merger of the Corporation with one or more entities, (ii) a statutory share exchange and (iii) a sale or transfer of all or substantially all of the Corporation's assets shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Subject to the rights of the holders of shares of any series or class or classes of shares of stock ranking on a parity with or prior to the Series C Preferred Stock upon liquidation, dissolution or winding up, upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of the Series C Preferred Stock, as provided in this Section 4, any series or class or classes of Junior Shares shall, subject to any respective terms and provisions applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series C Preferred Stock shall not be entitled to share therein.

Section 5. Redemption at the Option of the Corporation.

(a) Notwithstanding anything to the contrary contained in Section 7(a), upon the occurrence of a Change of Control, the Corporation may, at its option, upon not less than 30 nor more than 90 days' written notice, redeem the Series C Preferred Stock, in whole, at any time, or in part, from time to time, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends thereon (whether or not declared) to, but not including, the date fixed for redemption (the "**Redemption Price**"); provided that, if the Redemption Date is after a Dividend Payment Record Date and prior to the corresponding Dividend Payment Date, no additional amount for such accrued and unpaid dividend will be included in the Redemption Price and the dividend payments on such Dividend Payment Date shall be made pursuant to Section 5(d). If, prior to the Change of Control Conversion Date, the Corporation has provided notice of its election to redeem some or all of the shares of Series C Preferred Stock pursuant to this Section 5, the holders of Series C Preferred Stock will not have the Change of Control Conversion Right (as hereinafter defined) with respect to the shares called for redemption. If the Corporation elects to redeem any shares of Series C Preferred Stock as described in this Section 5(a), it may

use any available cash to pay the Redemption Price, and it will not be required to pay the Redemption Price only out of the proceeds from the issuance of other equity securities or any other specific source. A **“Change of Control”** shall be deemed to have occurred at such time as (i) (A) the date a “person”, including any syndicate or group deemed to be a person within the meaning of Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the **“Securities Exchange Act”**) becomes the ultimate “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act, except that a person or group shall be deemed to have beneficial ownership of all shares of voting stock that such person or group has the right to acquire regardless of when such right is first exercisable), directly or indirectly, of voting stock representing more than 50% of the total voting power of the total voting stock of the Corporation; or (B) the date of the consummation of a merger or share exchange of the Corporation with another entity where the Corporation’s stockholders immediately prior to the merger or share exchange would not beneficially own, immediately after the merger or share exchange, shares representing 50% or more of all votes (without consideration of the rights of any class of stock to elect directors by a separate group vote) to which all stockholders of the corporation issuing cash or securities in the merger or share exchange would be entitled in the election of directors, or where members of the Board of Directors immediately prior to the merger or share exchange would not immediately after the merger or share exchange constitute a majority of the board of directors of the corporation issuing cash or securities in the merger or share exchange, and (ii) following the closing of any transaction referred to in clause (i), neither the Corporation nor the acquiring or surviving entity has a class of common equity securities (or American Depositary Receipts representing such securities) listed on the New York Stock Exchange, the NYSE MKT or the NASDAQ Stock Market, or listed or quoted on an exchange or quotation system that is a successor to any such securities exchange. **“Voting Stock”** shall mean stock of any class or kind having the power to vote generally in the election of directors. Any redemption pursuant to this Section 5(a) shall follow generally the procedures set forth in the second paragraph of Section 5(c).

(b) Except as otherwise permitted by the Charter and paragraph (a) above, the Series C Preferred Stock shall not be redeemable by the Corporation prior to October 11, 2017. On and after October 11, 2017, the Corporation, at its option, may redeem the shares of Series C Preferred Stock, in whole or in part, as set forth herein, subject to the provisions described below.

(c) On and after October 11, 2017, the Series C Preferred Stock shall be redeemable at the option of the Corporation, in whole or in part, at any time or from time to time, at the Redemption Price. Each date on which Series C Preferred Stock are to be redeemed (a **“Redemption Date”**) shall be selected by the Corporation, shall be specified in the notice of redemption and shall not be less than 30 days or more than 90 days after the date on which the Corporation gives, or causes to be given, notice of redemption by mail pursuant to the next paragraph.

A notice of redemption (which may be contingent on the occurrence of a future event) shall be mailed, postage prepaid, not less than 30 nor more than 90 days prior to the Redemption Date, addressed to the respective holders of record of the Series C Preferred Stock at their respective addresses as they appear on the Corporation’s share transfer records. A failure to give such notice or any defect in the notice or in its mailing shall not affect the validity of the proceedings for the redemption of any Series C Preferred Stock except as to the holder to whom notice was defective or not given (unless such a holder elects to tender such holder’s shares). Each notice shall state: (i) the Redemption Date; (ii) the Redemption Price; (iii) the number of shares of Series C Preferred Stock to be redeemed and, if fewer than all the shares of Series C Preferred Stock held by such holder are to be redeemed, the number of such shares of Series C Preferred Stock to be redeemed from such holder; (iv) the place or places where the certificates representing the shares of Series C Preferred Stock are to be surrendered for payment of the Redemption Price, if any of such shares are certificated; (v) that distributions on the shares to be redeemed will cease to accrue on such Redemption Date except as otherwise provided herein; and (vi) if such redemption is being made in connection with a Change of Control, that the holders of the shares of Series C Preferred Stock being so called for redemption will not be able to tender such shares of Series C Preferred Stock for conversion in connection with the Change of Control and that each share of Series C Preferred Stock tendered for conversion that is called, prior to the Change of Control Conversion Date (as defined below), for redemption will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date. Notwithstanding the foregoing, no notice of redemption will be required where the

Corporation elects to redeem Series C Preferred Stock pursuant to Section 5(b) and Article VII of the Charter to preserve its REIT qualification for federal income tax purposes.

(d) If the Redemption Date falls after a Dividend Payment Record Date and prior to the corresponding Dividend Payment Date, then each holder of Series C Preferred Stock at the close of business on such Dividend Payment Record Date shall be entitled to the dividend payable on such Series C Preferred Stock on the corresponding Dividend Payment Date notwithstanding the redemption of such Series C Preferred Stock before such Dividend Payment Date. Except as provided in calculating the Redemption Price and in this Section 5(d), the Corporation shall make no payment or allowance for unpaid dividends, whether or not in arrears, on Series C Preferred Stock called for redemption.

(e) If full cumulative dividends for all past dividend periods on the Series C Preferred Stock and any series or class or classes of Dividend Parity Stock of the Corporation have not been paid or declared and set apart for payment, except as otherwise permitted under the Charter, the Series C Preferred Stock may not be redeemed in part and the Corporation may not purchase, redeem or otherwise acquire Series C Preferred Stock or any capital stock of the Corporation ranking on a parity with the Series C Preferred Stock as to payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up, other than in exchange for Junior Shares.

(f) Notice having been mailed as aforesaid, from and after the Redemption Date (unless the Corporation shall fail to make available the amount of cash necessary to effect such redemption), (i) except as otherwise provided herein, dividends on the shares of Series C Preferred Stock so called for redemption shall cease to accrue, (ii) said shares shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as holders of Series C Preferred Stock of the Corporation shall cease (except the rights to receive the cash payable upon such redemption, without interest thereon, upon surrender and endorsement of their certificates if so required and to receive any dividends payable thereon). The Corporation's obligation to provide cash in accordance with the preceding sentence shall be deemed fulfilled if, on or before the Redemption Date, the Corporation shall deposit with a bank or trust company (which may be an affiliate of the Corporation) that has an office in the Borough of Manhattan, City of New York, or in Baltimore, Maryland and that has, or is an affiliate of a bank or trust company that has, a capital and surplus of at least \$50,000,000, the cash necessary for such redemption, in trust, with irrevocable instructions that such cash be applied to the redemption of the Series C Preferred Stock so called for redemption. No interest shall accrue for the benefit of the holder of Series C Preferred Stock to be redeemed on any cash so set aside by the Corporation. Subject to applicable escheat laws, any such cash unclaimed at the end of two years from the Redemption Date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of such cash.

As promptly as practicable after the surrender in accordance with said notice of the certificates for any such shares of Series C Preferred Stock so redeemed (properly endorsed or assigned for transfer, if the Corporation shall so require and if the notice shall so state), such shares of Series C Preferred Stock shall be exchanged for the cash (without interest thereon) for which such shares of Series C Preferred Stock have been redeemed. If fewer than all of the outstanding shares of Series C Preferred Stock are to be redeemed, the shares of Series C Preferred Stock to be redeemed shall be selected by the Corporation from the outstanding shares of Series C Preferred Stock not previously called for redemption by lot or pro rata (as nearly as may be) or by any other method determined by the Corporation in its sole discretion to be equitable. If fewer than all the shares of Series C Preferred Stock represented by any certificate are redeemed, then new certificates representing the unredeemed shares of Series C Preferred Stock shall be issued without cost to the holder thereof.

Section 6. Reacquired Shares to Be Retired. All shares of Series C Preferred Stock that have been issued and reacquired in any manner by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series.

Section 7. Conversion Rights. Except as provided in this Section 7, the Series C Preferred Stock are not convertible into or exchangeable for any other property or securities of the Corporation at the option of any holder of Series C Preferred Stock.

(a) Upon the occurrence of a Change of Control, each holder of Series C Preferred Stock shall have the right (unless, prior to the Change of Control Conversion Date, the Corporation has provided notice of its election to redeem some or all of the shares of Series C Preferred Stock held by such holder pursuant to Section 5, in which case such holder will have the right only with respect to shares of Series C Preferred Stock that are not called for redemption) to convert each of the Series C Preferred Stock held by such holder (the “**Change of Control Conversion Right**”) on the Change of Control Conversion Date into a number of shares of Class A Common Stock (the “**Common Stock Conversion Consideration**”) equal to the lesser of: (i) the quotient obtained by dividing (x) the sum of the Liquidation Preference per share of Series C Preferred Stock plus the amount of any accrued and unpaid dividends thereon to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a Dividend Payment Record Date and prior to the corresponding Dividend Payment Date for the Series C Preferred Stock, in which case no additional amount for such accrued and unpaid dividends shall be included in this sum) by (y) the Common Stock Price (as defined below) (such quotient, the “**Conversion Rate**”); and (ii) 8.4585 (the “**Share Cap**”), subject to adjustments provided in Section 7(b) below.

(b) The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a distribution of Class A Common Stock to existing holders of Class A Common Stock), subdivisions or combinations (in each case, a “**Share Split**”) with respect to Class A Common Stock as follows: the adjusted Share Cap as the result of a Share Split will be the number of shares of Class A Common Stock that is equivalent to the product obtained by multiplying (i) the Share Cap in effect immediately prior to such Share Split by (ii) a fraction, the numerator of which is the number of shares of Class A Common Stock outstanding immediately after giving effect to such Share Split and the denominator of which is the number of shares of Class A Common Stock outstanding immediately prior to such Share Split. For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of shares of Class A Common Stock (or equivalent Alternative Conversion Consideration (as defined below), as applicable) issuable or deliverable, as applicable, in connection with the exercise of the Change of Control Conversion Right shall not exceed the product of the Share Cap times the aggregate number of shares of the Series C Preferred Stock issued and outstanding at the Change of Control Conversion Date (or equivalent Alternative Conversion Consideration, as applicable) (the “**Exchange Cap**”). The Exchange Cap is subject to pro rata adjustments for any Share Splits on the same basis as the corresponding adjustment to the Share Cap.

(c) The “**Change of Control Conversion Date**” is the date the Series C Preferred Stock is to be converted, which shall be a Business Day selected by the Corporation that is no fewer than 20 days nor more than 35 days after the date on which it provides the notice described in Section 7(h) to the holders of Series C Preferred Stock.

(d) The “**Common Stock Price**” is (i) if the consideration to be received in the Change of Control by the holders of Class A Common Stock is solely cash, the amount of cash consideration per share of Class A Common Stock or (ii) if the consideration to be received in the Change of Control by holders of Class A Common Stock is other than solely cash (x) the average of the closing sale prices per share of Class A Common Stock (or, if no closing sale price is reported, the average of the closing bid and ask prices per share or, if more than one in either case, the average of the average closing bid and the average closing ask prices per share) for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred as reported on the principal U.S. securities exchange on which Class A Common Stock is then traded, or (y) the average of the last quoted bid prices for Class A Common Stock in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred, if Class A Common Stock is not then listed for trading on a U.S. securities exchange.

(e) In the case of a Change of Control pursuant to which Class A Common Stock is or will be converted into cash, securities or other property or assets (including any combination thereof) (the “**Alternative Form Consideration**”), a holder of Series C Preferred Stock shall receive upon conversion of such Series C Preferred Stock the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of shares of Class A Common Stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the

Change of Control (the “**Alternative Conversion Consideration**”; the Common Stock Conversion Consideration or the Alternative Conversion Consideration, whichever shall be applicable to a Change of Control, is referred to as the “**Conversion Consideration**”).

(f) If the holders of Class A Common Stock have the opportunity to elect the form of consideration to be received in the Change of Control, the Conversion Consideration in respect of such Change of Control shall be deemed to be the kind and amount of consideration actually received by holders of a majority of the outstanding shares of Class A Common Stock that made or voted for such an election (if electing between two types of consideration) or holders of a plurality of the outstanding shares of Class A Common Stock that made or voted for such an election (if electing between more than two types of consideration), as the case may be, and shall be subject to any limitations to which all holders of Class A Common Stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in such Change of Control.

(g) No fractional shares of Class A Common Stock shall be issued upon the conversion of the Series C Preferred Stock in connection with a Change of Control. Instead, holders shall be entitled to receive the cash value of such fractional shares based upon the Common Stock Price used in determining the Common Stock Conversion Consideration for such Change of Control.

(h) Within 15 days following the occurrence of a Change of Control, provided that the Corporation has not then exercised its right to redeem all shares of Series C Preferred Stock pursuant to Section 5, the Corporation shall provide to holders of Series C Preferred Stock a notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right, which notice shall be delivered to the holders of record of the shares of the Series C Preferred Stock in their addresses as they appear on the stock transfer records of the Corporation and shall state: (i) the events constituting the Change of Control; (ii) the date of the Change of Control; (iii) the last date on which the holders of Series C Preferred Stock may exercise their Change of Control Conversion Right; (iv) the method and period for calculating the Common Stock Price; (v) the Change of Control Conversion Date; (vi) that if, prior to the Change of Control Conversion Date, the Corporation has provided notice of its election to redeem all or any shares of Series C Preferred Stock, holders will not be able to convert the shares of Series C Preferred Stock called for redemption and such shares will be redeemed on the related Redemption Date, even if such shares have already been tendered for conversion pursuant to the Change of Control Conversion Right; (vii) if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Series C Preferred Stock; (viii) the name and address of the paying agent, transfer agent and conversion agent for the Series C Preferred Stock; (ix) the procedures that the holders of Series C Preferred Stock must follow to exercise the Change of Control Conversion Right (including procedures for surrendering shares for conversion through the facilities of a Depositary (as defined below)), including the form of conversion notice to be delivered by such holders as described below; and (x) the last date on which holders of Series C Preferred Stock may withdraw shares surrendered for conversion and the procedures that such holders must follow to effect such a withdrawal.

(i) The Corporation shall also issue a press release containing such notice provided for in Section 7(h) for publication on Dow Jones & Company, Inc., Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), and post a notice on its website, in any event prior to the opening of business on the first Business Day following any date on which it provides the notice provided for in Section 7(h) to the holders of Series C Preferred Stock.

(j) To exercise the Change of Control Conversion Right, the holders of Series C Preferred Stock shall be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificate(s), if any, representing the shares of Series C Preferred Stock to be converted, duly endorsed for transfer (or, in the case of any shares of Series C Preferred Stock held in book-entry form through a Depositary, to deliver, on or before the close of business on the Change of Control Conversion Date, the shares of Series C Preferred Stock to be converted through the facilities of such Depositary), together with a written conversion notice in the form provided by the Corporation, duly completed, to its transfer agent. The conversion notice must state: (i) the relevant Change of Control Conversion Date; (ii) the number of shares of Series C Preferred

Stock to be converted; and (iii) that the Series C Preferred Stock is to be converted pursuant to the applicable provisions of the Series C Preferred Stock.

(k) Holders of Series C Preferred Stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to the transfer agent of the Corporation prior to the close of business on the Business Day prior to the Change of Control Conversion Date. The notice of withdrawal delivered by any holder must state: (i) the number of withdrawn shares of Series C Preferred Stock; (ii) if certificated shares of Series C Preferred Stock have been surrendered for conversion, the certificate numbers of the withdrawn shares of Series C Preferred Stock; and (iii) the number of shares of Series C Preferred Stock, if any, which remain subject to the holder's conversion notice.

(l) Notwithstanding anything to the contrary contained in Sections 7(j) and (k), if any shares of Series C Preferred Stock are held in book-entry form through The Depository Trust Company (“**DTC**”) or a similar depository (each, a “**Depository**”), the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures, if any, of the applicable Depository.

(m) Series C Preferred Stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless prior to the Change of Control Conversion Date the Corporation has provided notice of its election to redeem some or all of the shares of Series C Preferred Stock pursuant to Section 5, in which case only the shares of Series C Preferred Stock properly surrendered for conversion and not properly withdrawn that are not called for redemption will be converted as aforesaid. If the Corporation elects to redeem shares of Series C Preferred Stock that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such shares of Series C Preferred Stock shall not be so converted and the holders of such shares shall be entitled to receive on the applicable Redemption Date the Redemption Price as provided in Section 5.

(n) The Corporation shall deliver all securities, cash and any other property owing upon conversion no later than the third Business Day following the Change of Control Conversion Date. Notwithstanding the foregoing, the persons entitled to receive any shares of Class A Common Stock or other securities delivered on conversion will be deemed to have become the holders of record thereof as of the Change of Control Conversion Date.

(o) Notwithstanding any other provision of the Series C Preferred Stock, no holder of Series C Preferred Stock shall be entitled to convert such Series C Preferred Stock into shares of Class A Common Stock or the Alternative Conversion Consideration, as the case may be, to the extent that receipt of such Class A Common Stock or the Alternative Conversion Consideration would cause such holder (or any other person) to exceed the applicable share ownership limitations contained in the Charter or this Articles Supplementary or the governing document of the surviving entity, as the case may be, unless the Corporation provides an exemption from this limitation to such holder pursuant to the Charter and this Articles Supplementary or the governing document of the surviving entity.

(p) Notwithstanding anything to the contrary herein and except as otherwise required by law, the persons who are the holders of record of shares of Series C Preferred Stock at the close of business on a Dividend Payment Record Date shall be entitled to receive the dividend payable on the corresponding Dividend Payment Date notwithstanding the conversion of those shares after such Dividend Record Date and on or prior to such Dividend Payment Date and, in such case, the full amount of such dividend shall be paid on such Dividend Payment Date to the persons who were the holders of record at the close of business on such Dividend Record Date. Except as provided in this Section 7(p), the Corporation shall make no allowance for unpaid dividends that are not in arrears on the shares of Series C Preferred Stock to be converted.

Section 8. Permissible Distributions. In determining whether a distribution (other than upon liquidation, dissolution or winding up), whether by dividend, or upon redemption or other acquisition of shares or otherwise, is permitted under Maryland law, amounts that would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of shares of any class or series of stock

whose preferential rights upon dissolution are superior or prior to those receiving the distribution shall not be added to the Corporation's total liabilities.

Section 9. Ranking. Any class or series of stock of the Corporation shall be deemed to rank:

(a) prior to the Series C Preferred Stock, as to the payment of dividends or as to distribution of assets upon liquidation, dissolution or winding up, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of Series C Preferred Stock;

(b) on a parity with the Series C Preferred Stock, as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the Series C Preferred Stock, if the holders of such class or series and the Series C Preferred Stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation preferences, without preference or priority one over the other; and

(c) junior to the Series C Preferred Stock, as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up, if such class or series of stock shall be Common Stock or if the holders of Series C Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of such class or series, and such class or series shall not in either case rank prior to the Series C Preferred Stock ("**Junior Shares**").

As of the date hereof, 2,900,000 authorized shares of Series A Preferred Stock, 14,900,000 authorized shares of Series B Preferred Stock, 8,050,000 authorized shares of Series D Preferred Stock, 10,350,000 authorized shares of Series E Preferred Stock, 10,400,000 authorized shares of Series F Preferred Stock, 3,450,000 authorized shares of Series G Preferred Stock and 11,500,000 authorized shares of Series H Preferred Stock rank on a parity with the Series C Preferred Stock as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up.

Section 10. Voting. Except as otherwise set forth herein, the Series C Preferred Stock shall not have any relative, participating, optional or other voting rights or powers, and the consent of the holders thereof shall not be required for the taking of any corporate action.

If and whenever six quarterly dividends (whether or not consecutive) payable on the Series C Preferred Stock shall be in arrears (which shall, with respect to any such quarterly dividend, mean that any such dividend has not been paid in full), whether or not earned or declared, the number of directors then constituting the Board of Directors shall be increased by two and the holders of Series C Preferred Stock, together with the holders of shares of every series or class of Dividend Parity Stock having like voting rights (shares of any such series or class, including the Series A Preferred Stock, the Series B Preferred Stock, the Series D Preferred Stock, the Series E Preferred Stock, the Series F Preferred Stock, the Series G Preferred Stock and the Series H Preferred Stock, the "**Voting Preferred Shares**"), voting as a single class regardless of series, shall be entitled to elect two additional directors (the "**Preferred Directors**") to serve on the Board of Directors at any annual meeting of stockholders or special meeting held in place thereof, or at a special meeting of the holders of Series C Preferred Stock and the Voting Preferred Shares called as hereinafter provided. For the avoidance of doubt, in the election of both Preferred Directors, any outstanding shares of Series C Preferred Stock, Series A Preferred Stock, Series B Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock, Series G Preferred Stock, Series H Preferred Stock and other Voting Preferred Shares shall vote together as a class, and the affirmative vote of a plurality of the votes cast by holders of outstanding shares of Series C Preferred Stock, Series A Preferred Stock, Series B Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock, Series G Preferred Stock, Series H Preferred Stock and other Voting Preferred Shares shall be required to elect a Preferred Director. Whenever all arrears in dividends on the Series C Preferred Stock and the Voting Preferred Shares then outstanding shall have been paid and full dividends thereon for the current quarterly dividend period shall have been paid or declared and set apart for payment, then the right of the holders of the Series

C Preferred Stock and the Voting Preferred Shares to elect such two additional directors shall cease (but subject always to the same provision for the vesting of such voting rights in the case of any similar future arrearages in six quarterly dividends), and the terms of office of the persons elected as director, by the holders of the Series C Preferred Stock and the Voting Preferred Shares shall forthwith terminate and the number of directors constituting the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the holders of shares of Series C Preferred Stock and the Voting Preferred Shares, the Secretary of the Corporation may, and upon the written request of any holder of Series C Preferred Stock (addressed to the Secretary at the principal office of the Corporation) shall, call a special meeting of the holders of the Series C Preferred Stock and of the Voting Preferred Shares for the election of the directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the Bylaws of the Corporation for a special meeting of the stockholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the Secretary within 20 days after receipt of such request, then any holder of Series C Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books of the Corporation. The directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders or special meeting held in lieu thereof, and until their successors are duly elected and qualify, and if such office shall not have previously terminated as above provided. If any vacancy shall occur among the directors elected by the holders of the Series C Preferred Stock and the Voting Preferred Shares, a successor shall be elected by the Board of Directors to serve until the next annual meeting of the stockholders or special meeting held in place thereof, and until their successors are duly elected and qualify, and if such office shall not have previously terminated as provided above. In no event shall the holders of Series C Preferred Stock be entitled pursuant to this Section 10 to elect a director that would cause the Corporation to fail to satisfy a requirement relating to director independence of any national securities exchange on which any class or series of the Corporation's stock is listed.

So long as any shares of Series C Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by the Charter, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of Series C Preferred Stock and the Voting Preferred Shares, at the time outstanding, voting as a single class regardless of series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(a) Any amendment, alteration or repeal of any of the provisions of the Charter or these Articles Supplementary (whether by merger, consolidation or otherwise) that materially and adversely affects the voting powers, rights or preferences of the holders of the Series C Preferred Stock or the Voting Preferred Shares; provided, however, that (i) the amendment of the provisions of the Charter so as to authorize or create or to increase the authorized amount of, any Junior Shares or any shares of any class or series ranking on a parity with the Series C Preferred Stock as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up or the Voting Preferred Shares (including any amendment to increase the amount of authorized shares of Series C Preferred Stock) shall not be deemed to materially adversely affect the voting powers, rights or preferences of the holders of Series C Preferred Stock and (ii) any filing with the State Department of Assessments and Taxation of Maryland by the Corporation including in connection with a merger, consolidation or otherwise, shall not be deemed to be an amendment, alteration or repeal of any of the provisions of the Charter or these Articles Supplementary that materially and adversely affects the voting powers, rights or preferences of the holders of the Series C Preferred Stock, provided that: (1) the Corporation is the surviving entity and the Series C Preferred Stock remain outstanding with the terms thereof materially unchanged in any respect adverse to the holders thereof; or (2) the resulting, surviving or transferee entity is organized under the laws of any state and substitutes or exchanges the Series C Preferred Stock for other preferred stock, shares or other equity interests having preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption thereof that are substantially similar to that of the Series C Preferred Stock (except for changes that do not materially and adversely affect the holders of Series C Preferred Stock); and *provided further*, that if any such amendment, alteration or repeal would materially and adversely affect any voting powers, rights or preferences of the Series C Preferred Stock or one or more but not all series of Voting Preferred Shares at the time outstanding, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of all series similarly affected, at the time outstanding, voting as a single class regardless of series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be required in lieu of the

affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of the Series C Preferred Stock and the Voting Preferred Shares otherwise entitled to vote in accordance herewith; or

(b) The authorization or creation of, or the increase in the authorized amount of, any shares of any class or series or any security convertible into shares of any class or series ranking prior to the Series C Preferred Stock in the distribution on any liquidation, dissolution or winding up of the Corporation or in the payment of dividends; provided, however, that, in the case of each of subparagraphs (a) and (b), no such vote of the holders of Series C Preferred Stock or Voting Preferred Shares, as the case may be, shall be required if, at or prior to the time when such amendment, alteration or repeal is to take effect, or when the issuance of any such prior shares or convertible security is to be made, as the case may be, provision is made for the redemption of all Series C Preferred Stock or Voting Preferred Shares, as the case may be, at the time outstanding in accordance with Section 5 hereof or, in the case of a merger, consolidation or otherwise, regardless of the date of the transaction, the holders of the Series C Preferred Stock receive in the transaction their liquidation preference plus accrued and unpaid dividends.

For purposes of determining the voting rights of the holders of the Series C Preferred Stock under this Section 10, each holder will be entitled to one vote for each Liquidation Preference per share with respect to shares of the Series C Preferred Stock held by such holder. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of the Series C Preferred Stock and any Voting Preferred Shares has been cast or given on any matter on which the holders of shares of the Series C Preferred Stock are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

Section 11. Information Rights. During any period in which the Corporation is not subject to Section 13 or 15(d) of the Securities Exchange Act and any shares of Series C Preferred Stock are outstanding, the Corporation will (i) transmit by mail to all holders of Series C Preferred Stock, as their names and addresses appear in the Corporation's record books and without cost to such holders, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act and (ii) promptly, upon request, supply copies of such reports to any prospective holder of Series C Preferred Stock. The Corporation will mail the information to the holders of Series C Preferred Stock within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the Securities and Exchange Commission if the Corporation were subject to Section 13 or 15(d) of the Securities Exchange Act.

Section 12. Record Holders. The Corporation and the Transfer Agent may deem and treat the record holder of any Series C Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

Section 13. Restrictions on Ownership and Transfer. The Series C Preferred Stock constitutes Preferred Stock, and Preferred Stock constitutes Capital Stock of the Corporation. Therefore, the Series C Preferred Stock, being Capital Stock, is governed by and issued subject to all the limitations, terms and conditions of the Charter applicable to Capital Stock generally, including but not limited to the terms and conditions (including exceptions and exemptions) of Article VII of the Charter applicable to Capital Stock. The foregoing sentence shall not be construed to limit the applicability to the Series C Preferred Stock of any other term or provision of the Charter.

EXHIBIT D
SERIES D PREFERRED STOCK

Under a power contained in the charter (the “**Charter**”) of Colony NorthStar, Inc., a Maryland corporation (the “**Corporation**”), the Board of Directors of the Corporation, classified and designated 8,050,000 shares (the “**Shares**”) of the Preferred Stock (as defined in the Charter), as shares of 8.500% Series D Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share (the “**Series D Preferred Stock**”), with the following preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption set forth below, which upon any restatement of the Charter, shall be deemed to be part of Article VI of the Charter, with any necessary or appropriate changes to the enumeration or lettering of sections or subsections hereof:

8.500% Series D Cumulative Redeemable Perpetual Preferred Stock

Section 1. Number of Shares and Designation. This series of Preferred Stock shall be designated as 8.500% Series D Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share (the “**Series D Preferred Stock**”), and 8,050,000 shall be the number of shares of Preferred Stock constituting such series.

Section 2. Definitions. For purposes of the Series D Preferred Stock, the following terms shall have the meanings indicated:

“**Alternative Conversion Consideration**” shall have the meaning set forth in paragraph (e) of Section 7 hereof.

“**Alternative Form Consideration**” shall have the meaning set forth in paragraph (e) of Section 7 hereof.

“**Annual Dividend Rate**” shall have the meaning set forth in paragraph (a) of Section 3 hereof.

“**Board of Directors**” shall mean the Board of Directors of the Corporation or any committee authorized by such Board of Directors to perform any of its responsibilities with respect to the Series D Preferred Stock.

“**Business Day**” shall mean any day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

“**Change of Control Conversion Date**” shall have the meaning set forth in paragraph (c) of Section 7 hereof.

“**Change of Control Conversion Right**” shall have the meaning set forth in paragraph (a) of Section 7 hereof.

“**Change of Control**” shall have the meaning set forth in paragraph (a) of Section 5 hereof.

“**Charter**” shall mean the charter of the Corporation.

“**Class A Common Stock**” shall mean the Class A Common Stock of the Corporation, par value \$.01 per share.

“**Common Stock**” shall mean, collectively, the Class A Common Stock, the Class B Common Stock of the Corporation, par value \$.01 per share, and the Performance Common Stock of the Corporation, par value \$.01 per share.

“**Common Stock Conversion Consideration**” shall have the meaning set forth in paragraph (a) of Section 7 hereof.

“**Common Stock Price**” shall have the meaning set forth in paragraph (d) of Section 7 hereof.

“**Conversion Consideration**” shall have the meaning set forth in paragraph (e) of Section 7 hereof.

“**Conversion Rate**” shall have the meaning set forth in paragraph (a) of Section 7 hereof.

“**Depository**” shall have the meaning set forth in paragraph (l) of Section 7 hereof.

“**Dividend Parity Stock**” shall have the meaning set forth in paragraph (c) of Section 3 hereof.

“Dividend Payment Date” shall mean February 15, May 15, August 15 and November 15, of each year, commencing on or about February 15, 2017; provided, however, that if any Dividend Payment Date falls on any day other than a Business Day, the dividend payment due on such Dividend Payment Date shall instead be paid on the first Business Day immediately following such Dividend Payment Date without any adjustment to the amount of the dividend due on that Dividend Payment Date on account of such delay.

“Dividend Payment Record Date” shall have the meaning set forth in paragraph (a) of Section 3 hereof.

“Dividend Period” shall mean a quarterly dividend period commencing on, and including, a Dividend Payment Date and ending on, but excluding, the next succeeding Dividend Payment Date (other than the initial Dividend Period with respect to each share of Series D Preferred Stock, which, (i) for shares of Series D Preferred Stock issued prior to January 11, 2017, shall commence on, and include, November 15, 2016 and end on, but exclude, the first Dividend Payment Date; and (ii) for shares of Series D Preferred Stock issued on or after January 11, 2017, shall commence on, and include, the Dividend Payment Date with respect to which dividends were actually paid on Series D Preferred Stock that were outstanding immediately preceding the issuance of such Series D Preferred Stock and end on, but exclude, the next succeeding Dividend Payment Date).

“DTC” shall have the meaning set forth in paragraph (l) of Section 7 hereof.

“Exchange Cap” shall have the meaning set forth in paragraph (b) of Section 7 hereof.

“Junior Shares” shall mean the Common Stock and any other class or series of stock of the Corporation constituting junior shares of stock within the meaning set forth in paragraph (c) of Section 9 hereof.

“Liquidation Preference” shall have the meaning set forth in paragraph (a) of Section 4 hereof.

“Person” shall mean any individual, firm, partnership, corporation, limited liability company or other entity, and shall include any successor (by merger or otherwise) of such entity.

“Preferred Directors” shall have the meaning set forth in Section 10 hereof.

“Redemption Date” shall have the meaning set forth in paragraph (c) of Section 5 hereof.

“Redemption Price” shall have the meaning set forth in paragraph (a) of Section 5 hereof.

“Securities Exchange Act” shall have the meaning set forth in paragraph (a) of Section 5 hereof.

“Series A Preferred Stock” shall mean the 8.75% Series A Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series B Preferred Stock” shall mean the 8.25% Series B Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series C Preferred Stock” shall mean the 8.875% Series C Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series D Preferred Stock” shall have the meaning set forth in Section 1 hereof.

“Series E Preferred Stock” shall mean the 8.75% Series E Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series F Preferred Stock” shall mean the 8.50% Series F Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series G Preferred Stock” shall mean the 7.50% Series G Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series H Preferred Stock” shall mean the 7.125% Series H Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Set apart for payment” shall be deemed to include, without any action other than the following, the recording by the Corporation in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to a

declaration of a dividend or other distribution by the Board of Directors, the allocation of funds to be so paid on any series or class of shares of stock of the Corporation.

“**Share Cap**” shall have the meaning set forth in paragraph (a) of Section 7 hereof.

“**Share Split**” shall have the meaning set forth in paragraph (b) of Section 7 hereof.

“**Transfer Agent**” means American Stock Transfer & Trust Company, New York, New York, or such other agent or agents of the Corporation as may be designated by the Board of Directors or its designee as the transfer agent for the Series D Preferred Stock.

“**Voting Preferred Shares**” shall have the meaning set forth in Section 10 hereof.

“**Voting Stock**” shall have the meaning set forth in paragraph (a) of Section 5 hereof.

Section 3. Dividends. (a) The holders of Series D Preferred Stock shall be entitled to receive, when, as and if authorized by the Board of Directors and declared by the Corporation out of assets legally available for that purpose, dividends payable in cash at the rate per annum of \$2.125 per share of Series D Preferred Stock (the “**Annual Dividend Rate**”) (equivalent to a rate of 8.500% of the Liquidation Preference per annum). Such dividends with respect to each share of Series D Preferred Stock issued prior to January 11, 2017 shall be cumulative from, and including, November 15, 2016 and with respect to each share of Series D Preferred Stock issued on or after January 11, 2017 shall be cumulative from, and including, the Dividend Payment Date with respect to which dividends were actually paid on shares of Series D Preferred Stock that were outstanding immediately preceding the issuance of such shares of Series D Preferred Stock, whether or not in any Dividend Period or Periods there shall be assets of the Corporation legally available for the payment of such dividends, and shall be payable quarterly, when, as and if authorized by the Board of Directors and declared by the Corporation, in arrears on Dividend Payment Dates, commencing with respect to each share of Series D Preferred Stock on the first Dividend Payment Date following issuance of such shares of Series D Preferred Stock. Dividends are cumulative from the most recent Dividend Payment Date to which dividends have been paid, whether or not in any Dividend Period or Periods there shall be assets legally available therefor. Each such dividend shall be payable in arrears to the holders of record of the Series D Preferred Stock, as they appear on the share records of the Corporation at the close of business on such record dates, not more than 30 days preceding the applicable Dividend Payment Date (the “**Dividend Payment Record Date**”), as shall be fixed by the Board of Directors. Accrued and unpaid dividends for any past Dividend Periods may be authorized and declared and paid at any time, without reference to any regular Dividend Payment Date, to holders of record on such date, not exceeding 30 days preceding the payment date thereof, as may be fixed by the Board of Directors.

(b) The amount of dividends payable for each full Dividend Period for the Series D Preferred Stock shall be computed by dividing the Annual Dividend Rate by four. The amount of dividends payable for the initial Dividend Period, or any other period shorter or longer than a full Dividend Period, on the Series D Preferred Stock shall be computed on the basis of twelve 30-day months and a 360-day year. Holders of Series D Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of cumulative dividends, as herein provided, on the Series D Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series D Preferred Stock that may be in arrears.

(c) So long as any shares of Series D Preferred Stock are outstanding, no dividends, except as described in the immediately following sentence, shall be authorized and declared or paid or set apart for payment on any series or class or classes of capital stock of the Corporation ranking on a parity with the Series D Preferred Stock as to payment of dividends (“**Dividend Parity Stock**”) for any period unless full cumulative dividends have been or contemporaneously are authorized, declared and paid or authorized, declared and a sum sufficient for the payment thereof set apart for such payment on the Series D Preferred Stock for all past Dividend Periods. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends authorized and declared upon Series D Preferred Stock and all dividends authorized and declared upon any series or class or classes of Dividend Parity Stock shall be authorized and declared ratably in proportion to the respective amounts of dividends accrued and unpaid on the Series D Preferred Stock and such Dividend Parity Stock.

(d) So long as any shares of Series D Preferred Stock are outstanding, no dividends (other than dividends or distributions paid solely in shares of, or options, warrants or rights to subscribe for or purchase shares of, Junior Shares) shall be authorized and declared or paid or set apart for payment or other distribution authorized and declared or made upon Junior Shares, nor shall any Junior Shares be redeemed, purchased or otherwise acquired (other than (i) a redemption, purchase or other acquisition of Common Stock made for purposes of and in compliance with requirements of an employee incentive or benefit plan of the Corporation or any subsidiary, (ii) pursuant to Article VII of the Charter, (iii) as a result of a reclassification of such Junior Shares for or into other Junior Shares, or (iv) the purchase of fractional interests in Junior Shares pursuant to the conversion or exchange provisions of any securities convertible into or exchangeable for such Junior Shares), for any consideration (or any monies to be paid to or made available for a sinking fund for the redemption of any such shares) by the Corporation, directly or indirectly (except by conversion into or exchange for Junior Shares), unless in each case the full cumulative dividends on all outstanding Series D Preferred Stock and any Dividend Parity Stock of the Corporation shall have been paid or set apart for payment for all past Dividend Periods with respect to the Series D Preferred Stock and all past dividend periods with respect to such Dividend Parity Stock.

Section 4. Liquidation Preference. (a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Junior Shares, the holders of Series D Preferred Stock shall be entitled to receive \$25.00 per share of the Series D Preferred Stock (the "**Liquidation Preference**") plus an amount equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution to such holder; but such holders of Series D Preferred Stock shall not be entitled to any further payment. If, upon any such liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of Series D Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other capital stock of the Corporation ranking on a parity with the Series D Preferred Stock as to such distribution, then such assets, or the proceeds thereof, shall be distributed among the holders of such Series D Preferred Stock and any such other stock ratably in accordance with the respective amounts that would be payable on such Series D Preferred Stock and any such other stock if all amounts payable thereon were paid in full. For the purposes of this Section 4, (i) a consolidation or merger of the Corporation with one or more entities, (ii) a statutory share exchange and (iii) a sale or transfer of all or substantially all of the Corporation's assets shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Subject to the rights of the holders of shares of any series or class or classes of shares of stock ranking on a parity with or prior to the Series D Preferred Stock upon liquidation, dissolution or winding up, upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of the Series D Preferred Stock, as provided in this Section 4, any series or class or classes of Junior Shares shall, subject to any respective terms and provisions applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series D Preferred Stock shall not be entitled to share therein.

Section 5. Redemption at the Option of the Corporation.

(a) Notwithstanding anything to the contrary contained in Section 7(a), upon the occurrence of a Change of Control, the Corporation may, at its option, upon not less than 30 nor more than 90 days' written notice, redeem the Series D Preferred Stock, in whole, at any time, or in part, from time to time, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends thereon (whether or not declared) to, but not including, the date fixed for redemption (the "**Redemption Price**"); provided that, if the Redemption Date is after a Dividend Payment Record Date and prior to the corresponding Dividend Payment Date, no additional amount for such accrued and unpaid dividend will be included in the Redemption Price and the dividend payments on such Dividend Payment Date shall be made pursuant to Section 5(d). If, prior to the Change of Control Conversion Date, the Corporation has provided notice of its election to redeem some or all of the shares of Series D Preferred Stock pursuant to this Section 5, the holders of Series D Preferred Stock will not have the Change of Control Conversion Right (as hereinafter defined) with respect to the shares called for redemption. If the Corporation elects to redeem any shares of Series D Preferred Stock as described in this Section 5(a), it may

use any available cash to pay the Redemption Price, and it will not be required to pay the Redemption Price only out of the proceeds from the issuance of other equity securities or any other specific source. A **“Change of Control”** shall be deemed to have occurred at such time as (i) (A) the date a “person”, including any syndicate or group deemed to be a person within the meaning of Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the **“Securities Exchange Act”**) becomes the ultimate “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act, except that a person or group shall be deemed to have beneficial ownership of all shares of voting stock that such person or group has the right to acquire regardless of when such right is first exercisable), directly or indirectly, of voting stock representing more than 50% of the total voting power of the total voting stock of the Corporation; or (B) the date of the consummation of a merger or share exchange of the Corporation with another entity where the Corporation’s stockholders immediately prior to the merger or share exchange would not beneficially own, immediately after the merger or share exchange, shares representing 50% or more of all votes (without consideration of the rights of any class of stock to elect directors by a separate group vote) to which all stockholders of the corporation issuing cash or securities in the merger or share exchange would be entitled in the election of directors, or where members of the Board of Directors immediately prior to the merger or share exchange would not immediately after the merger or share exchange constitute a majority of the board of directors of the corporation issuing cash or securities in the merger or share exchange, and (ii) following the closing of any transaction referred to in clause (i), neither the Corporation nor the acquiring or surviving entity has a class of common equity securities (or American Depositary Receipts representing such securities) listed on the New York Stock Exchange, the NYSE MKT or the NASDAQ Stock Market, or listed or quoted on an exchange or quotation system that is a successor to any such securities exchange. **“Voting Stock”** shall mean stock of any class or kind having the power to vote generally in the election of directors. Any redemption pursuant to this Section 5(a) shall follow generally the procedures set forth in the second paragraph of Section 5(c).

(b) Except as otherwise permitted by the Charter and paragraph (a) above, the Series D Preferred Stock shall not be redeemable by the Corporation prior to April 10, 2018. On and after April 10, 2018, the Corporation, at its option, may redeem the shares of Series D Preferred Stock, in whole or in part, as set forth herein, subject to the provisions described below.

(c) On and after April 10, 2018, the Series D Preferred Stock shall be redeemable at the option of the Corporation, in whole or in part, at any time or from time to time, at the Redemption Price. Each date on which Series D Preferred Stock are to be redeemed (a **“Redemption Date”**) shall be selected by the Corporation, shall be specified in the notice of redemption and shall not be less than 30 days or more than 90 days after the date on which the Corporation gives, or causes to be given, notice of redemption by mail pursuant to the next paragraph.

A notice of redemption (which may be contingent on the occurrence of a future event) shall be mailed, postage prepaid, not less than 30 nor more than 90 days prior to the Redemption Date, addressed to the respective holders of record of the Series D Preferred Stock at their respective addresses as they appear on the Corporation’s share transfer records. A failure to give such notice or any defect in the notice or in its mailing shall not affect the validity of the proceedings for the redemption of any Series D Preferred Stock except as to the holder to whom notice was defective or not given (unless such a holder elects to tender such holder’s shares). Each notice shall state: (i) the Redemption Date; (ii) the Redemption Price; (iii) the number of shares of Series D Preferred Stock to be redeemed and, if fewer than all the shares of Series D Preferred Stock held by such holder are to be redeemed, the number of such shares of Series D Preferred Stock to be redeemed from such holder; (iv) the place or places where the certificates representing the shares of Series D Preferred Stock are to be surrendered for payment of the Redemption Price, if any of such shares are certificated; (v) that distributions on the shares to be redeemed will cease to accrue on such Redemption Date except as otherwise provided herein; and (vi) if such redemption is being made in connection with a Change of Control, that the holders of the shares of Series D Preferred Stock being so called for redemption will not be able to tender such shares of Series D Preferred Stock for conversion in connection with the Change of Control and that each share of Series D Preferred Stock tendered for conversion that is called, prior to the Change of Control Conversion Date (as defined below), for redemption will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date. Notwithstanding the foregoing, no notice of redemption will be required where the

Corporation elects to redeem Series D Preferred Stock pursuant to Section 5(b) and Article VII of the Charter to preserve its REIT qualification for federal income tax purposes.

(d) If the Redemption Date falls after a Dividend Payment Record Date and prior to the corresponding Dividend Payment Date, then each holder of Series D Preferred Stock at the close of business on such Dividend Payment Record Date shall be entitled to the dividend payable on such Series D Preferred Stock on the corresponding Dividend Payment Date notwithstanding the redemption of such Series D Preferred Stock before such Dividend Payment Date. Except as provided in calculating the Redemption Price and in this Section 5(d), the Corporation shall make no payment or allowance for unpaid dividends, whether or not in arrears, on Series D Preferred Stock called for redemption.

(e) If full cumulative dividends for all past dividend periods on the Series D Preferred Stock and any series or class or classes of Dividend Parity Stock of the Corporation have not been paid or declared and set apart for payment, except as otherwise permitted under the Charter, the Series D Preferred Stock may not be redeemed in part and the Corporation may not purchase, redeem or otherwise acquire Series D Preferred Stock or any capital stock of the Corporation ranking on a parity with the Series D Preferred Stock as to payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up, other than in exchange for Junior Shares.

(f) Notice having been mailed as aforesaid, from and after the Redemption Date (unless the Corporation shall fail to make available the amount of cash necessary to effect such redemption), (i) except as otherwise provided herein, dividends on the shares of Series D Preferred Stock so called for redemption shall cease to accrue, (ii) said shares shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as holders of Series D Preferred Stock of the Corporation shall cease (except the rights to receive the cash payable upon such redemption, without interest thereon, upon surrender and endorsement of their certificates if so required and to receive any dividends payable thereon). The Corporation's obligation to provide cash in accordance with the preceding sentence shall be deemed fulfilled if, on or before the Redemption Date, the Corporation shall deposit with a bank or trust company (which may be an affiliate of the Corporation) that has an office in the Borough of Manhattan, City of New York, or in Baltimore, Maryland and that has, or is an affiliate of a bank or trust company that has, a capital and surplus of at least \$50,000,000, the cash necessary for such redemption, in trust, with irrevocable instructions that such cash be applied to the redemption of the Series D Preferred Stock so called for redemption. No interest shall accrue for the benefit of the holder of Series D Preferred Stock to be redeemed on any cash so set aside by the Corporation. Subject to applicable escheat laws, any such cash unclaimed at the end of two years from the Redemption Date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of such cash.

As promptly as practicable after the surrender in accordance with said notice of the certificates for any such shares of Series D Preferred Stock so redeemed (properly endorsed or assigned for transfer, if the Corporation shall so require and if the notice shall so state), such shares of Series D Preferred Stock shall be exchanged for the cash (without interest thereon) for which such shares of Series D Preferred Stock have been redeemed. If fewer than all of the outstanding shares of Series D Preferred Stock are to be redeemed, the shares of Series D Preferred Stock to be redeemed shall be selected by the Corporation from the outstanding shares of Series D Preferred Stock not previously called for redemption by lot or pro rata (as nearly as may be) or by any other method determined by the Corporation in its sole discretion to be equitable. If fewer than all the shares of Series D Preferred Stock represented by any certificate are redeemed, then new certificates representing the unredeemed shares of Series D Preferred Stock shall be issued without cost to the holder thereof.

Section 6. Reacquired Shares to Be Retired. All shares of Series D Preferred Stock that have been issued and reacquired in any manner by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series.

Section 7. Conversion Rights. Except as provided in this Section 7, the Series D Preferred Stock are not convertible into or exchangeable for any other property or securities of the Corporation at the option of any holder of Series D Preferred Stock.

(a) Upon the occurrence of a Change of Control, each holder of Series D Preferred Stock shall have the right (unless, prior to the Change of Control Conversion Date, the Corporation has provided notice of its election to redeem some or all of the shares of Series D Preferred Stock held by such holder pursuant to Section 5, in which case such holder will have the right only with respect to shares of Series D Preferred Stock that are not called for redemption) to convert each of the Series D Preferred Stock held by such holder (the “**Change of Control Conversion Right**”) on the Change of Control Conversion Date into a number of shares of Class A Common Stock (the “**Common Stock Conversion Consideration**”) equal to the lesser of: (i) the quotient obtained by dividing (x) the sum of the Liquidation Preference per share of Series D Preferred Stock plus the amount of any accrued and unpaid dividends thereon to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a Dividend Payment Record Date and prior to the corresponding Dividend Payment Date for the Series D Preferred Stock, in which case no additional amount for such accrued and unpaid dividends shall be included in this sum) by (y) the Common Stock Price (as defined below) (such quotient, the “**Conversion Rate**”); and (ii) 5.8241 (the “**Share Cap**”), subject to adjustments provided in Section 7(b) below.

(b) The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a distribution of Class A Common Stock to existing holders of Class A Common Stock), subdivisions or combinations (in each case, a “**Share Split**”) with respect to Class A Common Stock as follows: the adjusted Share Cap as the result of a Share Split will be the number of shares of Class A Common Stock that is equivalent to the product obtained by multiplying (i) the Share Cap in effect immediately prior to such Share Split by (ii) a fraction, the numerator of which is the number of shares of Class A Common Stock outstanding immediately after giving effect to such Share Split and the denominator of which is the number of shares of Class A Common Stock outstanding immediately prior to such Share Split. For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of shares of Class A Common Stock (or equivalent Alternative Conversion Consideration (as defined below), as applicable) issuable or deliverable, as applicable, in connection with the exercise of the Change of Control Conversion Right shall not exceed the product of the Share Cap times the aggregate number of shares of the Series D Preferred Stock issued and outstanding at the Change of Control Conversion Date (or equivalent Alternative Conversion Consideration, as applicable) (the “**Exchange Cap**”). The Exchange Cap is subject to pro rata adjustments for any Share Splits on the same basis as the corresponding adjustment to the Share Cap.

(c) The “**Change of Control Conversion Date**” is the date the Series D Preferred Stock is to be converted, which shall be a Business Day selected by the Corporation that is no fewer than 20 days nor more than 35 days after the date on which it provides the notice described in Section 7(h) to the holders of Series D Preferred Stock.

(d) The “**Common Stock Price**” is (i) if the consideration to be received in the Change of Control by the holders of Class A Common Stock is solely cash, the amount of cash consideration per share of Class A Common Stock or (ii) if the consideration to be received in the Change of Control by holders of Class A Common Stock is other than solely cash (x) the average of the closing sale prices per share of Class A Common Stock (or, if no closing sale price is reported, the average of the closing bid and ask prices per share or, if more than one in either case, the average of the average closing bid and the average closing ask prices per share) for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred as reported on the principal U.S. securities exchange on which Class A Common Stock is then traded, or (y) the average of the last quoted bid prices for Class A Common Stock in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred, if Class A Common Stock is not then listed for trading on a U.S. securities exchange.

(e) In the case of a Change of Control pursuant to which Class A Common Stock is or will be converted into cash, securities or other property or assets (including any combination thereof) (the “**Alternative Form Consideration**”), a holder of Series D Preferred Stock shall receive upon conversion of such Series D Preferred Stock the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of shares of Class A Common Stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the Change of Control (the “**Alternative Conversion Consideration**”; the Common Stock Conversion

Consideration or the Alternative Conversion Consideration, whichever shall be applicable to a Change of Control, is referred to as the “**Conversion Consideration**”).

(f) If the holders of Class A Common Stock have the opportunity to elect the form of consideration to be received in the Change of Control, the Conversion Consideration in respect of such Change of Control shall be deemed to be the kind and amount of consideration actually received by holders of a majority of the outstanding shares of Class A Common Stock that made or voted for such an election (if electing between two types of consideration) or holders of a plurality of the outstanding shares of Class A Common Stock that made or voted for such an election (if electing between more than two types of consideration), as the case may be, and shall be subject to any limitations to which all holders of Class A Common Stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in such Change of Control.

(g) No fractional shares of Class A Common Stock shall be issued upon the conversion of the Series D Preferred Stock in connection with a Change of Control. Instead, holders shall be entitled to receive the cash value of such fractional shares based upon the Common Stock Price used in determining the Common Stock Conversion Consideration for such Change of Control.

(h) Within 15 days following the occurrence of a Change of Control, provided that the Corporation has not then exercised its right to redeem all shares of Series D Preferred Stock pursuant to Section 5, the Corporation shall provide to holders of Series D Preferred Stock a notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right, which notice shall be delivered to the holders of record of the shares of the Series D Preferred Stock in their addresses as they appear on the stock transfer records of the Corporation and shall state: (i) the events constituting the Change of Control; (ii) the date of the Change of Control; (iii) the last date on which the holders of Series D Preferred Stock may exercise their Change of Control Conversion Right; (iv) the method and period for calculating the Common Stock Price; (v) the Change of Control Conversion Date; (vi) that if, prior to the Change of Control Conversion Date, the Corporation has provided notice of its election to redeem all or any shares of Series D Preferred Stock, holders will not be able to convert the shares of Series D Preferred Stock called for redemption and such shares will be redeemed on the related Redemption Date, even if such shares have already been tendered for conversion pursuant to the Change of Control Conversion Right; (vii) if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Series D Preferred Stock; (viii) the name and address of the paying agent, transfer agent and conversion agent for the Series D Preferred Stock; (ix) the procedures that the holders of Series D Preferred Stock must follow to exercise the Change of Control Conversion Right (including procedures for surrendering shares for conversion through the facilities of a Depositary (as defined below)), including the form of conversion notice to be delivered by such holders as described below; and (x) the last date on which holders of Series D Preferred Stock may withdraw shares surrendered for conversion and the procedures that such holders must follow to effect such a withdrawal.

(i) The Corporation shall also issue a press release containing such notice provided for in Section 7(h) for publication on Dow Jones & Company, Inc., Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), and post a notice on its website, in any event prior to the opening of business on the first Business Day following any date on which it provides the notice provided for in Section 7(h) to the holders of Series D Preferred Stock.

(j) To exercise the Change of Control Conversion Right, the holders of Series D Preferred Stock shall be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificate(s), if any, representing the shares of Series D Preferred Stock to be converted, duly endorsed for transfer (or, in the case of any shares of Series D Preferred Stock held in book-entry form through a Depositary, to deliver, on or before the close of business on the Change of Control Conversion Date, the shares of Series D Preferred Stock to be converted through the facilities of such Depositary), together with a written conversion notice in the form provided by the Corporation, duly completed, to its transfer agent. The conversion notice must state: (i) the relevant Change of Control Conversion Date; (ii) the number of shares of Series D Preferred

Stock to be converted; and (iii) that the Series D Preferred Stock is to be converted pursuant to the applicable provisions of the Series D Preferred Stock.

(k) Holders of Series D Preferred Stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to the transfer agent of the Corporation prior to the close of business on the Business Day prior to the Change of Control Conversion Date. The notice of withdrawal delivered by any holder must state: (i) the number of withdrawn shares of Series D Preferred Stock; (ii) if certificated shares of Series D Preferred Stock have been surrendered for conversion, the certificate numbers of the withdrawn shares of Series D Preferred Stock; and (iii) the number of shares of Series D Preferred Stock, if any, which remain subject to the holder's conversion notice.

(l) Notwithstanding anything to the contrary contained in Sections 7(j) and (k), if any shares of Series D Preferred Stock are held in book-entry form through The Depository Trust Company (“DTC”) or a similar depository (each, a “**Depository**”), the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures, if any, of the applicable Depository.

(m) Series D Preferred Stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless prior to the Change of Control Conversion Date the Corporation has provided notice of its election to redeem some or all of the shares of Series D Preferred Stock pursuant to Section 5, in which case only the shares of Series D Preferred Stock properly surrendered for conversion and not properly withdrawn that are not called for redemption will be converted as aforesaid. If the Corporation elects to redeem shares of Series D Preferred Stock that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such shares of Series D Preferred Stock shall not be so converted and the holders of such shares shall be entitled to receive on the applicable Redemption Date the Redemption Price as provided in Section 5.

(n) The Corporation shall deliver all securities, cash and any other property owing upon conversion no later than the third Business Day following the Change of Control Conversion Date. Notwithstanding the foregoing, the persons entitled to receive any shares of Class A Common Stock or other securities delivered on conversion will be deemed to have become the holders of record thereof as of the Change of Control Conversion Date.

(o) Notwithstanding any other provision of the Series D Preferred Stock, no holder of Series D Preferred Stock shall be entitled to convert such Series D Preferred Stock into shares of Class A Common Stock or the Alternative Conversion Consideration, as the case may be, to the extent that receipt of such Class A Common Stock or the Alternative Conversion Consideration would cause such holder (or any other person) to exceed the applicable share ownership limitations contained in the Charter or this Articles Supplementary or the governing document of the surviving entity, as the case may be, unless the Corporation provides an exemption from this limitation to such holder pursuant to the Charter and this Articles Supplementary or the governing document of the surviving entity.

(p) Notwithstanding anything to the contrary herein and except as otherwise required by law, the persons who are the holders of record of shares of Series D Preferred Stock at the close of business on a Dividend Payment Record Date shall be entitled to receive the dividend payable on the corresponding Dividend Payment Date notwithstanding the conversion of those shares after such Dividend Record Date and on or prior to such Dividend Payment Date and, in such case, the full amount of such dividend shall be paid on such Dividend Payment Date to the persons who were the holders of record at the close of business on such Dividend Record Date. Except as provided in this Section 7(p), the Corporation shall make no allowance for unpaid dividends that are not in arrears on the shares of Series D Preferred Stock to be converted.

Section 8. Permissible Distributions. In determining whether a distribution (other than upon liquidation, dissolution or winding up), whether by dividend, or upon redemption or other acquisition of shares or otherwise, is permitted under Maryland law, amounts that would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of shares of any class or series of stock

whose preferential rights upon dissolution are superior or prior to those receiving the distribution shall not be added to the Corporation's total liabilities.

Section 9. Ranking. Any class or series of stock of the Corporation shall be deemed to rank:

(a) prior to the Series D Preferred Stock, as to the payment of dividends or as to distribution of assets upon liquidation, dissolution or winding up, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of Series D Preferred Stock;

(b) on a parity with the Series D Preferred Stock, as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the Series D Preferred Stock, if the holders of such class or series and the Series D Preferred Stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation preferences, without preference or priority one over the other; and

(c) junior to the Series D Preferred Stock, as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up, if such class or series of stock shall be Common Stock or if the holders of Series D Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of such class or series, and such class or series shall not in either case rank prior to the Series D Preferred Stock (“**Junior Shares**”).

As of the date hereof, 2,900,000 authorized shares of Series A Preferred Stock, 14,900,000 authorized shares of Series B Preferred Stock, 5,750,000 authorized shares of Series C Preferred Stock, 10,350,000 authorized shares of Series E Preferred Stock, 10,400,000 authorized shares of Series F Preferred Stock, 3,450,000 authorized shares of Series G Preferred Stock and 11,500,000 authorized shares of Series H Preferred Stock rank on a parity with the Series D Preferred Stock as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up.

Section 10. Voting. Except as otherwise set forth herein, the Series D Preferred Stock shall not have any relative, participating, optional or other voting rights or powers, and the consent of the holders thereof shall not be required for the taking of any corporate action.

If and whenever six quarterly dividends (whether or not consecutive) payable on the Series D Preferred Stock shall be in arrears (which shall, with respect to any such quarterly dividend, mean that any such dividend has not been paid in full), whether or not earned or declared, the number of directors then constituting the Board of Directors shall be increased by two and the holders of Series D Preferred Stock, together with the holders of shares of every series or class of Dividend Parity Stock having like voting rights (shares of any such series or class, including the Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series E Preferred Stock, the Series F Preferred Stock, the Series G Preferred Stock and the Series H Preferred Stock, the “**Voting Preferred Shares**”), voting as a single class regardless of series, shall be entitled to elect two additional directors (the “**Preferred Directors**”) to serve on the Board of Directors at any annual meeting of stockholders or special meeting held in place thereof, or at a special meeting of the holders of Series D Preferred Stock and the Voting Preferred Shares called as hereinafter provided. For the avoidance of doubt, in the election of both Preferred Directors, any outstanding shares of Series D Preferred Stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series E Preferred Stock, Series F Preferred Stock, Series G Preferred Stock, Series H Preferred Stock and other Voting Preferred Shares shall vote together as a class, and the affirmative vote of a plurality of the votes cast by holders of outstanding shares of Series D Preferred Stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series E Preferred Stock, Series F Preferred Stock, Series G Preferred Stock, Series H Preferred Stock and other Voting Preferred Shares shall be required to elect a Preferred Director. Whenever all arrears in dividends on the Series D Preferred Stock and the Voting Preferred Shares then outstanding shall have been paid and full dividends thereon for the current quarterly dividend period shall have been paid or declared and set apart for payment, then the right of the holders of the Series

D Preferred Stock and the Voting Preferred Shares to elect such two additional directors shall cease (but subject always to the same provision for the vesting of such voting rights in the case of any similar future arrearages in six quarterly dividends), and the terms of office of the persons elected as director, by the holders of the Series D Preferred Stock and the Voting Preferred Shares shall forthwith terminate and the number of directors constituting the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the holders of shares of Series D Preferred Stock and the Voting Preferred Shares, the Secretary of the Corporation may, and upon the written request of any holder of Series D Preferred Stock (addressed to the Secretary at the principal office of the Corporation) shall, call a special meeting of the holders of the Series D Preferred Stock and of the Voting Preferred Shares for the election of the directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the Bylaws of the Corporation for a special meeting of the stockholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the Secretary within 20 days after receipt of such request, then any holder of Series D Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books of the Corporation. The directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders or special meeting held in lieu thereof, and until their successors are duly elected and qualify, and if such office shall not have previously terminated as above provided. If any vacancy shall occur among the directors elected by the holders of the Series D Preferred Stock and the Voting Preferred Shares, a successor shall be elected by the Board of Directors to serve until the next annual meeting of the stockholders or special meeting held in place thereof, and until their successors are duly elected and qualify, and if such office shall not have previously terminated as provided above. In no event shall the holders of Series D Preferred Stock be entitled pursuant to this Section 10 to elect a director that would cause the Corporation to fail to satisfy a requirement relating to director independence of any national securities exchange on which any class or series of the Corporation's stock is listed.

So long as any shares of Series D Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by the Charter, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of Series D Preferred Stock and the Voting Preferred Shares, at the time outstanding, voting as a single class regardless of series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(a) Any amendment, alteration or repeal of any of the provisions of the Charter or these Articles Supplementary (whether by merger, consolidation or otherwise) that materially and adversely affects the voting powers, rights or preferences of the holders of the Series D Preferred Stock or the Voting Preferred Shares; provided, however, that (i) the amendment of the provisions of the Charter so as to authorize or create or to increase the authorized amount of, any Junior Shares or any shares of any class or series ranking on a parity with the Series D Preferred Stock as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up or the Voting Preferred Shares (including any amendment to increase the amount of authorized shares of Series D Preferred Stock) shall not be deemed to materially adversely affect the voting powers, rights or preferences of the holders of Series D Preferred Stock and (ii) any filing with the State Department of Assessments and Taxation of Maryland by the Corporation including in connection with a merger, consolidation or otherwise, shall not be deemed to be an amendment, alteration or repeal of any of the provisions of the Charter or these Articles Supplementary that materially and adversely affects the voting powers, rights or preferences of the holders of the Series D Preferred Stock, provided that: (1) the Corporation is the surviving entity and the Series D Preferred Stock remain outstanding with the terms thereof materially unchanged in any respect adverse to the holders thereof; or (2) the resulting, surviving or transferee entity is organized under the laws of any state and substitutes or exchanges the Series D Preferred Stock for other preferred stock, shares or other equity interests having preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption thereof that are substantially similar to that of the Series D Preferred Stock (except for changes that do not materially and adversely affect the holders of Series D Preferred Stock); and *provided further*, that if any such amendment, alteration or repeal would materially and adversely affect any voting powers, rights or preferences of the Series D Preferred Stock or one or more but not all series of Voting Preferred Shares at the time outstanding, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of all series similarly affected, at the time outstanding, voting as a single class regardless of series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be required in lieu of the

affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of the Series D Preferred Stock and the Voting Preferred Shares otherwise entitled to vote in accordance herewith; or

(b) The authorization or creation of, or the increase in the authorized amount of, any shares of any class or series or any security convertible into shares of any class or series ranking prior to the Series D Preferred Stock in the distribution on any liquidation, dissolution or winding up of the Corporation or in the payment of dividends; provided, however, that, in the case of each of subparagraphs (a) and (b), no such vote of the holders of Series D Preferred Stock or Voting Preferred Shares, as the case may be, shall be required if, at or prior to the time when such amendment, alteration or repeal is to take effect, or when the issuance of any such prior shares or convertible security is to be made, as the case may be, provision is made for the redemption of all Series D Preferred Stock or Voting Preferred Shares, as the case may be, at the time outstanding in accordance with Section 5 hereof or, in the case of a merger, consolidation or otherwise, regardless of the date of the transaction, the holders of the Series D Preferred Stock receive in the transaction their liquidation preference plus accrued and unpaid dividends.

For purposes of determining the voting rights of the holders of the Series D Preferred Stock under this Section 10, each holder will be entitled to one vote for each Liquidation Preference per share with respect to shares of the Series D Preferred Stock held by such holder. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of the Series D Preferred Stock and any Voting Preferred Shares has been cast or given on any matter on which the holders of shares of the Series D Preferred Stock are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

Section 11. Information Rights. During any period in which the Corporation is not subject to Section 13 or 15(d) of the Securities Exchange Act and any shares of Series D Preferred Stock are outstanding, the Corporation will (i) transmit by mail to all holders of Series D Preferred Stock, as their names and addresses appear in the Corporation's record books and without cost to such holders, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act and (ii) promptly, upon request, supply copies of such reports to any prospective holder of Series D Preferred Stock. The Corporation will mail the information to the holders of Series D Preferred Stock within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the Securities and Exchange Commission if the Corporation were subject to Section 13 or 15(d) of the Securities Exchange Act.

Section 12. Record Holders. The Corporation and the Transfer Agent may deem and treat the record holder of any Series D Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

Section 13. Restrictions on Ownership and Transfer. The Series D Preferred Stock constitutes Preferred Stock, and Preferred Stock constitutes Capital Stock of the Corporation. Therefore, the Series D Preferred Stock, being Capital Stock, is governed by and issued subject to all the limitations, terms and conditions of the Charter applicable to Capital Stock generally, including but not limited to the terms and conditions (including exceptions and exemptions) of Article VII of the Charter applicable to Capital Stock. The foregoing sentence shall not be construed to limit the applicability to the Series D Preferred Stock of any other term or provision of the Charter.

EXHIBIT E
SERIES E PREFERRED STOCK

Under a power contained in the charter (the “**Charter**”) of Colony NorthStar, Inc., a Maryland corporation (the “**Corporation**”), the Board of Directors of the Corporation, classified and designated 10,350,000 shares (the “**Shares**”) of the Preferred Stock (as defined in the Charter), as shares of 8.75% Series E Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share (the “**Series E Preferred Stock**”), with the following preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption set forth below, which upon any restatement of the Charter, shall be deemed to be part of Article VI of the Charter, with any necessary or appropriate changes to the enumeration or lettering of sections or subsections hereof:

8.75% Series E Cumulative Redeemable Perpetual Preferred Stock

Section 1. Number of Shares and Designation. This series of Preferred Stock shall be designated as 8.75% Series E Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share (the “**Series E Preferred Stock**”), and 10,350,000 shall be the number of shares of Preferred Stock constituting such series.

Section 2. Definitions. For purposes of the Series E Preferred Stock, the following terms shall have the meanings indicated:

“**Alternative Conversion Consideration**” shall have the meaning set forth in paragraph (e) of Section 7 hereof.

“**Alternative Form Consideration**” shall have the meaning set forth in paragraph (e) of Section 7 hereof.

“**Annual Dividend Rate**” shall have the meaning set forth in paragraph (a) of Section 3 hereof.

“**Board of Directors**” shall mean the Board of Directors of the Corporation or any committee authorized by such Board of Directors to perform any of its responsibilities with respect to the Series E Preferred Stock.

“**Business Day**” shall mean any day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

“**Change of Control Conversion Date**” shall have the meaning set forth in paragraph (c) of Section 7 hereof.

“**Change of Control Conversion Right**” shall have the meaning set forth in paragraph (a) of Section 7 hereof.

“**Change of Control**” shall have the meaning set forth in paragraph (a) of Section 5 hereof.

“**Charter**” shall mean the charter of the Corporation.

“**Class A Common Stock**” shall mean the Class A Common Stock of the Corporation, par value \$.01 per share.

“**Common Stock**” shall mean, collectively, the Class A Common Stock, the Class B Common Stock of the Corporation, par value \$.01 per share, and the Performance Common Stock of the Corporation, par value \$.01 per share.

“**Common Stock Conversion Consideration**” shall have the meaning set forth in paragraph (a) of Section 7 hereof.

“**Common Stock Price**” shall have the meaning set forth in paragraph (d) of Section 7 hereof.

“**Conversion Consideration**” shall have the meaning set forth in paragraph (e) of Section 7 hereof.

“**Conversion Rate**” shall have the meaning set forth in paragraph (a) of Section 7 hereof.

“**Depository**” shall have the meaning set forth in paragraph (l) of Section 7 hereof.

“**Dividend Parity Stock**” shall have the meaning set forth in paragraph (c) of Section 3 hereof.

“Dividend Payment Date” shall mean February 15, May 15, August 15 and November 15, of each year, commencing on or about February 15, 2017; provided, however, that if any Dividend Payment Date falls on any day other than a Business Day, the dividend payment due on such Dividend Payment Date shall instead be paid on the first Business Day immediately following such Dividend Payment Date without any adjustment to the amount of the dividend due on that Dividend Payment Date on account of such delay.

“Dividend Payment Record Date” shall have the meaning set forth in paragraph (a) of Section 3 hereof.

“Dividend Period” shall mean a quarterly dividend period commencing on, and including, a Dividend Payment Date and ending on, but excluding, the next succeeding Dividend Payment Date (other than the initial Dividend Period with respect to each share of Series E Preferred Stock, which, (i) for shares of Series E Preferred Stock issued prior to January 11, 2017, shall commence on, and include, November 15, 2016 and end on, but exclude, the first Dividend Payment Date; and (ii) for shares of Series E Preferred Stock issued on or after January 11, 2017, shall commence on, and include, the Dividend Payment Date with respect to which dividends were actually paid on Series E Preferred Stock that were outstanding immediately preceding the issuance of such Series E Preferred Stock and end on, but exclude, the next succeeding Dividend Payment Date).

“DTC” shall have the meaning set forth in paragraph (l) of Section 7 hereof.

“Exchange Cap” shall have the meaning set forth in paragraph (b) of Section 7 hereof.

“Junior Shares” shall mean the Common Stock and any other class or series of stock of the Corporation constituting junior shares of stock within the meaning set forth in paragraph (c) of Section 9 hereof.

“Liquidation Preference” shall have the meaning set forth in paragraph (a) of Section 4 hereof.

“Person” shall mean any individual, firm, partnership, corporation, limited liability company or other entity, and shall include any successor (by merger or otherwise) of such entity.

“Preferred Directors” shall have the meaning set forth in Section 10 hereof.

“Redemption Date” shall have the meaning set forth in paragraph (c) of Section 5 hereof.

“Redemption Price” shall have the meaning set forth in paragraph (a) of Section 5 hereof.

“Securities Exchange Act” shall have the meaning set forth in paragraph (a) of Section 5 hereof.

“Series A Preferred Stock” shall mean the 8.75% Series A Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series B Preferred Stock” shall mean the 8.25% Series B Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series C Preferred Stock” shall mean the 8.875% Series C Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series D Preferred Stock” shall mean the 8.500% Series D Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series E Preferred Stock” shall have the meaning set forth in Section 1 hereof.

“Series F Preferred Stock” shall mean the 8.50% Series F Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series G Preferred Stock” shall mean the 7.50% Series G Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Series H Preferred Stock” shall mean the 7.125% Series H Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share.

“Set apart for payment” shall be deemed to include, without any action other than the following, the recording by the Corporation in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to a declaration of a dividend or other distribution by the Board of Directors, the allocation of funds to be so paid on any series or class of shares of stock of the Corporation.

“**Share Cap**” shall have the meaning set forth in paragraph (a) of Section 7 hereof.

“**Share Split**” shall have the meaning set forth in paragraph (b) of Section 7 hereof.

“**Transfer Agent**” means American Stock Transfer & Trust Company, New York, New York, or such other agent or agents of the Corporation as may be designated by the Board of Directors or its designee as the transfer agent for the Series E Preferred Stock.

“**Voting Preferred Shares**” shall have the meaning set forth in Section 10 hereof.

“**Voting Stock**” shall have the meaning set forth in paragraph (a) of Section 5 hereof.

Section 3. Dividends. (a) The holders of Series E Preferred Stock shall be entitled to receive, when, as and if authorized by the Board of Directors and declared by the Corporation out of assets legally available for that purpose, dividends payable in cash at the rate per annum of \$2.1875 per share of Series E Preferred Stock (the “**Annual Dividend Rate**”) (equivalent to a rate of 8.75% of the Liquidation Preference per annum). Such dividends with respect to each share of Series E Preferred Stock issued prior to January 11, 2017 shall be cumulative from, and including, November 15, 2016 and with respect to each share of Series E Preferred Stock issued on or after January 11, 2017 shall be cumulative from, and including, the Dividend Payment Date with respect to which dividends were actually paid on shares of Series E Preferred Stock that were outstanding immediately preceding the issuance of such shares of Series E Preferred Stock, whether or not in any Dividend Period or Periods there shall be assets of the Corporation legally available for the payment of such dividends, and shall be payable quarterly, when, as and if authorized by the Board of Directors and declared by the Corporation, in arrears on Dividend Payment Dates, commencing with respect to each share of Series E Preferred Stock on the first Dividend Payment Date following issuance of such shares of Series E Preferred Stock. Dividends are cumulative from the most recent Dividend Payment Date to which dividends have been paid, whether or not in any Dividend Period or Periods there shall be assets legally available therefor. Each such dividend shall be payable in arrears to the holders of record of the Series E Preferred Stock, as they appear on the share records of the Corporation at the close of business on such record dates, not more than 30 days preceding the applicable Dividend Payment Date (the “**Dividend Payment Record Date**”), as shall be fixed by the Board of Directors. Accrued and unpaid dividends for any past Dividend Periods may be authorized and declared and paid at any time, without reference to any regular Dividend Payment Date, to holders of record on such date, not exceeding 30 days preceding the payment date thereof, as may be fixed by the Board of Directors.

(b) The amount of dividends payable for each full Dividend Period for the Series E Preferred Stock shall be computed by dividing the Annual Dividend Rate by four. The amount of dividends payable for the initial Dividend Period, or any other period shorter or longer than a full Dividend Period, on the Series E Preferred Stock shall be computed on the basis of twelve 30-day months and a 360-day year. Holders of Series E Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of cumulative dividends, as herein provided, on the Series E Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series E Preferred Stock that may be in arrears.

(c) So long as any shares of Series E Preferred Stock are outstanding, no dividends, except as described in the immediately following sentence, shall be authorized and declared or paid or set apart for payment on any series or class or classes of capital stock of the Corporation ranking on a parity with the Series E Preferred Stock as to payment of dividends (“**Dividend Parity Stock**”) for any period unless full cumulative dividends have been or contemporaneously are authorized, declared and paid or authorized, declared and a sum sufficient for the payment thereof set apart for such payment on the Series E Preferred Stock for all past Dividend Periods. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends authorized and declared upon Series E Preferred Stock and all dividends authorized and declared upon any series or class or classes of Dividend Parity Stock shall be authorized and declared ratably in proportion to the respective amounts of dividends accrued and unpaid on the Series E Preferred Stock and such Dividend Parity Stock.

(d) So long as any shares of Series E Preferred Stock are outstanding, no dividends (other than dividends or distributions paid solely in shares of, or options, warrants or rights to subscribe for or purchase shares of, Junior Shares) shall be authorized and declared or paid or set apart for payment or other distribution

authorized and declared or made upon Junior Shares, nor shall any Junior Shares be redeemed, purchased or otherwise acquired (other than (i) a redemption, purchase or other acquisition of Common Stock made for purposes of and in compliance with requirements of an employee incentive or benefit plan of the Corporation or any subsidiary, (ii) pursuant to Article VII of the Charter, (iii) as a result of a reclassification of such Junior Shares for or into other Junior Shares, or (iv) the purchase of fractional interests in Junior Shares pursuant to the conversion or exchange provisions of any securities convertible into or exchangeable for such Junior Shares), for any consideration (or any monies to be paid to or made available for a sinking fund for the redemption of any such shares) by the Corporation, directly or indirectly (except by conversion into or exchange for Junior Shares), unless in each case the full cumulative dividends on all outstanding Series E Preferred Stock and any Dividend Parity Stock of the Corporation shall have been paid or set apart for payment for all past Dividend Periods with respect to the Series E Preferred Stock and all past dividend periods with respect to such Dividend Parity Stock.

Section 4. Liquidation Preference. (a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Junior Shares, the holders of Series E Preferred Stock shall be entitled to receive \$25.00 per share of the Series E Preferred Stock (the “**Liquidation Preference**”) plus an amount equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution to such holder; but such holders of Series E Preferred Stock shall not be entitled to any further payment. If, upon any such liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of Series E Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other capital stock of the Corporation ranking on a parity with the Series E Preferred Stock as to such distribution, then such assets, or the proceeds thereof, shall be distributed among the holders of such Series E Preferred Stock and any such other stock ratably in accordance with the respective amounts that would be payable on such Series E Preferred Stock and any such other stock if all amounts payable thereon were paid in full. For the purposes of this Section 4, (i) a consolidation or merger of the Corporation with one or more entities, (ii) a statutory share exchange and (iii) a sale or transfer of all or substantially all of the Corporation’s assets shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Subject to the rights of the holders of shares of any series or class or classes of shares of stock ranking on a parity with or prior to the Series E Preferred Stock upon liquidation, dissolution or winding up, upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of the Series E Preferred Stock, as provided in this Section 4, any series or class or classes of Junior Shares shall, subject to any respective terms and provisions applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series E Preferred Stock shall not be entitled to share therein.

Section 5. Redemption at the Option of the Corporation.

(a) Notwithstanding anything to the contrary contained in Section 7(a), upon the occurrence of a Change of Control, the Corporation may, at its option, upon not less than 30 nor more than 90 days’ written notice, redeem the Series E Preferred Stock, in whole, at any time, or in part, from time to time, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends thereon (whether or not declared) to, but not including, the date fixed for redemption (the “**Redemption Price**”); provided that, if the Redemption Date is after a Dividend Payment Record Date and prior to the corresponding Dividend Payment Date, no additional amount for such accrued and unpaid dividend will be included in the Redemption Price and the dividend payments on such Dividend Payment Date shall be made pursuant to Section 5(d). If, prior to the Change of Control Conversion Date, the Corporation has provided notice of its election to redeem some or all of the shares of Series E Preferred Stock pursuant to this Section 5, the holders of Series E Preferred Stock will not have the Change of Control Conversion Right (as hereinafter defined) with respect to the shares called for redemption. If the Corporation elects to redeem any shares of Series E Preferred Stock as described in this Section 5(a), it may use any available cash to pay the Redemption Price, and it will not be required to pay the Redemption Price only out of the proceeds from the issuance of other equity securities or any other specific source. A “**Change of Control**” shall be deemed to have occurred at such time as (i) (A) the date a “person”, including any

syndicate or group deemed to be a person within the meaning of Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “**Securities Exchange Act**”) becomes the ultimate “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act, except that a person or group shall be deemed to have beneficial ownership of all shares of voting stock that such person or group has the right to acquire regardless of when such right is first exercisable), directly or indirectly, of voting stock representing more than 50% of the total voting power of the total voting stock of the Corporation; or (B) the date of the consummation of a merger or share exchange of the Corporation with another entity where the Corporation’s stockholders immediately prior to the merger or share exchange would not beneficially own, immediately after the merger or share exchange, shares representing 50% or more of all votes (without consideration of the rights of any class of stock to elect directors by a separate group vote) to which all stockholders of the corporation issuing cash or securities in the merger or share exchange would be entitled in the election of directors, or where members of the Board of Directors immediately prior to the merger or share exchange would not immediately after the merger or share exchange constitute a majority of the board of directors of the corporation issuing cash or securities in the merger or share exchange, and (ii) following the closing of any transaction referred to in clause (i), neither the Corporation nor the acquiring or surviving entity has a class of common equity securities (or American Depositary Receipts representing such securities) listed on the New York Stock Exchange, the NYSE MKT or the NASDAQ Stock Market, or listed or quoted on an exchange or quotation system that is a successor to any such securities exchange. “**Voting Stock**” shall mean stock of any class or kind having the power to vote generally in the election of directors. Any redemption pursuant to this Section 5(a) shall follow generally the procedures set forth in the second paragraph of Section 5(c).

(b) Except as otherwise permitted by the Charter and paragraph (a) above, the Series E Preferred Stock shall not be redeemable by the Corporation prior to May 15, 2019. On and after May 15, 2019, the Corporation, at its option, may redeem the shares of Series E Preferred Stock, in whole or in part, as set forth herein, subject to the provisions described below.

(c) On and after May 15, 2019, the Series E Preferred Stock shall be redeemable at the option of the Corporation, in whole or in part, at any time or from time to time, at the Redemption Price. Each date on which Series E Preferred Stock are to be redeemed (a “**Redemption Date**”) shall be selected by the Corporation, shall be specified in the notice of redemption and shall not be less than 30 days or more than 90 days after the date on which the Corporation gives, or causes to be given, notice of redemption by mail pursuant to the next paragraph.

A notice of redemption (which may be contingent on the occurrence of a future event) shall be mailed, postage prepaid, not less than 30 nor more than 90 days prior to the Redemption Date, addressed to the respective holders of record of the Series E Preferred Stock at their respective addresses as they appear on the Corporation’s share transfer records. A failure to give such notice or any defect in the notice or in its mailing shall not affect the validity of the proceedings for the redemption of any Series E Preferred Stock except as to the holder to whom notice was defective or not given (unless such a holder elects to tender such holder’s shares). Each notice shall state: (i) the Redemption Date; (ii) the Redemption Price; (iii) the number of shares of Series E Preferred Stock to be redeemed and, if fewer than all the shares of Series E Preferred Stock held by such holder are to be redeemed, the number of such shares of Series E Preferred Stock to be redeemed from such holder; (iv) the place or places where the certificates representing the shares of Series E Preferred Stock are to be surrendered for payment of the Redemption Price, if any of such shares are certificated; (v) that distributions on the shares to be redeemed will cease to accrue on such Redemption Date except as otherwise provided herein; and (vi) if such redemption is being made in connection with a Change of Control, that the holders of the shares of Series E Preferred Stock being so called for redemption will not be able to tender such shares of Series E Preferred Stock for conversion in connection with the Change of Control and that each share of Series E Preferred Stock tendered for conversion that is called, prior to the Change of Control Conversion Date (as defined below), for redemption will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date. Notwithstanding the foregoing, no notice of redemption will be required where the Corporation elects to redeem Series E Preferred Stock pursuant to Section 5(b) and Article VII of the Charter to preserve its REIT qualification for federal income tax purposes.

(d) If the Redemption Date falls after a Dividend Payment Record Date and prior to the corresponding Dividend Payment Date, then each holder of Series E Preferred Stock at the close of business on such Dividend Payment Record Date shall be entitled to the dividend payable on such Series E Preferred Stock on the corresponding Dividend Payment Date notwithstanding the redemption of such Series E Preferred Stock before such Dividend Payment Date. Except as provided in calculating the Redemption Price and in this Section 5(d), the Corporation shall make no payment or allowance for unpaid dividends, whether or not in arrears, on Series E Preferred Stock called for redemption.

(e) If full cumulative dividends for all past dividend periods on the Series E Preferred Stock and any series or class or classes of Dividend Parity Stock have not been paid or declared and set apart for payment, except as otherwise permitted under the Charter, the Series E Preferred Stock may not be redeemed in part and the Corporation may not purchase, redeem or otherwise acquire Series E Preferred Stock or any capital stock of the Corporation ranking on a parity with the Series E Preferred Stock as to payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up, other than in exchange for Junior Shares.

(f) Notice having been mailed as aforesaid, from and after the Redemption Date (unless the Corporation shall fail to make available the amount of cash necessary to effect such redemption), (i) except as otherwise provided herein, dividends on the shares of Series E Preferred Stock so called for redemption shall cease to accrue, (ii) said shares shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as holders of Series E Preferred Stock of the Corporation shall cease (except the rights to receive the cash payable upon such redemption, without interest thereon, upon surrender and endorsement of their certificates if so required and to receive any dividends payable thereon). The Corporation's obligation to provide cash in accordance with the preceding sentence shall be deemed fulfilled if, on or before the Redemption Date, the Corporation shall deposit with a bank or trust company (which may be an affiliate of the Corporation) that has an office in the Borough of Manhattan, City of New York, or in Baltimore, Maryland and that has, or is an affiliate of a bank or trust company that has, a capital and surplus of at least \$50,000,000, the cash necessary for such redemption, in trust, with irrevocable instructions that such cash be applied to the redemption of the Series E Preferred Stock so called for redemption. No interest shall accrue for the benefit of the holder of Series E Preferred Stock to be redeemed on any cash so set aside by the Corporation. Subject to applicable escheat laws, any such cash unclaimed at the end of two years from the Redemption Date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of such cash.

As promptly as practicable after the surrender in accordance with said notice of the certificates for any such shares of Series E Preferred Stock so redeemed (properly endorsed or assigned for transfer, if the Corporation shall so require and if the notice shall so state), such shares of Series E Preferred Stock shall be exchanged for the cash (without interest thereon) for which such shares of Series E Preferred Stock have been redeemed. If fewer than all of the outstanding shares of Series E Preferred Stock are to be redeemed, the shares of Series E Preferred Stock to be redeemed shall be selected by the Corporation from the outstanding shares of Series E Preferred Stock not previously called for redemption by lot or pro rata (as nearly as may be possible). If fewer than all the shares of Series E Preferred Stock represented by any certificate are redeemed, then new certificates representing the unredeemed shares of Series E Preferred Stock shall be issued without cost to the holder thereof.

Section 6. Reacquired Shares to Be Retired. All shares of Series E Preferred Stock that have been issued and reacquired in any manner by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series.

Section 7. Conversion Rights. Except as provided in this Section 7, the Series E Preferred Stock are not convertible into or exchangeable for any other property or securities of the Corporation at the option of any holder of Series E Preferred Stock.

(a) Upon the occurrence of a Change of Control, each holder of Series E Preferred Stock shall have the right (unless, prior to the Change of Control Conversion Date, the Corporation has provided notice of its election to redeem some or all of the shares of Series E Preferred Stock held by such holder pursuant to Section 5, in which case such holder will have the right only with respect to shares of Series E Preferred Stock

that are not called for redemption) to convert each of the Series E Preferred Stock held by such holder (the “**Change of Control Conversion Right**”) on the Change of Control Conversion Date into a number of shares of Class A Common Stock (the “**Common Stock Conversion Consideration**”) equal to the lesser of: (i) the quotient obtained by dividing (x) the sum of the Liquidation Preference per share of Series E Preferred Stock plus the amount of any accrued and unpaid dividends thereon to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a Dividend Payment Record Date and prior to the corresponding Dividend Payment Date for the Series E Preferred Stock, in which case no additional amount for such accrued and unpaid dividends shall be included in this sum) by (y) the Common Stock Price (as defined below) (such quotient, the “**Conversion Rate**”); and (ii) 3.5403 (the “**Share Cap**”), subject to adjustments provided in Section 7(b) below.

(b) The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a distribution of Class A Common Stock to existing holders of Class A Common Stock), subdivisions or combinations (in each case, a “**Share Split**”) with respect to Class A Common Stock as follows: the adjusted Share Cap as the result of a Share Split will be the number of shares of Class A Common Stock that is equivalent to the product obtained by multiplying (i) the Share Cap in effect immediately prior to such Share Split by (ii) a fraction, the numerator of which is the number of shares of Class A Common Stock outstanding immediately after giving effect to such Share Split and the denominator of which is the number of shares of Class A Common Stock outstanding immediately prior to such Share Split. For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of shares of Class A Common Stock (or equivalent Alternative Conversion Consideration (as defined below), as applicable) issuable or deliverable, as applicable, in connection with the exercise of the Change of Control Conversion Right shall not exceed the product of the Share Cap times the aggregate number of shares of the Series E Preferred Stock issued and outstanding at the Change of Control Conversion Date (or equivalent Alternative Conversion Consideration, as applicable) (the “**Exchange Cap**”). The Exchange Cap is subject to pro rata adjustments for any Share Splits on the same basis as the corresponding adjustment to the Share Cap.

(c) The “**Change of Control Conversion Date**” is the date the Series E Preferred Stock is to be converted, which shall be a Business Day selected by the Corporation that is no fewer than 20 days nor more than 35 days after the date on which it provides the notice described in Section 7(h) to the holders of Series E Preferred Stock.

(d) The “**Common Stock Price**” is (i) if the consideration to be received in the Change of Control by the holders of Class A Common Stock is solely cash, the amount of cash consideration per share of Class A Common Stock or (ii) if the consideration to be received in the Change of Control by holders of Class A Common Stock is other than solely cash (x) the average of the closing sale prices per share of Class A Common Stock (or, if no closing sale price is reported, the average of the closing bid and ask prices per share or, if more than one in either case, the average of the average closing bid and the average closing ask prices per share) for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred as reported on the principal U.S. securities exchange on which Class A Common Stock is then traded, or (y) the average of the last quoted bid prices for Class A Common Stock in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred, if Class A Common Stock is not then listed for trading on a U.S. securities exchange.

(e) In the case of a Change of Control pursuant to which Class A Common Stock is or will be converted into cash, securities or other property or assets (including any combination thereof) (the “**Alternative Form Consideration**”), a holder of Series E Preferred Stock shall receive upon conversion of such Series E Preferred Stock the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of shares of Class A Common Stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the Change of Control (the “**Alternative Conversion Consideration**”; the Common Stock Conversion Consideration or the Alternative Conversion Consideration, whichever shall be applicable to a Change of Control, is referred to as the “**Conversion Consideration**”).

(f) If the holders of Class A Common Stock have the opportunity to elect the form of consideration to be received in the Change of Control, the Conversion Consideration in respect of such Change of Control shall be deemed to be the kind and amount of consideration actually received by holders of a majority of the outstanding shares of Class A Common Stock that made or voted for such an election (if electing between two types of consideration) or holders of a plurality of the outstanding shares of Class A Common Stock that made or voted for such an election (if electing between more than two types of consideration), as the case may be, and shall be subject to any limitations to which all holders of Class A Common Stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in such Change of Control.

(g) No fractional shares of Class A Common Stock shall be issued upon the conversion of the Series E Preferred Stock in connection with a Change of Control. Instead, holders shall be entitled to receive the cash value of such fractional shares based upon the Common Stock Price used in determining the Common Stock Conversion Consideration for such Change of Control.

(h) Within 15 days following the occurrence of a Change of Control, provided that the Corporation has not then exercised its right to redeem all shares of Series E Preferred Stock pursuant to Section 5, the Corporation shall provide to holders of Series E Preferred Stock a notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right, which notice shall be delivered to the holders of record of the shares of the Series E Preferred Stock in their addresses as they appear on the stock transfer records of the Corporation and shall state: (i) the events constituting the Change of Control; (ii) the date of the Change of Control; (iii) the last date on which the holders of Series E Preferred Stock may exercise their Change of Control Conversion Right; (iv) the method and period for calculating the Common Stock Price; (v) the Change of Control Conversion Date; (vi) that if, prior to the Change of Control Conversion Date, the Corporation has provided notice of its election to redeem all or any shares of Series E Preferred Stock, holders will not be able to convert the shares of Series E Preferred Stock called for redemption and such shares will be redeemed on the related Redemption Date, even if such shares have already been tendered for conversion pursuant to the Change of Control Conversion Right; (vii) if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Series E Preferred Stock; (viii) the name and address of the paying agent, transfer agent and conversion agent for the Series E Preferred Stock; (ix) the procedures that the holders of Series E Preferred Stock must follow to exercise the Change of Control Conversion Right (including procedures for surrendering shares for conversion through the facilities of a Depositary (as defined below)), including the form of conversion notice to be delivered by such holders as described below; and (x) the last date on which holders of Series E Preferred Stock may withdraw shares surrendered for conversion and the procedures that such holders must follow to effect such a withdrawal.

(i) The Corporation shall also issue a press release containing such notice provided for in Section 7(h) for publication on Dow Jones & Company, Inc., Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), and post a notice on its website, in any event prior to the opening of business on the first Business Day following any date on which it provides the notice provided for in Section 7(h) to the holders of Series E Preferred Stock.

(j) To exercise the Change of Control Conversion Right, the holders of Series E Preferred Stock shall be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificate(s), if any, representing the shares of Series E Preferred Stock to be converted, duly endorsed for transfer (or, in the case of any shares of Series E Preferred Stock held in book-entry form through a Depositary, to deliver, on or before the close of business on the Change of Control Conversion Date, the shares of Series E Preferred Stock to be converted through the facilities of such Depositary), together with a written conversion notice in the form provided by the Corporation, duly completed, to its transfer agent. The conversion notice must state: (i) the relevant Change of Control Conversion Date; (ii) the number of shares of Series E Preferred Stock to be converted; and (iii) that the shares of Series E Preferred Stock are to be converted pursuant to the applicable provisions of the Series E Preferred Stock.

(k) Holders of Series E Preferred Stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to the transfer agent of the Corporation prior to the close of business on the Business Day prior to the Change of Control Conversion Date. The notice of withdrawal delivered by any holder must state: (i) the number of withdrawn shares of Series E Preferred Stock; (ii) if certificated shares of Series E Preferred Stock have been surrendered for conversion, the certificate numbers of the withdrawn shares of Series E Preferred Stock; and (iii) the number of shares of Series E Preferred Stock, if any, which remain subject to the holder's conversion notice.

(l) Notwithstanding anything to the contrary contained in Sections 7(j) and (k), if any shares of Series E Preferred Stock are held in book-entry form through The Depository Trust Company ("DTC") or a similar depository (each, a "Depository"), the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures, if any, of DTC or the applicable Depository.

(m) Series E Preferred Stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless prior to the Change of Control Conversion Date the Corporation has provided notice of its election to redeem some or all of the shares of Series E Preferred Stock pursuant to Section 5, in which case only the shares of Series E Preferred Stock properly surrendered for conversion and not properly withdrawn that are not called for redemption will be converted as aforesaid. If the Corporation elects to redeem shares of Series E Preferred Stock that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such shares of Series E Preferred Stock shall not be so converted and the holders of such shares shall be entitled to receive on the applicable Redemption Date the Redemption Price as provided in Section 5.

(n) The Corporation shall deliver all securities, cash and any other property owing upon conversion no later than the third Business Day following the Change of Control Conversion Date. Notwithstanding the foregoing, the persons entitled to receive any shares of Class A Common Stock or other securities delivered on conversion will be deemed to have become the holders of record thereof as of the Change of Control Conversion Date.

(o) Notwithstanding any other provision of the Series E Preferred Stock, no holder of Series E Preferred Stock shall be entitled to convert such Series E Preferred Stock into shares of Class A Common Stock or the Alternative Conversion Consideration, as the case may be, to the extent that receipt of such Class A Common Stock or the Alternative Conversion Consideration would cause such holder (or any other person) to exceed the applicable share ownership limitations contained in the Charter or this Articles Supplementary or the governing document of the surviving entity, as the case may be, unless the Corporation provides an exemption from this limitation to such holder pursuant to the Charter and this Articles Supplementary or the surviving entity provides an exemption pursuant to the governing document of the surviving entity.

(p) Notwithstanding anything to the contrary herein and except as otherwise required by law, the persons who are the holders of record of shares of Series E Preferred Stock at the close of business on a Dividend Payment Record Date shall be entitled to receive the dividend payable on the corresponding Dividend Payment Date notwithstanding the conversion of those shares after such Dividend Record Date and on or prior to such Dividend Payment Date and, in such case, the full amount of such dividend shall be paid on such Dividend Payment Date to the persons who were the holders of record at the close of business on such Dividend Record Date. Except as provided in this Section 7(p), the Corporation shall make no allowance for unpaid dividends that are not in arrears on the shares of Series E Preferred Stock to be converted.

Section 8. Permissible Distributions. In determining whether a distribution (other than upon liquidation, dissolution or winding up), whether by dividend, or upon redemption or other acquisition of shares or otherwise, is permitted under Maryland law, amounts that would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of shares of any class or series of stock whose preferential rights upon dissolution are superior or prior to those receiving the distribution shall not be added to the Corporation's total liabilities.

Section 9. Ranking. Any class or series of stock of the Corporation shall be deemed to rank:

(a) prior to the Series E Preferred Stock, as to the payment of dividends or as to distribution of assets upon liquidation, dissolution or winding up, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of Series E Preferred Stock;

(b) on a parity with the Series E Preferred Stock, as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the Series E Preferred Stock, if the holders of such class or series and the Series E Preferred Stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation preferences, without preference or priority one over the other; and

(c) junior to the Series E Preferred Stock, as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up, if such class or series of stock shall be Common Stock or if the holders of Series E Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of such class or series, and such class or series shall not in either case rank prior to the Series E Preferred Stock (“**Junior Shares**”).

As of the date hereof, 2,900,000 authorized shares of Series A Preferred Stock, 14,900,000 authorized shares of Series B Preferred Stock, 5,750,000 authorized shares of Series C Preferred Stock, 8,050,000 authorized shares of Series D Preferred Stock, 10,400,000 authorized shares of Series F Preferred Stock, 3,450,000 authorized shares of Series G Preferred Stock and 11,500,000 authorized shares of Series H Preferred Stock rank on a parity with the Series E Preferred Stock as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up.

Section 10. Voting. Except as otherwise set forth herein, the Series E Preferred Stock shall not have any relative, participating, optional or other voting rights or powers, and the consent of the holders thereof shall not be required for the taking of any corporate action.

If and whenever six quarterly dividends (whether or not consecutive) payable on the Series E Preferred Stock are in arrears (which shall, with respect to any such quarterly dividend, mean that any such dividend has not been paid in full), whether or not earned or declared, the number of directors then constituting the Board of Directors shall be increased by two and the holders of Series E Preferred Stock, together with the holders of shares of every series or class of Dividend Parity Stock having like voting rights (shares of any such series or class, including the Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series D Preferred Stock, the Series F Preferred Stock, the Series G Preferred Stock and the Series H Preferred Stock, the “**Voting Preferred Shares**”), voting as a single class regardless of series, will have the right to elect two additional directors (the “**Preferred Directors**”) to serve on the Board of Directors at any annual meeting of stockholders or special meeting held in place thereof, or at a special meeting of the holders of Series E Preferred Stock and the Voting Preferred Shares called as hereinafter provided. For the avoidance of doubt, in the election of both Preferred Directors, any outstanding shares of Series E Preferred Stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series F Preferred Stock, Series G Preferred Stock, Series H Preferred Stock and other Voting Preferred Shares shall vote together as a class, and the affirmative vote of a plurality of the votes cast by holders of outstanding shares of Series E Preferred Stock, Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series F Preferred Stock, Series G Preferred Stock, Series H Preferred Stock and other Voting Preferred Shares shall be required to elect a Preferred Director. Whenever all arrears in dividends on the Series E Preferred Stock and the Voting Preferred Shares then outstanding shall have been paid and full dividends thereon for the current quarterly dividend period shall have been paid or declared and set apart for payment, then the right of the holders of the Series E Preferred Stock and the Voting Preferred Shares to elect such two additional directors shall cease (but subject always to the same provision for the vesting of such voting rights in the case of any similar future arrearages in six quarterly dividends), and the terms of office of the persons elected as director, by the holders of the Series E Preferred Stock and

the Voting Preferred Shares shall forthwith terminate and the number of directors constituting the Board of Directors shall be reduced accordingly. At any time after such voting power shall have been so vested in the holders of shares of Series E Preferred Stock and the Voting Preferred Shares, the Secretary of the Corporation may, and upon the written request of any holder of Series E Preferred Stock (addressed to the Secretary at the principal office of the Corporation) shall, call a special meeting of the holders of the Series E Preferred Stock and of the Voting Preferred Shares for the election of the directors to be elected by them as herein provided, such call to be made by notice similar to that provided in the Bylaws of the Corporation for a special meeting of the stockholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the Secretary within 20 days after receipt of such request, then any holder of Series E Preferred Stock may call such meeting, upon the notice above provided, and for that purpose shall have access to the stock books of the Corporation. The directors elected at any such special meeting shall hold office until the next annual meeting of the stockholders or special meeting held in lieu thereof, and until their successors are duly elected and qualify, and if such office shall not have previously terminated as above provided. If any vacancy shall occur among the directors elected by the holders of the Series E Preferred Stock and the Voting Preferred Shares, a successor shall be elected by the Board of Directors to serve until the next annual meeting of the stockholders or special meeting held in place thereof, and until their successors are duly elected and qualify, and if such office shall not have previously terminated as provided above. In no event shall the holders of Series E Preferred Stock be entitled pursuant to this Section 10 to elect a director that would cause the Corporation to fail to satisfy a requirement relating to director independence of any national securities exchange on which any class or series of the Corporation's stock is listed.

So long as any shares of Series E Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by the Charter, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of Series E Preferred Stock and the Voting Preferred Shares, at the time outstanding, voting as a single class regardless of series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(a) Any amendment, alteration or repeal of any of the provisions of the Charter or these Articles Supplementary (whether by merger, consolidation or otherwise) that materially and adversely affects the voting powers, rights or preferences of the holders of the Series E Preferred Stock or the Voting Preferred Shares; provided, however, that (i) the amendment of the provisions of the Charter so as to authorize or create or to increase the authorized amount of, any Junior Shares or any shares of any class or series ranking on a parity with the Series E Preferred Stock as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up or the Voting Preferred Shares (including any amendment to increase the amount of authorized shares of Series E Preferred Stock) shall not be deemed to materially adversely affect the voting powers, rights or preferences of the holders of Series E Preferred Stock and (ii) any filing with the State Department of Assessments and Taxation of Maryland by the Corporation including in connection with a merger, consolidation or otherwise, shall not be deemed to be an amendment, alteration or repeal of any of the provisions of the Charter or these Articles Supplementary that materially and adversely affects the voting powers, rights or preferences of the holders of the Series E Preferred Stock, provided that: (1) the Corporation is the surviving entity and the Series E Preferred Stock remain outstanding with the terms thereof materially unchanged in any respect adverse to the holders thereof; or (2) the resulting, surviving or transferee entity is organized under the laws of any state and substitutes or exchanges the Series E Preferred Stock for other preferred stock, shares or other equity interests having preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption thereof that are substantially similar to that of the Series E Preferred Stock (except for changes that do not materially and adversely affect the holders of Series E Preferred Stock); and *provided further*, that if any such amendment, alteration or repeal would materially and adversely affect any voting powers, rights or preferences of the Series E Preferred Stock or one or more but not all series of Voting Preferred Shares at the time outstanding, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of all series similarly affected, at the time outstanding, voting as a single class regardless of series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be required in lieu of the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of the Series E Preferred Stock and the Voting Preferred Shares otherwise entitled to vote in accordance herewith; or

(b) The authorization or creation of, or the increase in the authorized amount of, any shares of any class or series or any security convertible into shares of any class or series ranking prior to the Series E Preferred Stock in the distribution on any liquidation, dissolution or winding up of the Corporation or in the payment of dividends; provided, however, that, in the case of each of subparagraphs (a) and (b), no such vote of the holders of Series E Preferred Stock or Voting Preferred Shares, as the case may be, shall be required if, at or prior to the time when such amendment, alteration or repeal is to take effect, or when the issuance of any such prior shares or convertible security is to be made, as the case may be, provision is made for the redemption of all Series E Preferred Stock or Voting Preferred Shares, as the case may be, at the time outstanding in accordance with Section 5 hereof or, in the case of a merger, consolidation or otherwise, regardless of the date of the transaction, the holders of the Series E Preferred Stock receive in the transaction their liquidation preference plus accrued and unpaid dividends.

For purposes of determining the voting rights of the holders of the Series E Preferred Stock under this Section 10, each holder will be entitled to one vote for each Liquidation Preference per share with respect to shares of the Series E Preferred Stock held by such holder. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of the Series E Preferred Stock and any Voting Preferred Shares has been cast or given on any matter on which the holders of shares of the Series E Preferred Stock are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

Section 11. Information Rights. During any period in which the Corporation is not subject to Section 13 or 15(d) of the Securities Exchange Act and any shares of Series E Preferred Stock are outstanding, the Corporation will (i) transmit by mail to all holders of Series E Preferred Stock, as their names and addresses appear in the Corporation's record books and without cost to such holders, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act and (ii) promptly, upon request, supply copies of such reports to any prospective holder of Series E Preferred Stock. The Corporation will mail the information to the holders of Series E Preferred Stock within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the Securities and Exchange Commission if the Corporation were subject to Section 13 or 15(d) of the Securities Exchange Act.

Section 12. Record Holders. The Corporation and the Transfer Agent may deem and treat the record holder of any Series E Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

Section 13. Restrictions on Ownership and Transfer. The Series E Preferred Stock constitutes Preferred Stock, and Preferred Stock constitutes Capital Stock of the Corporation. Therefore, the Series E Preferred Stock, being Capital Stock, is governed by and issued subject to all the limitations, terms and conditions of the Charter applicable to Capital Stock generally, including but not limited to the terms and conditions (including exceptions and exemptions) of Article VII of the Charter applicable to Capital Stock. The foregoing sentence shall not be construed to limit the applicability to the Series E Preferred Stock of any other term or provision of the Charter.

EXHIBIT F
SERIES F PREFERRED STOCK

Under a power contained in the charter (the “Charter”) of Colony NorthStar, Inc., a Maryland corporation (the “Corporation”), the Board of Directors of the Corporation (the “Board”) classified and designated 10,400,000 shares of the Preferred Stock (as defined in the Charter), as shares of 8.50% Series F Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, with the following preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption set forth below, which upon any restatement of the Charter, shall be deemed to be part of Article VI of the Charter, with any necessary or appropriate changes to the enumeration or lettering of sections or subsections hereof:

8.50% Series F Cumulative Redeemable Perpetual Preferred Stock

(1) *Designation and Number.* A series of Preferred Stock, designated as the “8.50% Series F Cumulative Redeemable Perpetual Preferred Stock” (the “Series F Preferred Stock”), is hereby established. The par value of the Series F Preferred Stock is \$0.01 per share. The number of shares of the Series F Preferred Stock shall be 10,400,000.

(2) *Ranking.* The Series F Preferred Stock will, with respect to rights to receive dividends and to participate in distributions or payments upon liquidation, dissolution or winding up of the Corporation, rank (a) senior to the Common Stock (as defined in the Charter) and any other class of capital stock of the Corporation, now or hereafter issued and outstanding, the terms of which provide that such capital stock ranks, as to the payment of dividends or amounts upon liquidation, dissolution or winding up of the Corporation, junior to such Series F Preferred Stock (“Junior Stock”), (b) on a parity with the 8.75% Series A Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, the 8.25% Series B Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, the 8.875% Series C Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, the 8.500% Series D Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, the 8.75% Series E Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, the 7.50% Series G Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, and the 7.125% Series H Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, and any equity securities the Corporation may authorize or issue in the future that, pursuant to the terms thereof, rank on parity with the Series F Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation (“Parity Stock”); and (c) junior to any equity securities the Corporation may authorize or issue in the future that, pursuant to the terms thereof, rank senior to the Series F Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation (“Senior Stock”). Any authorization or issuance of Senior Stock would require the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series F Preferred Stock voting together as a single class with all other classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable. Any convertible or exchangeable debt securities that the Corporation may issue are not considered to be equity securities for these purposes.

(3) *Dividends.*

(a) Holders of the then outstanding shares of Series F Preferred Stock shall be entitled to receive, when, as and if authorized by the Board and declared by the Corporation, out of funds legally available for payment of dividends, cumulative cash dividends at the rate of 8.50% per annum of the \$25.00 liquidation preference of each share of Series F Preferred Stock (equivalent to \$2.125 per annum per share).

(b) Dividends on each outstanding share of Series F Preferred Stock shall be cumulative from and including January 15, 2017 and shall be payable (i) for the period from January 15, 2017 to April 14, 2017, on April 15, 2017, and (ii) for each quarterly distribution period thereafter, quarterly in equal amounts in arrears on the 15th day of each January, April, July and October, commencing on July 15, 2017 (each such day being hereinafter called a “Series F Dividend Payment Date”) at the then applicable annual rate; provided, however, that if any Series F Dividend Payment Date falls on any day other than a Business Day (as hereinafter defined), the dividend that would otherwise have been payable on such Series F Dividend Payment Date may be paid

on the next succeeding Business Day with the same force and effect as if paid on such Series F Dividend Payment Date, and no interest or other sums shall accrue on the amount so payable from such Series F Dividend Payment Date to such next succeeding Business Day. Each dividend is payable to holders of record as they appear on the stock records of the Corporation at the close of business on the record date, not exceeding 30 days preceding the applicable Series F Dividend Payment Date, as shall be fixed by the Board. Dividends shall accumulate from January 15, 2017 or the most recent Series F Dividend Payment Date to which full cumulative dividends have been paid, whether or not in any such dividend period or periods there shall be funds legally available for the payment of such dividends, whether the Corporation has earnings or whether such dividends are authorized. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series F Preferred Stock that may be in arrears. Holders of the Series F Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends, as herein provided, on the Series F Preferred Stock. Dividends payable on the Series F Preferred Stock for any period greater or less than a full dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on the Series F Preferred Stock for each full dividend period will be computed by dividing the applicable annual dividend rate by four. After full cumulative distributions on the Series F Preferred Stock have been paid, the holders of Series F Preferred Stock will not be entitled to any further distributions with respect to that dividend period.

(c) So long as any shares of Series F Preferred Stock are outstanding, no dividends, except as described in the immediately following sentence, shall be authorized and declared or paid or set apart for payment on any series or class or classes of Parity Stock for any period unless full cumulative dividends have been declared and paid or are contemporaneously declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Series F Preferred Stock for all prior dividend periods. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends authorized and declared upon the Series F Preferred Stock and all dividends authorized and declared upon any other series or class or classes of Parity Stock shall be authorized and declared ratably in proportion to the respective amounts of dividends accumulated and unpaid on the Series F Preferred Stock and such Parity Stock.

(d) So long as any shares of Series F Preferred Stock are outstanding, no dividends (other than dividends or distributions paid solely in Junior Stock of, or in options, warrants or rights to subscribe for or purchase, Junior Stock) shall be authorized and declared or paid or set apart for payment or other distribution authorized and declared or made upon Junior Stock, nor shall any Junior Stock be redeemed, purchased or otherwise acquired (other than a redemption, purchase or other acquisition of Common Stock made for purposes of and in compliance with requirements of an employee incentive or benefit plan of the Corporation or any subsidiary, or a conversion into or exchange for Junior Stock or redemptions for the purpose of preserving the Corporation's qualification as a REIT (as defined in the Charter)), for any consideration (or any monies to be paid to or made available for a sinking fund for the redemption of any such shares) by the Corporation, directly or indirectly (except by conversion into or exchange for Junior Stock), unless in each case full cumulative dividends on all outstanding shares of Series F Preferred Stock and any Parity Stock at the time such dividends are payable shall have been paid or set apart for payment for all past dividend periods with respect to the Series F Preferred Stock and all past dividend periods with respect to such Parity Stock.

(e) Any dividend payment made on the Series F Preferred Stock, including any capital gains dividends, shall first be credited against the earliest accrued but unpaid dividend due with respect to such shares which remains payable.

(f) Except as provided herein, the Series F Preferred Stock shall not be entitled to participate in the earnings or assets of the Corporation.

(g) As used herein, the term "Business Day" shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to close.

(h) As used herein, the term "dividend" does not include dividends payable solely in shares of Junior Stock on Junior Stock, or in options, warrants or rights to holders of Junior Stock to subscribe for or purchase any Junior Stock.

(4) *Liquidation Preference.*

(a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation shall be made to or set apart for the holders of Junior Stock, the holders of the Series F Preferred Stock shall be entitled to receive \$25.00 per share (the "Liquidation Preference") plus an amount per share equal to all accrued and unpaid dividends (whether or not earned or declared) thereon to, but not including, the date of final distribution to such holders; but such holders of the Series F Preferred Stock shall not be entitled to any further payment. If, upon any such liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the Series F Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other Parity Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of such Series F Preferred Stock and any such other Parity Stock ratably in accordance with the respective amounts that would be payable on such Series F Preferred Stock and any such other Parity Stock if all amounts payable thereon were paid in full. For the purposes of this Section 4, none of (i) a consolidation or merger of the Corporation with one or more entities, (ii) a statutory stock exchange by the Corporation or (iii) a sale or transfer of all or substantially all of the Corporation's assets shall be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Until payment shall have been made in full to the holders of the Series F Preferred Stock, as provided in this Section 4, and to the holders of Parity Stock, subject to any terms and provisions applying thereto, no payment will be made to any holder of Junior Stock upon the liquidation, dissolution or winding up of the Corporation. Subject to the rights of the holders of Parity Stock, upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of the Series F Preferred Stock, as provided in this Section 4, any series or class or classes of Junior Stock shall, subject to any respective terms and provisions applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series F Preferred Stock shall not be entitled to share therein.

(5) *Optional Redemption.*

(a) Except as otherwise permitted by the Charter and paragraph (b) below, the Series F Preferred Stock shall not be redeemable by the Corporation prior to March 20, 2017. On and after March 20, 2017, the Corporation, at its option, upon giving notice as provided below, may redeem the Series F Preferred Stock, in whole, at any time, or in part, from time to time, for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends on the Series F Preferred Stock (whether or not declared), to, but not including, the redemption date (the "Regular Redemption Right").

(b) Upon the occurrence of a Change of Control (as defined herein), the Corporation will have the option, upon giving notice as provided below, to redeem the Series F Preferred Stock, in whole, at any time, or in part, from time to time, within 120 days after the first date on which the Change of Control has occurred (the "Special Redemption Right"), for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends on the Series F Preferred Stock (whether or not declared), to, but not including, the redemption date (the "Special Redemption Price"). If the Corporation exercises its Special Redemption Right in connection with a Change of Control, holders of Series F Preferred Stock will not be permitted to exercise their Change of Control Conversion Right (as defined herein) in respect of any shares of Series F Preferred Stock that have been called for redemption, and any shares of Series F Preferred Stock subsequently called for redemption that have been tendered for conversion will be redeemed on the applicable date of redemption instead of converted on the Change of Control Conversion Date (as defined herein). Any partial redemption will be selected by lot or pro rata or by any other equitable method the Corporation may choose (including by electing to exercise the Special Redemption Right only with respect to shares of Series F Preferred Stock for which holders have exercised their Change of Control Conversion Right).

A "Change of Control" will be deemed to have occurred at such time after the original issuance of the Series F Preferred Stock when the following has occurred:

(i) the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through

a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of the Corporation entitling that person to exercise more than 50% of the total voting power of all shares of the Corporation entitled to vote generally in elections of directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

(ii) following the closing of any transaction referred to in clause (i) above, neither the Corporation nor the acquiring or surviving entity has a class of common securities or American Depositary Receipts listed on the NYSE, the NYSE Amex Equities, or NYSE Amex, or NASDAQ, or listed on an exchange that is a successor to the NYSE, NYSE Amex or NASDAQ.

(c) The following provisions set forth the general procedures for redemption applicable to redemptions pursuant to the Regular Redemption Right and the Special Redemption Right:

(i) Upon any redemption date applicable to Series F Preferred Stock, the Corporation shall pay on each share of Series F Preferred Stock to be redeemed any accrued and unpaid dividends (whether or not declared), in arrears, for any dividend period ending on or prior to the redemption date. If a redemption date falls after a record date for a Series F Preferred Stock dividend payment and prior to the corresponding Series F Dividend Payment Date, then each holder of the Series F Preferred Stock at the close of business on such record date shall be entitled to the dividend payable on such Series F Preferred Stock on the corresponding Series F Dividend Payment Date notwithstanding the redemption of such Series F Preferred Stock prior to such Series F Dividend Payment Date. Except as provided above, the Corporation shall make no payment or allowance for unpaid dividends, whether or not in arrears, on any shares of Series F Preferred Stock called for redemption.

(ii) If full cumulative dividends on the Series F Preferred Stock and any class or classes of Parity Stock have not been paid or declared and set apart for payment, the Corporation may not purchase, redeem or otherwise acquire Series F Preferred Stock in part or any Parity Stock other than in exchange for Junior Stock; provided, however, that the foregoing shall not prevent the purchase by the Corporation of shares held in excess of the limits set forth in the Charter in order to ensure that the Corporation continues to meet the requirements for qualification as a REIT.

(iii) On and after the date fixed for redemption, provided that the Corporation has made available at the office of the registrar and transfer agent a sufficient amount of cash to effect the redemption, dividends will cease to accrue on the shares of Series F Preferred Stock called for redemption (except that, in the case of a redemption date after a dividend payment record date and prior to the related Series F Dividend Payment Date, holders of Series F Preferred Stock on the applicable dividend payment record date will be entitled on such Series F Dividend Payment Date to receive the dividend payable on such shares on the corresponding Series F Dividend Payment Date), such shares shall no longer be deemed to be outstanding and all rights of the holders of such shares as holders of Series F Preferred Stock shall cease except the right to receive the cash payable upon such redemption, without interest from the date of such redemption.

(d) The following provisions set forth the procedures for redemption, in addition to those general procedures set forth in Section 5(c) hereof, pursuant to the Regular Redemption Right.

(i) A notice of redemption (which may be contingent upon the occurrence of a future event) shall be mailed, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the holders of record of the Series F Preferred Stock at their addresses as they appear on the Corporation's stock transfer records. A failure to give such notice or any defect in the notice or in its mailing shall not affect the validity of the proceedings for the redemption of any shares of the Series F Preferred Stock except as to the holder to whom notice was defective or not given. In addition to any information required by law or by the applicable rules of any exchange upon which the Series F Preferred Stock may be listed or admitted to trading, each notice shall state: (A) the redemption date;

(B) the redemption price; (C) the number of shares of Series F Preferred Stock to be redeemed and, if fewer than all the shares of Series F Preferred Stock held by such holder are to be redeemed, the number of such shares of Series F Preferred Stock to be redeemed from such holder; (D) the place or places where the certificates, if any, evidencing the shares of Series F Preferred Stock are to be surrendered for payment of the redemption price; and (E) that dividends on the shares to be redeemed will cease to accrue on such redemption date except as otherwise provided herein.

(ii) If fewer than all the outstanding shares of the Series F Preferred Stock are to be redeemed, the shares to be redeemed shall be selected by lot or pro rata (as nearly as practicable without creating fractional shares) or by any other equitable method the Corporation may choose.

(iii) At its election, the Corporation, prior to a redemption date, may irrevocably deposit the redemption price (including accumulated and unpaid dividends to the redemption date) of the Series F Preferred Stock so called for redemption in trust for the holders thereof with a bank or trust company, in which case the redemption notice to holders of the Series F Preferred Stock to be redeemed shall (A) state the date of such deposit, (B) specify the office of such bank or trust company as the place of payment of the redemption price and (C) require such holders to surrender the certificates evidencing such shares at such place on or about the date fixed in such redemption notice (which may not be later than the redemption date) against payment of the redemption price (including all accumulated and unpaid dividends to the redemption date). Subject to applicable escheat laws, any monies so deposited which remain unclaimed by the holders of the Series F Preferred Stock at the end of two years after the redemption date shall be returned by such bank or trust company to the Corporation.

(e) The following provisions set forth the procedures for redemption, in addition to those general procedures set forth in Section 5(c) hereof, pursuant to the Special Redemption Right.

(i) A notice of special optional redemption will be mailed, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the holders of record of the Series F Preferred Stock at their addresses as they appear on the Corporation's stock transfer records. A failure to give such notice or any defect in the notice or in its mailing will not affect the validity of the proceedings for the special optional redemption of the shares of Series F Preferred Stock except as to the holder to whom notice was defective or not given. Each notice will state: (A) the redemption date; (B) the redemption price; (C) the number of shares of Series F Preferred Stock to be redeemed; (D) the place or places where the certificates, if any, evidencing the shares of Series F Preferred Stock are to be surrendered for payment; (E) that the shares of Series F Preferred Stock are being redeemed pursuant to the Corporation's special optional redemption right in connection with the occurrence of a Change of Control and a brief description of the transaction or transactions constituting such Change of Control; (F) that the holders of shares of Series F Preferred Stock to which the notice relates will not be able to tender such shares of Series F Preferred Stock for conversion in connection with the Change of Control and each share of Series F Preferred Stock tendered for conversion that is selected for redemption, prior to the Change of Control Conversion Date, will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date; and (G) that dividends on the shares to be redeemed will cease to accrue on such redemption date except as otherwise provided herein.

(ii) If fewer than all the shares of Series F Preferred Stock held by any holder are to be redeemed, the notice mailed to such holder will also specify the number of shares of Series F Preferred Stock to be redeemed from such holder. If fewer than all of the outstanding shares of Series F Preferred Stock are to be redeemed, the shares to be redeemed shall be selected by lot or pro rata or by any other equitable method the Corporation may choose (including by electing to exercise the Special Redemption Right only with respect to shares

of Series F Preferred Stock for which holders have exercised their Change of Control Conversion Right).

(iii) On and after the date fixed for redemption, provided that the Corporation has given a notice of redemption and has paid or set aside sufficient funds for the redemption in trust for the benefit of the holders of shares of Series F Preferred Stock called for redemption, those shares of Series F Preferred Stock will be treated as no longer being outstanding, no further dividends will accrue on the share of Series F Preferred Stock called for redemption and all other rights of the holders of those shares of Series F Preferred Stock will terminate (except that, in the case of a redemption date after a dividend payment record date and prior to the related Series F Dividend Payment Date, holders of Series F Preferred Stock on the applicable record date will be entitled on such Series F Dividend Payment Date to receive the dividend payable on such shares on the corresponding Series F Dividend Payment Date). The holders of those shares of Series F Preferred Stock will retain their right to receive the redemption price for their shares and any accrued and unpaid dividends to (but not including) the redemption date, without interest from the date of such redemption.

(iv) At its election, the Corporation, prior to a redemption date, may irrevocably deposit the redemption price (including accumulated and unpaid dividends to the redemption date) of the Series F Preferred Stock so called for redemption in trust for the holders thereof with a bank or trust company, in which case the redemption notice to holders of the Series F Preferred Stock to be redeemed shall (A) state the date of such deposit, (B) specify the office of such bank or trust company as the place of payment of the redemption price and (C) require such holders to surrender the certificates evidencing such shares at such place on or about the date fixed in such redemption notice (which may not be later than the redemption date) against payment of the redemption price (including all accumulated and unpaid dividends to the redemption date). Subject to applicable escheat laws, any monies so deposited which remain unclaimed by the holders of the Series F Preferred Stock at the end of two years after the redemption date shall be returned by such bank or trust company to the Corporation.

(f) Any shares of Series F Preferred Stock that shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board.

(6) *Voting Rights.* Except as otherwise set forth herein, the Series F Preferred Stock shall not have any relative, participating, optional or other voting rights or powers, and the consent of the holders thereof shall not be required for the taking of any corporate action. In any matter in which the holders of Series F Preferred Stock are entitled to vote, each such holder shall have the right to one vote for each share of Series F Preferred Stock held by such holder.

(a) If and whenever six quarterly dividends (whether or not consecutive) payable on the Series F Preferred Stock are in arrears, whether or not earned or declared, the number of members then constituting the Board will be increased by two and the holders of Series F Preferred Stock, voting together as a class with the holders of any other series of Parity Stock upon which like voting rights have been conferred and are exercisable (any such other series, the "Voting Preferred Stock"), will have the right to elect two additional directors of the Corporation (the "Preferred Stock Directors") at an annual meeting of stockholders or a properly called special meeting of the holders of the Series F Preferred Stock and such Voting Preferred Stock and at each subsequent annual meeting of stockholders until all such dividends and dividends for the then current quarterly period on the Series F Preferred Stock and such other Voting Preferred Stock have been paid or declared and set aside for payment. Whenever all arrears in dividends on the Series F Preferred Stock and the Voting Preferred Stock then outstanding have been paid and full dividends on the Series F Preferred Stock and the Voting Preferred Stock for the then current quarterly dividend period have been paid in full or declared and set apart for payment in full, then the right of the holders of the Series F Preferred Stock and the Voting Preferred Stock to elect the two Preferred Stock Directors will cease, the terms of office of the Preferred Stock Directors will forthwith terminate and the number of members of the Board will be reduced accordingly;

provided, however, that the right of the holders of the Series F Preferred Stock and the Voting Preferred Stock to elect the Preferred Stock Directors will again vest if and whenever six quarterly dividends are in arrears, as described above. In no event shall the holders of Series F Preferred Stock be entitled pursuant to these voting rights to elect a director that would cause the Corporation to fail to satisfy a requirement relating to director independence of any national securities exchange on which any class or series of the Corporation's stock is listed. In class votes with other Voting Preferred Stock, preferred stock of different series shall vote in proportion to the liquidation preference of the preferred stock.

(b) So long as any shares of Series F Preferred Stock are outstanding, the approval of two-thirds of the votes entitled to be cast by the holders of outstanding Series F Preferred Stock, voting separately as a class, either at a meeting of stockholders or by written consent, is required (i) to amend, alter or repeal any provisions of the Charter (including these Articles Supplementary), whether by merger, consolidation or otherwise, to affect materially and adversely the voting powers, rights or preferences of the holders of the Series F Preferred Stock, unless in connection with any such amendment, alteration or repeal, the Series F Preferred Stock remains outstanding without the terms thereof being materially changed in any respect adverse to the holders thereof or is converted into or exchanged for preferred stock of the surviving entity having preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption thereof that are substantially similar to those of the Series F Preferred Stock, or (ii) to authorize, create, or increase the authorized amount of any class or series of capital stock having rights senior to the Series F Preferred Stock with respect to the payment of dividends or amounts upon liquidation, dissolution or winding up (provided that if such amendment affects materially and adversely the rights, preferences, privileges or voting powers of one or more but not all of the other series of Voting Preferred Stock, the consent of the holders of at least two-thirds of the outstanding shares of each such series so affected is required). However, the Corporation may create additional classes of Parity Stock and Junior Stock, amend the Charter and these Articles Supplementary to increase the authorized number of shares of Parity Stock (including the Series F Preferred Stock) and Junior Stock and issue additional series of Parity Stock and Junior Stock without the consent of any holder of Series F Preferred Stock.

(c) The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding Series F Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

(7) *Information Rights.* During any period in which the Corporation is not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any shares of Series F Preferred Stock are outstanding, the Corporation will (i) transmit by mail (or other permissible means under the Exchange Act) to all holders of Series F Preferred Stock, as their names and addresses appear in the record books of the Corporation and without cost to such holders, copies of the annual reports on Form 10-K and quarterly reports on Form 10-Q that the Corporation would have been required to file with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Exchange Act if the Corporation were subject thereto (other than any exhibits that would have been required) and (ii) promptly, upon request, supply copies of such reports to any prospective holder of Series F Preferred Stock. The Corporation will mail (or otherwise provide) the information to the holders of Series F Preferred Stock within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the Securities and Exchange Commission if the Corporation were subject to Section 13 or 15(d) of the Exchange Act, in each case, based on the dates on which the Corporation would be required to file such periodic reports if the Corporation were a "non-accelerated filer" within the meaning of the Exchange Act.

(8) *Other Limitations; Ownership and Transfer of the Series F Preferred Stock.* The Series F Preferred Stock constitutes Capital Stock (as defined in the Charter) of the Corporation and is governed by and issued subject to all the ownership and transfer restrictions of the Charter applicable to Capital Stock generally, including but not limited to the terms and conditions (including exceptions and exemptions) of Article VII of the Charter applicable to Capital Stock. The foregoing sentence shall not be construed to limit the applicability to the Series F Preferred Stock of any other term or provision of the Charter.

(9) *Conversion Upon a Change of Control.* The Series F Preferred Stock is not convertible into or exchangeable for any other property or securities of the Corporation, except as provided in this Section 9.

(a) Upon the occurrence of a Change of Control, each holder of Series F Preferred Stock will have the right, subject to the Special Redemption Right of the Corporation, to convert some or all of the shares of Series F Preferred Stock held by such holder (the “Change of Control Conversion Right”) on the relevant Change of Control Conversion Date (as defined herein) into a number of shares of Class A Common Stock (as defined in the Charter) per share of Series F Preferred Stock (the “Common Stock Conversion Consideration”) equal to the lesser of (A) the quotient obtained by dividing (i) the sum of (x) \$25.00, plus (y) an amount equal to any accrued and unpaid dividends (whether or not declared) to, but not including, the Change of Control Conversion Date (as defined herein), except if such Change of Control Conversion Date is after a record date for a Series F Preferred Stock dividend payment and prior to the corresponding Series F Dividend Payment Date, in which case the amount pursuant to this clause (i)(y) shall equal \$0.00 in respect of such dividend payment to be made on such Series F Dividend Payment Date, by (ii) the Common Stock Price (as defined herein) (such quotient, the “Conversion Rate”), and (B) 4.3718 (the “Share Cap”), subject to the immediately succeeding paragraph.

The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a Class A Common Stock dividend), subdivisions or combinations (in each case, a “Share Split”) with respect to Class A Common Stock as follows: the adjusted Share Cap as the result of a Share Split shall be the number of shares of Class A Common Stock that is equivalent to the product of (i) the Share Cap in effect immediately prior to such Share Split multiplied by (ii) a fraction, the numerator of which is the number of shares of Class A Common Stock outstanding after giving effect to such Share Split and the denominator of which is the number of shares of Class A Common Stock outstanding immediately prior to such Share Split.

For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of shares of Class A Common Stock (or equivalent Alternative Conversion Consideration (as defined herein), as applicable) issuable in connection with the exercise of the Change of Control Conversion Right shall not exceed 22,733,222 shares of Class A Common Stock (or equivalent Alternative Conversion Consideration, as applicable), subject to increase to the extent the underwriters’ over-allotment option to purchase additional Series F Preferred Stock in the initial public offering of Series F Preferred Stock is exercised, not to exceed 26,143,205 shares of Class A Common Stock in total (or equivalent Alternative Conversion Consideration, as applicable) (the “Exchange Cap”). The Exchange Cap is subject to pro rata adjustments for any Share Splits with respect to Class A Common Stock as follows: the adjusted Exchange Cap as the result of a Share Split will be the number of shares of Class A Common Stock that is equivalent to the product of (i) the Exchange Cap in effect immediately prior to such Share Split multiplied by (ii) a fraction, the numerator of which is the number of shares of Class A Common Stock outstanding after giving effect to such Share Split and the denominator of which is the number of shares of Class A Common Stock outstanding immediately prior to such Share Split.

In the case of a Change of Control as a result of which holders of Class A Common Stock are entitled to receive consideration other than solely shares of Class A Common Stock, including other securities, other property or assets (including cash or any combination thereof) with respect to or in exchange for shares of Class A Common Stock (the “Alternative Form Consideration”), a holder of Series F Preferred Stock shall be entitled thereafter to convert (subject to the Corporation’s Special Redemption Right) such Series F Preferred Stock not into Class A Common Stock but solely into the kind and amount of Alternative Form Consideration which the holder of Series F Preferred Stock would have owned or been entitled to receive upon such Change of Control as if such holder of Series F Preferred Stock then held the Common Stock Conversion Consideration immediately prior to the effective time of the Change of Control (the “Alternative Conversion Consideration,” and the Common Stock Conversion Consideration or the Alternative Conversion Consideration, as may be applicable to a Change of Control, shall be referred to herein as the “Conversion Consideration”).

If the holders of Class A Common Stock have the opportunity to elect the form of consideration to be received in such Change of Control, the Conversion Consideration will be deemed to be the kind and amount of consideration actually received by holders of a majority of Class A Common Stock that voted for such an election (if electing between two types of consideration) or holders of a plurality of Class A Common Stock that voted for such an election (if electing between more than two types of consideration), as the case may be.

As used herein, “Common Stock Price” will mean (i) if the consideration to be received in the Change of Control by holders of shares of Class A Common Stock is solely cash, the amount of cash consideration per share of Class A Common Stock, (ii) if the consideration to be received in the Change of Control by holders of Class A Common Stock is other than solely cash, the average of the closing price per share of Class A Common Stock on the ten consecutive trading days immediately preceding, but not including, the effective date of the Change of Control, and (iii) if there is not a readily determinable closing price for the Class A Common Stock or Alternative Form Consideration (as defined herein), the fair market value of Class A Common Stock or such Alternative Form Consideration (as determined by the Board or a committee thereof).

(b) No fractional shares of Class A Common Stock shall be issued upon the conversion of Series F Preferred Stock. In lieu of fractional shares, holders shall be entitled to receive the cash value of such fractional shares based on the Common Stock Price.

(c) Within 15 days following the occurrence of a Change of Control, the Corporation shall provide to holders of Series F Preferred Stock a notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right. A failure to give such notice or any defect in the notice or in its mailing shall not affect the validity of the proceedings for the conversion of any Series F Preferred Stock except as to the holder to whom notice was defective or not given. Each notice shall state the following: (i) the events constituting the Change of Control; (ii) the date of the Change of Control; (iii) the last date on which the holders of Series F Preferred Stock may exercise their Change of Control Conversion Right, which shall be the Change of Control Conversion Date; (iv) the method and period for calculating the Common Stock Price; (v) the Change of Control Conversion Date, which will be a business day occurring within 20 to 35 days following the date of the notice; (vi) if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Series F Preferred Stock; (vii) the name and address of the paying agent and the conversion agent; and (viii) the procedures that the holders of Series F Preferred Stock must follow to exercise the Change of Control Conversion Right.

(d) The Corporation shall issue a press release for publication on the Dow Jones & Company, Inc., Business Wire, PR Newswire or Bloomberg Business News (or, if such organizations are not in existence at the time of issuance of such press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), or post notice on the Corporation’s website, in any event prior to the opening of business on the first Business Day following any date on which the Corporation provides notice pursuant to paragraph (c) above to the holders of Series F Preferred Stock.

(e) In order to exercise the Change of Control Conversion Right, a holder of Series F Preferred Stock shall be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificates (if any) evidencing the shares of Series F Preferred Stock to be converted, duly endorsed for transfer, together with a written conversion notice completed, to the transfer agent. Such conversion notice shall state: (i) the relevant Change of Control Conversion Date; (ii) the number of shares of Series F Preferred Stock to be converted; and (iii) that the shares of Series F Preferred Stock are to be converted pursuant to the applicable provisions of the Series F Preferred Stock. Notwithstanding the foregoing, if the shares of Series F Preferred Stock are held in global form, such notice shall comply with applicable procedures of the Depository Trust Company (“DTC”). The “Change of Control Conversion Date” shall be a Business Day set forth in the notice of Change of Control provided in accordance with paragraph 9(c) hereof that is no less than 20 days nor more than 35 days after the date on which the Corporation gives such notice pursuant to paragraph 9(c) hereof.

(f) Holders of Series F Preferred Stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to the Corporation’s transfer agent prior to the close of business on the Business Day prior to the Change of Control Conversion Date. The notice of withdrawal must state: (i) the number of withdrawn shares of Series F Preferred Stock; (ii) if certificated shares of Series F Preferred Stock have been issued, the certificate numbers of the withdrawn shares of Series F Preferred Stock; and (iii) the number of shares of Series F Preferred Stock, if any, which remain subject to the conversion notice. Notwithstanding the foregoing, if the shares of Series F Preferred Stock are held in global form, the notice of withdrawal shall comply with applicable DTC procedures.

(g) Series F Preferred Stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn shall be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date.

(h) In connection with the exercise of any Change of Control Conversion Right, the Corporation will comply with all U.S. federal and state securities laws and stock exchange rules in connection with any conversion of Series F Preferred Stock into Class A Common Stock. Notwithstanding anything to the contrary contained herein, no holder of Series F Preferred Stock will be entitled to convert such Series F Preferred Stock for Class A Common Stock to the extent that receipt of such Class A Common Stock would cause such holder (or any other person) to Beneficially Own or Constructively Own, within the meaning of the Charter, Common Stock of the Corporation in excess of the Common Stock Ownership Limit, as such term is defined in the Charter.

(10) *Record Holders.* The Corporation and the transfer agent for the Series F Preferred Stock may deem and treat the record holder of any Series F Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor the transfer agent shall be affected by any notice to the contrary.

EXHIBIT G
SERIES G PREFERRED STOCK

Under a power contained in the charter (the “Charter”) of Colony NorthStar, Inc., a Maryland corporation (the “Corporation”), the Board of Directors of the Corporation (the “Board”) classified and designated 3,450,000 shares of the Preferred Stock (as defined in the Charter), as shares of 7.50% Series G Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, with the following preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption set forth below, which upon any restatement of the Charter, shall be deemed to be part of Article VI of the Charter, with any necessary or appropriate changes to the enumeration or lettering of sections or subsections hereof:

7.50% Series G Cumulative Redeemable Perpetual Preferred Stock

(1) *Designation and Number.* A series of Preferred Stock, designated as the “7.50% Series G Cumulative Redeemable Perpetual Preferred Stock” (the “Series G Preferred Stock”), is hereby established. The par value of the Series G Preferred Stock is \$0.01 per share. The number of shares of the Series G Preferred Stock shall be 3,450,000.

(2) *Ranking.* The Series G Preferred Stock will, with respect to rights to receive dividends and to participate in distributions or payments upon liquidation, dissolution or winding up of the Corporation, rank (a) senior to the Common Stock (as defined in the Charter) and any other class of capital stock of the Corporation, now or hereafter issued and outstanding, the terms of which provide that such capital stock ranks, as to the payment of dividends or amounts upon liquidation, dissolution or winding up of the Corporation, junior to such Series G Preferred Stock (“Junior Stock”), (b) on a parity with the 8.75% Series A Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, the 8.25% Series B Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, the 8.875% Series C Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, the 8.500% Series D Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, the 8.75% Series E Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, the 8.50% Series F Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, and the 7.125% Series H Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, and any equity securities the Corporation may authorize or issue in the future that, pursuant to the terms thereof, rank on parity with the Series G Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation (“Parity Stock”); and (c) junior to any equity securities the Corporation may authorize or issue in the future that, pursuant to the terms thereof, rank senior to the Series G Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation (“Senior Stock”). Any authorization or issuance of Senior Stock would require the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series G Preferred Stock voting together as a single class with all other classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable. Any convertible or exchangeable debt securities that the Corporation may issue are not considered to be equity securities for these purposes.

(3) *Dividends.*

(a) Holders of the then outstanding shares of Series G Preferred Stock shall be entitled to receive, when, as and if authorized by the Board and declared by the Corporation, out of funds legally available for payment of dividends, cumulative cash dividends at the rate of 7.50% per annum of the \$25.00 liquidation preference of each share of Series G Preferred Stock (equivalent to \$1.875 per annum per share).

(b) Dividends on each outstanding share of Series G Preferred Stock shall be cumulative from and including January 15, 2017 and shall be payable (i) for the period from January 15, 2017 to April 14, 2017, on April 15, 2017, and (ii) for each quarterly distribution period thereafter, quarterly in equal amounts in arrears on the 15th day of each January, April, July and October, commencing on July 15, 2017 (each such day being hereinafter called a “Series G Dividend Payment Date”) at the then applicable annual rate; provided, however, that if any Series G Dividend Payment Date falls on any day other than a Business Day (as hereinafter defined), the dividend that would otherwise have been payable on such Series G Dividend Payment Date may be paid

on the next succeeding Business Day with the same force and effect as if paid on such Series G Dividend Payment Date, and no interest or other sums shall accrue on the amount so payable from such Series G Dividend Payment Date to such next succeeding Business Day. Each dividend is payable to holders of record as they appear on the stock records of the Corporation at the close of business on the record date, not exceeding 30 days preceding the applicable Series G Dividend Payment Date, as shall be fixed by the Board. Dividends shall accumulate from January 15, 2017 or the most recent Series G Dividend Payment Date to which full cumulative dividends have been paid, whether or not in any such dividend period or periods there shall be funds legally available for the payment of such dividends, whether the Corporation has earnings or whether such dividends are authorized. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series G Preferred Stock that may be in arrears. Holders of the Series G Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends, as herein provided, on the Series G Preferred Stock. Dividends payable on the Series G Preferred Stock for any period greater or less than a full dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on the Series G Preferred Stock for each full dividend period will be computed by dividing the applicable annual dividend rate by four. After full cumulative distributions on the Series G Preferred Stock have been paid, the holders of Series G Preferred Stock will not be entitled to any further distributions with respect to that dividend period.

(c) So long as any shares of Series G Preferred Stock are outstanding, no dividends, except as described in the immediately following sentence, shall be authorized and declared or paid or set apart for payment on any series or class or classes of Parity Stock for any period unless full cumulative dividends have been declared and paid or are contemporaneously declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Series G Preferred Stock for all prior dividend periods. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends authorized and declared upon the Series G Preferred Stock and all dividends authorized and declared upon any other series or class or classes of Parity Stock shall be authorized and declared ratably in proportion to the respective amounts of dividends accumulated and unpaid on the Series G Preferred Stock and such Parity Stock.

(d) So long as any shares of Series G Preferred Stock are outstanding, no dividends (other than dividends or distributions paid solely in Junior Stock of, or in options, warrants or rights to subscribe for or purchase, Junior Stock) shall be authorized and declared or paid or set apart for payment or other distribution authorized and declared or made upon Junior Stock, nor shall any Junior Stock be redeemed, purchased or otherwise acquired (other than a redemption, purchase or other acquisition of Common Stock made for purposes of and in compliance with requirements of an employee incentive or benefit plan of the Corporation or any subsidiary, or a conversion into or exchange for Junior Stock or redemptions for the purpose of preserving the Corporation's qualification as a REIT (as defined in the Charter)), for any consideration (or any monies to be paid to or made available for a sinking fund for the redemption of any such shares) by the Corporation, directly or indirectly (except by conversion into or exchange for Junior Stock), unless in each case full cumulative dividends on all outstanding shares of Series G Preferred Stock and any Parity Stock at the time such dividends are payable shall have been paid or set apart for payment for all past dividend periods with respect to the Series G Preferred Stock and all past dividend periods with respect to such Parity Stock.

(e) Any dividend payment made on the Series G Preferred Stock, including any capital gains dividends, shall first be credited against the earliest accrued but unpaid dividend due with respect to such shares which remains payable.

(f) Except as provided herein, the Series G Preferred Stock shall not be entitled to participate in the earnings or assets of the Corporation.

(g) As used herein, the term "Business Day" shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to close.

(h) As used herein, the term "dividend" does not include dividends payable solely in shares of Junior Stock on Junior Stock, or in options, warrants or rights to holders of Junior Stock to subscribe for or purchase any Junior Stock.

(4) Liquidation Preference.

(a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation shall be made to or set apart for the holders of Junior Stock, the holders of the Series G Preferred Stock shall be entitled to receive \$25.00 per share (the "Liquidation Preference") plus an amount per share equal to all accrued and unpaid dividends (whether or not earned or declared) thereon to, but not including, the date of final distribution to such holders; but such holders of the Series G Preferred Stock shall not be entitled to any further payment. If, upon any such liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the Series G Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other Parity Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of such Series G Preferred Stock and any such other Parity Stock ratably in accordance with the respective amounts that would be payable on such Series G Preferred Stock and any such other Parity Stock if all amounts payable thereon were paid in full. For the purposes of this Section 4, none of (i) a consolidation or merger of the Corporation with one or more entities, (ii) a statutory stock exchange by the Corporation or (iii) a sale or transfer of all or substantially all of the Corporation's assets shall be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Until payment shall have been made in full to the holders of the Series G Preferred Stock, as provided in this Section 4, and to the holders of Parity Stock, subject to any terms and provisions applying thereto, no payment will be made to any holder of Junior Stock upon the liquidation, dissolution or winding up of the Corporation. Subject to the rights of the holders of Parity Stock, upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of the Series G Preferred Stock, as provided in this Section 4, any series or class or classes of Junior Stock shall, subject to any respective terms and provisions applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series G Preferred Stock shall not be entitled to share therein.

(5) Optional Redemption.

(a) Except as otherwise permitted by the Charter and paragraph (b) below, the Series G Preferred Stock shall not be redeemable by the Corporation prior to June 19, 2019. On and after June 19, 2019, the Corporation, at its option, upon giving notice as provided below, may redeem the Series G Preferred Stock, in whole, at any time, or in part, from time to time, for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends on the Series G Preferred Stock (whether or not declared), to, but not including, the redemption date (the "Regular Redemption Right").

(b) Upon the occurrence of a Change of Control (as defined herein), the Corporation will have the option, upon giving notice as provided below, to redeem the Series G Preferred Stock, in whole, at any time, or in part, from time to time, within 120 days after the first date on which the Change of Control has occurred (the "Special Redemption Right"), for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends on the Series G Preferred Stock (whether or not declared), to, but not including, the redemption date (the "Special Redemption Price"). If the Corporation exercises its Special Redemption Right in connection with a Change of Control, holders of Series G Preferred Stock will not be permitted to exercise their Change of Control Conversion Right (as defined herein) in respect of any shares of Series G Preferred Stock that have been called for redemption, and any shares of Series G Preferred Stock subsequently called for redemption that have been tendered for conversion will be redeemed on the applicable date of redemption instead of converted on the Change of Control Conversion Date (as defined herein). Any partial redemption will be selected by lot or pro rata.

A "Change of Control" will be deemed to have occurred at such time after the original issuance of the Series G Preferred Stock when the following has occurred:

(i) the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of the Corporation entitling

that person to exercise more than 50% of the total voting power of all shares of the Corporation entitled to vote generally in elections of directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

(ii) following the closing of any transaction referred to in clause (i) above, neither the Corporation nor the acquiring or surviving entity has a class of common securities or American Depositary Receipts listed on the NYSE, the NYSE Amex Equities, or NYSE Amex, or NASDAQ, or listed on an exchange that is a successor to the NYSE, NYSE Amex or NASDAQ.

(c) The following provisions set forth the general procedures for redemption applicable to redemptions pursuant to the Regular Redemption Right and the Special Redemption Right:

(i) Upon any redemption date applicable to Series G Preferred Stock, the Corporation shall pay on each share of Series G Preferred Stock to be redeemed any accrued and unpaid dividends (whether or not declared), in arrears, for any dividend period ending on or prior to the redemption date. If a redemption date falls after a record date for a Series G Preferred Stock dividend payment and prior to the corresponding Series G Dividend Payment Date, then each holder of the Series G Preferred Stock at the close of business on such record date shall be entitled to the dividend payable on such Series G Preferred Stock on the corresponding Series G Dividend Payment Date notwithstanding the redemption of such Series G Preferred Stock prior to such Series G Dividend Payment Date. Except as provided above, the Corporation shall make no payment or allowance for unpaid dividends, whether or not in arrears, on any shares of Series G Preferred Stock called for redemption.

(ii) If full cumulative dividends on the Series G Preferred Stock and any class or classes of Parity Stock have not been paid or declared and set apart for payment, the Corporation may not purchase, redeem or otherwise acquire Series G Preferred Stock in part or any Parity Stock other than in exchange for Junior Stock; provided, however, that the foregoing shall not prevent the purchase by the Corporation of shares held in excess of the limits set forth in the Charter in order to ensure that the Corporation continues to meet the requirements for qualification as a REIT.

(iii) On and after the date fixed for redemption, provided that the Corporation has made available at the office of the registrar and transfer agent a sufficient amount of cash to effect the redemption, dividends will cease to accrue on the shares of Series G Preferred Stock called for redemption (except that, in the case of a redemption date after a dividend payment record date and prior to the related Series G Dividend Payment Date, holders of Series G Preferred Stock on the applicable dividend payment record date will be entitled on such Series G Dividend Payment Date to receive the dividend payable on such shares on the corresponding Series G Dividend Payment Date), such shares shall no longer be deemed to be outstanding and all rights of the holders of such shares as holders of Series G Preferred Stock shall cease except the right to receive the cash payable upon such redemption, without interest from the date of such redemption.

(d) The following provisions set forth the procedures for redemption, in addition to those general procedures set forth in Section 5(c) hereof, pursuant to the Regular Redemption Right.

(i) A notice of redemption (which may be contingent upon the occurrence of a future event) shall be mailed, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the holders of record of the Series G Preferred Stock at their addresses as they appear on the Corporation's stock transfer records. A failure to give such notice or any defect in the notice or in its mailing shall not affect the validity of the proceedings for the redemption of any shares of the Series G Preferred Stock except as to the holder to whom notice was defective or not given. In addition to any information

required by law or by the applicable rules of any exchange upon which the Series G Preferred Stock may be listed or admitted to trading, each notice shall state: (A) the redemption date; (B) the redemption price; (C) the number of shares of Series G Preferred Stock to be redeemed and, if fewer than all the shares of Series G Preferred Stock held by such holder are to be redeemed, the number of such shares of Series G Preferred Stock to be redeemed from such holder; (D) the place or places where the certificates, if any, evidencing the shares of Series G Preferred Stock are to be surrendered for payment of the redemption price; and (E) that dividends on the shares to be redeemed will cease to accrue on such redemption date except as otherwise provided herein.

(ii) If fewer than all the outstanding shares of the Series G Preferred Stock are to be redeemed, the shares to be redeemed shall be selected by lot or pro rata (as nearly as practicable without creating fractional shares).

(iii) At its election, the Corporation, prior to a redemption date, may irrevocably deposit the redemption price (including accumulated and unpaid dividends to the redemption date) of the Series G Preferred Stock so called for redemption in trust for the holders thereof with a bank or trust company, in which case the redemption notice to holders of the Series G Preferred Stock to be redeemed shall (A) state the date of such deposit, (B) specify the office of such bank or trust company as the place of payment of the redemption price and (C) require such holders to surrender the certificates evidencing such shares at such place on or about the date fixed in such redemption notice (which may not be later than the redemption date) against payment of the redemption price (including all accumulated and unpaid dividends to the redemption date). Subject to applicable escheat laws, any monies so deposited which remain unclaimed by the holders of the Series G Preferred Stock at the end of two years after the redemption date shall be returned by such bank or trust company to the Corporation.

(e) The following provisions set forth the procedures for redemption, in addition to those general procedures set forth in Section 5(c) hereof, pursuant to the Special Redemption Right.

(i) A notice of special optional redemption will be mailed, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the holders of record of the Series G Preferred Stock at their addresses as they appear on the Corporation's stock transfer records. A failure to give such notice or any defect in the notice or in its mailing will not affect the validity of the proceedings for the special optional redemption of the shares of Series G Preferred Stock except as to the holder to whom notice was defective or not given. Each notice will state: (A) the redemption date; (B) the redemption price; (C) the number of shares of Series G Preferred Stock to be redeemed; (D) the place or places where the certificates, if any, evidencing the shares of Series G Preferred Stock are to be surrendered for payment; (E) that the shares of Series G Preferred Stock are being redeemed pursuant to the Corporation's special optional redemption right in connection with the occurrence of a Change of Control and a brief description of the transaction or transactions constituting such Change of Control; (F) that the holders of shares of Series G Preferred Stock to which the notice relates will not be able to tender such shares of Series G Preferred Stock for conversion in connection with the Change of Control and each share of Series G Preferred Stock tendered for conversion that is selected for redemption, prior to the Change of Control Conversion Date, will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date; and (G) that dividends on the shares to be redeemed will cease to accrue on such redemption date except as otherwise provided herein.

(ii) If fewer than all the shares of Series G Preferred Stock held by any holder are to be redeemed, the notice mailed to such holder will also specify the number of shares of Series G Preferred Stock to be redeemed from such holder. If fewer than all of the outstanding shares of Series G Preferred Stock are to be redeemed, the shares to be redeemed shall be selected by lot or pro rata.

(iii) On and after the date fixed for redemption, provided that the Corporation has given a notice of redemption and has paid or set aside sufficient funds for the redemption in trust for the benefit of the holders of shares of Series G Preferred Stock called for redemption, those shares of Series G Preferred Stock will be treated as no longer being outstanding, no further dividends will accrue on the share of Series G Preferred Stock called for redemption and all other rights of the holders of those shares of Series G Preferred Stock will terminate (except that, in the case of a redemption date after a dividend payment record date and prior to the related Series G Dividend Payment Date, holders of Series G Preferred Stock on the applicable record date will be entitled on such Series G Dividend Payment Date to receive the dividend payable on such shares on the corresponding Series G Dividend Payment Date). The holders of those shares of Series G Preferred Stock will retain their right to receive the redemption price for their shares and any accrued and unpaid dividends to (but not including) the redemption date, without interest from the date of such redemption.

(iv) At its election, the Corporation, prior to a redemption date, may irrevocably deposit the redemption price (including accumulated and unpaid dividends to the redemption date) of the Series G Preferred Stock so called for redemption in trust for the holders thereof with a bank or trust company, in which case the redemption notice to holders of the Series G Preferred Stock to be redeemed shall (A) state the date of such deposit, (B) specify the office of such bank or trust company as the place of payment of the redemption price and (C) require such holders to surrender the certificates evidencing such shares at such place on or about the date fixed in such redemption notice (which may not be later than the redemption date) against payment of the redemption price (including all accumulated and unpaid dividends to the redemption date). Subject to applicable escheat laws, any monies so deposited which remain unclaimed by the holders of the Series G Preferred Stock at the end of two years after the redemption date shall be returned by such bank or trust company to the Corporation.

(f) Any shares of Series G Preferred Stock that shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board.

(6) *Voting Rights.* Except as otherwise set forth herein, the Series G Preferred Stock shall not have any relative, participating, optional or other voting rights or powers, and the consent of the holders thereof shall not be required for the taking of any corporate action. In any matter in which the holders of Series G Preferred Stock are entitled to vote, each such holder shall have the right to one vote for each share of Series G Preferred Stock held by such holder.

(a) If and whenever six quarterly dividends (whether or not consecutive) payable on the Series G Preferred Stock are in arrears, whether or not earned or declared, the number of members then constituting the Board will be increased by two and the holders of Series G Preferred Stock, voting together as a class with the holders of any other series of Parity Stock upon which like voting rights have been conferred and are exercisable (any such other series, the "Voting Preferred Stock"), will have the right to elect two additional directors of the Corporation (the "Preferred Stock Directors") at an annual meeting of stockholders or a properly called special meeting of the holders of the Series G Preferred Stock and such Voting Preferred Stock and at each subsequent annual meeting of stockholders until all such dividends and dividends for the then current quarterly period on the Series G Preferred Stock and such other Voting Preferred Stock have been paid or declared and set aside for payment. Whenever all arrears in dividends on the Series G Preferred Stock and the Voting Preferred Stock then outstanding have been paid and full dividends on the Series G Preferred Stock and the Voting Preferred Stock for the then current quarterly dividend period have been paid in full or declared and set apart for payment in full, then the right of the holders of the Series G Preferred Stock and the Voting Preferred Stock to elect the two Preferred Stock Directors will cease, the terms of office of the Preferred Stock Directors will forthwith terminate and the number of members of the Board will be reduced accordingly; provided, however, that the right of the holders of the Series G Preferred Stock and the Voting Preferred Stock to elect the Preferred Stock Directors will again vest if and whenever six quarterly dividends are in arrears, as described above. In no event shall the holders of Series G Preferred Stock be entitled pursuant to these

voting rights to elect a director that would cause the Corporation to fail to satisfy a requirement relating to director independence of any national securities exchange on which any class or series of the Corporation's stock is listed. In class votes with other Voting Preferred Stock, preferred stock of different series shall vote in proportion to the liquidation preference of the preferred stock.

(b) So long as any shares of Series G Preferred Stock are outstanding, the approval of two-thirds of the votes entitled to be cast by the holders of outstanding Series G Preferred Stock, voting separately as a class, either at a meeting of stockholders or by written consent, is required (i) to amend, alter or repeal any provisions of the Charter (including these Articles Supplementary), whether by merger, consolidation or otherwise, to affect materially and adversely the voting powers, rights or preferences of the holders of the Series G Preferred Stock, unless in connection with any such amendment, alteration or repeal, the Series G Preferred Stock remains outstanding without the terms thereof being materially changed in any respect adverse to the holders thereof or is converted into or exchanged for preferred stock of the surviving entity having preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption thereof that are substantially similar to those of the Series G Preferred Stock, or (ii) to authorize, create, or increase the authorized amount of any class or series of capital stock having rights senior to the Series G Preferred Stock with respect to the payment of dividends or amounts upon liquidation, dissolution or winding up (provided that if such amendment affects materially and adversely the rights, preferences, privileges or voting powers of one or more but not all of the other series of Voting Preferred Stock, the consent of the holders of at least two-thirds of the outstanding shares of each such series so affected is required). However, the Corporation may create additional classes of Parity Stock and Junior Stock, amend the Charter and these Articles Supplementary to increase the authorized number of shares of Parity Stock (including the Series G Preferred Stock) and Junior Stock and issue additional series of Parity Stock and Junior Stock without the consent of any holder of Series G Preferred Stock.

(c) The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding Series G Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

(7) *Information Rights.* During any period in which the Corporation is not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any shares of Series G Preferred Stock are outstanding, the Corporation will (i) transmit by mail (or other permissible means under the Exchange Act) to all holders of Series G Preferred Stock, as their names and addresses appear in the record books of the Corporation and without cost to such holders, copies of the annual reports on Form 10-K and quarterly reports on Form 10-Q that the Corporation would have been required to file with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Exchange Act if the Corporation were subject thereto (other than any exhibits that would have been required) and (ii) promptly, upon request, supply copies of such reports to any prospective holder of Series G Preferred Stock. The Corporation will mail (or otherwise provide) the information to the holders of Series G Preferred Stock within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the Securities and Exchange Commission if the Corporation were subject to Section 13 or 15(d) of the Exchange Act, in each case, based on the dates on which the Corporation would be required to file such periodic reports if the Corporation were a "non-accelerated filer" within the meaning of the Exchange Act.

(8) *Other Limitations; Ownership and Transfer of the Series G Preferred Stock.* The Series G Preferred Stock constitutes Capital Stock (as defined in the Charter) of the Corporation and is governed by and issued subject to all the ownership and transfer restrictions of the Charter applicable to Capital Stock generally, including but not limited to the terms and conditions (including exceptions and exemptions) of Article VII of the Charter applicable to Capital Stock. The foregoing sentence shall not be construed to limit the applicability to the Series G Preferred Stock of any other term or provision of the Charter.

(9) *Conversion Upon a Change of Control.* The Series G Preferred Stock is not convertible into or exchangeable for any other property or securities of the Corporation, except as provided in this Section 9.

(a) Upon the occurrence of a Change of Control, each holder of Series G Preferred Stock will have the right, subject to the Special Redemption Right of the Corporation, to convert some or all of the shares of Series G Preferred Stock held by such holder (the “Change of Control Conversion Right”) on the relevant Change of Control Conversion Date (as defined herein) into a number of shares of Class A Common Stock (as defined in the Charter) per share of Series G Preferred Stock (the “Common Stock Conversion Consideration”) equal to the lesser of (A) the quotient obtained by dividing (i) the sum of (x) \$25.00, plus (y) an amount equal to any accrued and unpaid dividends (whether or not declared) to, but not including, the Change of Control Conversion Date (as defined herein), except if such Change of Control Conversion Date is after a record date for a Series G Preferred Stock dividend payment and prior to the corresponding Series G Dividend Payment Date, in which case the amount pursuant to this clause (i)(y) shall equal \$0.00 in respect of such dividend payment to be made on such Series G Dividend Payment Date, by (ii) the Common Stock Price (as defined herein) (such quotient, the “Conversion Rate”), and (B) 3.2936 (the “Share Cap”), subject to the immediately succeeding paragraph.

The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a Class A Common Stock dividend), subdivisions or combinations (in each case, a “Share Split”) with respect to Class A Common Stock as follows: the adjusted Share Cap as the result of a Share Split shall be the number of shares of Class A Common Stock that is equivalent to the product of (i) the Share Cap in effect immediately prior to such Share Split multiplied by (ii) a fraction, the numerator of which is the number of shares of Class A Common Stock outstanding after giving effect to such Share Split and the denominator of which is the number of shares of Class A Common Stock outstanding immediately prior to such Share Split.

For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of shares of Class A Common Stock (or equivalent Alternative Conversion Consideration (as defined herein), as applicable) issuable in connection with the exercise of the Change of Control Conversion Right shall not exceed 9,880,809 shares of Class A Common Stock (or equivalent Alternative Conversion Consideration, as applicable), subject to increase to the extent the underwriters’ over-allotment option to purchase additional Series G Preferred Stock in the initial public offering of Series G Preferred Stock is exercised, not to exceed 11,362,931 shares of Class A Common Stock in total (or equivalent Alternative Conversion Consideration, as applicable) (the “Exchange Cap”). The Exchange Cap is subject to pro rata adjustments for any Share Splits with respect to Class A Common Stock as follows: the adjusted Exchange Cap as the result of a Share Split will be the number of shares of Class A Common Stock that is equivalent to the product of (i) the Exchange Cap in effect immediately prior to such Share Split multiplied by (ii) a fraction, the numerator of which is the number of shares of Class A Common Stock outstanding after giving effect to such Share Split and the denominator of which is the number of shares of Class A Common Stock outstanding immediately prior to such Share Split.

In the case of a Change of Control as a result of which holders of Class A Common Stock are entitled to receive consideration other than solely shares of Class A Common Stock, including other securities, other property or assets (including cash or any combination thereof) with respect to or in exchange for shares of Class A Common Stock (the “Alternative Form Consideration”), a holder of Series G Preferred Stock shall be entitled thereafter to convert (subject to the Corporation’s Special Redemption Right) such Series G Preferred Stock not into Class A Common Stock but solely into the kind and amount of Alternative Form Consideration which the holder of Series G Preferred Stock would have owned or been entitled to receive upon such Change of Control as if such holder of Series G Preferred Stock then held the Common Stock Conversion Consideration immediately prior to the effective time of the Change of Control (the “Alternative Conversion Consideration,” and the Common Stock Conversion Consideration or the Alternative Conversion Consideration, as may be applicable to a Change of Control, shall be referred to herein as the “Conversion Consideration”).

If the holders of Class A Common Stock have the opportunity to elect the form of consideration to be received in such Change of Control, the Conversion Consideration will be deemed to be the kind and amount of consideration actually received by holders of a majority of Class A Common Stock that voted for such an election (if electing between two types of consideration) or holders of a plurality of Class A Common Stock that voted for such an election (if electing between more than two types of consideration), as the case may be.

As used herein, “Common Stock Price” will mean (i) if the consideration to be received in the Change of Control by holders of shares of Class A Common Stock is solely cash, the amount of cash consideration per share of

Class A Common Stock, (ii) if the consideration to be received in the Change of Control by holders of Class A Common Stock is other than solely cash, the average of the closing price per share of Class A Common Stock on the ten consecutive trading days immediately preceding, but not including, the effective date of the Change of Control, and (iii) if there is not a readily determinable closing price for the Class A Common Stock or Alternative Form Consideration (as defined herein), the fair market value of Class A Common Stock or such Alternative Form Consideration (as determined by the Board or a committee thereof).

(b) No fractional shares of Class A Common Stock shall be issued upon the conversion of Series G Preferred Stock. In lieu of fractional shares, holders shall be entitled to receive the cash value of such fractional shares based on the Common Stock Price.

(c) Within 15 days following the occurrence of a Change of Control, the Corporation shall provide to holders of Series G Preferred Stock a notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right. A failure to give such notice or any defect in the notice or in its mailing shall not affect the validity of the proceedings for the conversion of any Series G Preferred Stock except as to the holder to whom notice was defective or not given. Each notice shall state the following: (i) the events constituting the Change of Control; (ii) the date of the Change of Control; (iii) the last date on which the holders of Series G Preferred Stock may exercise their Change of Control Conversion Right, which shall be the Change of Control Conversion Date; (iv) the method and period for calculating the Common Stock Price; (v) the Change of Control Conversion Date, which will be a business day occurring within 20 to 35 days following the date of the notice; (vi) if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Series G Preferred Stock; (vii) the name and address of the paying agent and the conversion agent; and (viii) the procedures that the holders of Series G Preferred Stock must follow to exercise the Change of Control Conversion Right.

(d) The Corporation shall issue a press release for publication on the Dow Jones & Company, Inc., Business Wire, PR Newswire or Bloomberg Business News (or, if such organizations are not in existence at the time of issuance of such press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), or post notice on the Corporation's website, in any event prior to the opening of business on the first Business Day following any date on which the Corporation provides notice pursuant to paragraph (c) above to the holders of Series G Preferred Stock.

(e) In order to exercise the Change of Control Conversion Right, a holder of Series G Preferred Stock shall be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificates (if any) evidencing the shares of Series G Preferred Stock to be converted, duly endorsed for transfer, together with a written conversion notice completed, to the transfer agent. Such conversion notice shall state: (i) the relevant Change of Control Conversion Date; (ii) the number of shares of Series G Preferred Stock to be converted; and (iii) that the shares of Series G Preferred Stock are to be converted pursuant to the applicable provisions of the Series G Preferred Stock. Notwithstanding the foregoing, if the shares of Series G Preferred Stock are held in global form, such notice shall comply with applicable procedures of the Depository Trust Company ("DTC"). The "Change of Control Conversion Date" shall be a Business Day set forth in the notice of Change of Control provided in accordance with paragraph 9(c) hereof that is no less than 20 days nor more than 35 days after the date on which the Corporation gives such notice pursuant to paragraph 9(c) hereof.

(f) Holders of Series G Preferred Stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to the Corporation's transfer agent prior to the close of business on the Business Day prior to the Change of Control Conversion Date. The notice of withdrawal must state: (i) the number of withdrawn shares of Series G Preferred Stock; (ii) if certificated shares of Series G Preferred Stock have been issued, the certificate numbers of the withdrawn shares of Series G Preferred Stock; and (iii) the number of shares of Series G Preferred Stock, if any, which remain subject to the conversion notice. Notwithstanding the foregoing, if the shares of Series G Preferred Stock are held in global form, the notice of withdrawal shall comply with applicable DTC procedures.

(g) Series G Preferred Stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn shall be converted into the

applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date.

(h) In connection with the exercise of any Change of Control Conversion Right, the Corporation will comply with all U.S. federal and state securities laws and stock exchange rules in connection with any conversion of Series G Preferred Stock into Class A Common Stock. Notwithstanding anything to the contrary contained herein, no holder of Series G Preferred Stock will be entitled to convert such Series G Preferred Stock for Class A Common Stock to the extent that receipt of such Class A Common Stock would cause such holder (or any other person) to Beneficially Own or Constructively Own, within the meaning of the Charter, Common Stock of the Corporation in excess of the Common Stock Ownership Limit, as such term is defined in the Charter.

(10) *Record Holders.* The Corporation and the transfer agent for the Series G Preferred Stock may deem and treat the record holder of any Series G Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor the transfer agent shall be affected by any notice to the contrary.

EXHIBIT H
SERIES H PREFERRED STOCK

Under a power contained in the charter (the “Charter”) of Colony NorthStar, Inc., a Maryland corporation (the “Corporation”), the Board of Directors of the Corporation (the “Board”) classified and designated 11,500,000 shares of the Preferred Stock (as defined in the Charter), as shares of 7.125% Series H Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, with the following preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption set forth below, which upon any restatement of the Charter, shall be deemed to be part of Article VI of the Charter, with any necessary or appropriate changes to the enumeration or lettering of sections or subsections hereof:

7.125% Series H Cumulative Redeemable Perpetual Preferred Stock

(1) *Designation and Number.* A series of Preferred Stock, designated as the “7.125% Series H Cumulative Redeemable Perpetual Preferred Stock” (the “Series H Preferred Stock”), is hereby established. The par value of the Series H Preferred Stock is \$0.01 per share. The number of shares of the Series H Preferred Stock shall be 11,500,000.

(2) *Ranking.* The Series H Preferred Stock will, with respect to rights to receive dividends and to participate in distributions or payments upon liquidation, dissolution or winding up of the Corporation, rank (a) senior to the Common Stock (as defined in the Charter) and any other class of capital stock of the Corporation, now or hereafter issued and outstanding, the terms of which provide that such capital stock ranks, as to the payment of dividends or amounts upon liquidation, dissolution or winding up of the Corporation, junior to such Series H Preferred Stock (“Junior Stock”), (b) on a parity with the 8.75% Series A Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, the 8.25% Series B Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, the 8.875% Series C Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, the 8.500% Series D Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, the 8.75% Series E Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, the 8.50% Series F Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, and the 7.50% Series G Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share and any equity securities the Corporation may authorize or issue in the future that, pursuant to the terms thereof, rank on parity with the Series H Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation (“Parity Stock”); and (c) junior to any equity securities the Corporation may authorize or issue in the future that, pursuant to the terms thereof, rank senior to the Series H Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation (“Senior Stock”). Any authorization or issuance of Senior Stock would require the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series H Preferred Stock voting together as a single class with all other classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable. Any convertible or exchangeable debt securities that the Corporation may issue are not considered to be equity securities for these purposes.

(3) *Dividends.*

(a) Holders of the then outstanding shares of Series H Preferred Stock shall be entitled to receive, when, as and if authorized by the Board and declared by the Corporation, out of funds legally available for payment of dividends, cumulative cash dividends at the rate of 7.125% per annum of the \$25.00 liquidation preference of each share of Series H Preferred Stock (equivalent to \$1.78125 per annum per share).

(b) Dividends on each outstanding share of Series H Preferred Stock shall be cumulative from and including January 15, 2017 and shall be payable (i) for the period from January 15, 2017 to April 14, 2017, on April 15, 2017, and (ii) for each quarterly distribution period thereafter, quarterly in equal amounts in arrears on the 15th day of each January, April, July and October, commencing on July 15, 2017 (each such day being hereinafter called a “Series H Dividend Payment Date”) at the then applicable annual rate; provided, however, that if any Series H Dividend Payment Date falls on any day other than a Business Day (as hereinafter defined), the dividend that would otherwise have been payable on such Series H Dividend Payment Date may be paid

on the next succeeding Business Day with the same force and effect as if paid on such Series H Dividend Payment Date, and no interest or other sums shall accrue on the amount so payable from such Series H Dividend Payment Date to such next succeeding Business Day. Each dividend is payable to holders of record as they appear on the stock records of the Corporation at the close of business on the record date, not exceeding 30 days preceding the applicable Series H Dividend Payment Date, as shall be fixed by the Board. Dividends shall accumulate from January 15, 2017 or the most recent Series H Dividend Payment Date to which full cumulative dividends have been paid, whether or not in any such dividend period or periods there shall be funds legally available for the payment of such dividends, whether the Corporation has earnings or whether such dividends are authorized. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series H Preferred Stock that may be in arrears. Holders of the Series H Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends, as herein provided, on the Series H Preferred Stock. Dividends payable on the Series H Preferred Stock for any period greater or less than a full dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on the Series H Preferred Stock for each full dividend period will be computed by dividing the applicable annual dividend rate by four. After full cumulative distributions on the Series H Preferred Stock have been paid, the holders of Series H Preferred Stock will not be entitled to any further distributions with respect to that dividend period.

(c) So long as any shares of Series H Preferred Stock are outstanding, no dividends, except as described in the immediately following sentence, shall be authorized and declared or paid or set apart for payment on any series or class or classes of Parity Stock for any period unless full cumulative dividends have been declared and paid or are contemporaneously declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Series H Preferred Stock for all prior dividend periods. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends authorized and declared upon the Series H Preferred Stock and all dividends authorized and declared upon any other series or class or classes of Parity Stock shall be authorized and declared ratably in proportion to the respective amounts of dividends accumulated and unpaid on the Series H Preferred Stock and such Parity Stock.

(d) So long as any shares of Series H Preferred Stock are outstanding, no dividends (other than dividends or distributions paid solely in Junior Stock of, or in options, warrants or rights to subscribe for or purchase, Junior Stock) shall be authorized and declared or paid or set apart for payment or other distribution authorized and declared or made upon Junior Stock, nor shall any Junior Stock be redeemed, purchased or otherwise acquired (other than a redemption, purchase or other acquisition of Common Stock made for purposes of and in compliance with requirements of an employee incentive or benefit plan of the Corporation or any subsidiary, or a conversion into or exchange for Junior Stock or redemptions for the purpose of preserving the Corporation's qualification as a REIT (as defined in the Charter)), for any consideration (or any monies to be paid to or made available for a sinking fund for the redemption of any such shares) by the Corporation, directly or indirectly (except by conversion into or exchange for Junior Stock), unless in each case full cumulative dividends on all outstanding shares of Series H Preferred Stock and any Parity Stock at the time such dividends are payable shall have been paid or set apart for payment for all past dividend periods with respect to the Series H Preferred Stock and all past dividend periods with respect to such Parity Stock.

(e) Any dividend payment made on the Series H Preferred Stock, including any capital gains dividends, shall first be credited against the earliest accrued but unpaid dividend due with respect to such shares which remains payable.

(f) Except as provided herein, the Series H Preferred Stock shall not be entitled to participate in the earnings or assets of the Corporation.

(g) As used herein, the term "Business Day" shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to close.

(h) As used herein, the term "dividend" does not include dividends payable solely in shares of Junior Stock on Junior Stock, or in options, warrants or rights to holders of Junior Stock to subscribe for or purchase any Junior Stock.

(4) Liquidation Preference.

(a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation shall be made to or set apart for the holders of Junior Stock, the holders of the Series H Preferred Stock shall be entitled to receive \$25.00 per share (the "Liquidation Preference") plus an amount per share equal to all accrued and unpaid dividends (whether or not earned or declared) thereon to, but not including, the date of final distribution to such holders; but such holders of the Series H Preferred Stock shall not be entitled to any further payment. If, upon any such liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the Series H Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other Parity Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of such Series H Preferred Stock and any such other Parity Stock ratably in accordance with the respective amounts that would be payable on such Series H Preferred Stock and any such other Parity Stock if all amounts payable thereon were paid in full. For the purposes of this Section 4, none of (i) a consolidation or merger of the Corporation with one or more entities, (ii) a statutory stock exchange by the Corporation or (iii) a sale or transfer of all or substantially all of the Corporation's assets shall be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Until payment shall have been made in full to the holders of the Series H Preferred Stock, as provided in this Section 4, and to the holders of Parity Stock, subject to any terms and provisions applying thereto, no payment will be made to any holder of Junior Stock upon the liquidation, dissolution or winding up of the Corporation. Subject to the rights of the holders of Parity Stock, upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of the Series H Preferred Stock, as provided in this Section 4, any series or class or classes of Junior Stock shall, subject to any respective terms and provisions applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series H Preferred Stock shall not be entitled to share therein.

(5) Optional Redemption.

(a) Except as otherwise permitted by the Charter and paragraph (b) below, the Series H Preferred Stock shall not be redeemable by the Corporation prior to April 13, 2020. On and after April 13, 2020, the Corporation, at its option, upon giving notice as provided below, may redeem the Series H Preferred Stock, in whole, at any time, or in part, from time to time, for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends on the Series H Preferred Stock (whether or not declared), to, but not including, the redemption date (the "Regular Redemption Right").

(b) Upon the occurrence of a Change of Control (as defined herein), the Corporation will have the option, upon giving notice as provided below, to redeem the Series H Preferred Stock, in whole, at any time, or in part, from time to time, within 120 days after the first date on which the Change of Control has occurred (the "Special Redemption Right"), for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends on the Series H Preferred Stock (whether or not declared), to, but not including, the redemption date (the "Special Redemption Price"). If the Corporation exercises its Special Redemption Right in connection with a Change of Control, holders of Series H Preferred Stock will not be permitted to exercise their Change of Control Conversion Right (as defined herein) in respect of any shares of Series H Preferred Stock that have been called for redemption, and any shares of Series H Preferred Stock subsequently called for redemption that have been tendered for conversion will be redeemed on the applicable date of redemption instead of converted on the Change of Control Conversion Date (as defined herein). Any partial redemption will be selected by lot or pro rata.

A "Change of Control" will be deemed to have occurred at such time after the original issuance of the Series H Preferred Stock when the following has occurred:

(i) the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of the Corporation entitling that person to exercise more than 50% of the total voting power of all shares of the

Corporation entitled to vote generally in elections of directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

(ii) following the closing of any transaction referred to in clause (i) above, neither the Corporation nor the acquiring or surviving entity has a class of common securities or American Depositary Receipts listed on the NYSE, the NYSE Amex Equities, or NYSE Amex, or NASDAQ, or listed on an exchange that is a successor to the NYSE, NYSE Amex or NASDAQ.

(c) The following provisions set forth the general procedures for redemption applicable to redemptions pursuant to the Regular Redemption Right and the Special Redemption Right:

(i) Upon any redemption date applicable to Series H Preferred Stock, the Corporation shall pay on each share of Series H Preferred Stock to be redeemed any accrued and unpaid dividends (whether or not declared), in arrears, for any dividend period ending on or prior to the redemption date. If a redemption date falls after a record date for a Series H Preferred Stock dividend payment and prior to the corresponding Series H Dividend Payment Date, then each holder of the Series H Preferred Stock at the close of business on such record date shall be entitled to the dividend payable on such Series H Preferred Stock on the corresponding Series H Dividend Payment Date notwithstanding the redemption of such Series H Preferred Stock prior to such Series H Dividend Payment Date. Except as provided above, the Corporation shall make no payment or allowance for unpaid dividends, whether or not in arrears, on any shares of Series H Preferred Stock called for redemption.

(ii) If full cumulative dividends on the Series H Preferred Stock and any class or classes of Parity Stock have not been paid or declared and set apart for payment, the Corporation may not purchase, redeem or otherwise acquire Series H Preferred Stock in part or any Parity Stock other than in exchange for Junior Stock; provided, however, that the foregoing shall not prevent the purchase by the Corporation of shares held in excess of the limits set forth in the Charter in order to ensure that the Corporation continues to meet the requirements for qualification as a REIT.

(iii) On and after the date fixed for redemption, provided that the Corporation has made available at the office of the registrar and transfer agent a sufficient amount of cash to effect the redemption, dividends will cease to accrue on the shares of Series H Preferred Stock called for redemption (except that, in the case of a redemption date after a dividend payment record date and prior to the related Series H Dividend Payment Date, holders of Series H Preferred Stock on the applicable dividend payment record date will be entitled on such Series H Dividend Payment Date to receive the dividend payable on such shares on the corresponding Series H Dividend Payment Date), such shares shall no longer be deemed to be outstanding and all rights of the holders of such shares as holders of Series H Preferred Stock shall cease except the right to receive the cash payable upon such redemption, without interest from the date of such redemption.

(d) The following provisions set forth the procedures for redemption, in addition to those general procedures set forth in Section 5(c) hereof, pursuant to the Regular Redemption Right.

(i) A notice of redemption (which may be contingent upon the occurrence of a future event) shall be mailed, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the holders of record of the Series H Preferred Stock at their addresses as they appear on the Corporation's stock transfer records. A failure to give such notice or any defect in the notice or in its mailing shall not affect the validity of the proceedings for the redemption of any shares of the Series H Preferred Stock except as to the holder to whom notice was defective or not given. In addition to any information required by law or by the applicable rules of any exchange upon which the Series H Preferred

Stock may be listed or admitted to trading, each notice shall state: (A) the redemption date; (B) the redemption price; (C) the number of shares of Series H Preferred Stock to be redeemed and, if fewer than all the shares of Series H Preferred Stock held by such holder are to be redeemed, the number of such shares of Series H Preferred Stock to be redeemed from such holder; (D) the place or places where the certificates, if any, evidencing the shares of Series H Preferred Stock are to be surrendered for payment of the redemption price; and (E) that dividends on the shares to be redeemed will cease to accrue on such redemption date except as otherwise provided herein.

(ii) If fewer than all the outstanding shares of the Series H Preferred Stock are to be redeemed, the shares to be redeemed shall be selected by lot or pro rata (as nearly as practicable without creating fractional shares).

(iii) At its election, the Corporation, prior to a redemption date, may irrevocably deposit the redemption price (including accumulated and unpaid dividends to the redemption date) of the Series H Preferred Stock so called for redemption in trust for the holders thereof with a bank or trust company, in which case the redemption notice to holders of the Series H Preferred Stock to be redeemed shall (A) state the date of such deposit, (B) specify the office of such bank or trust company as the place of payment of the redemption price and (C) require such holders to surrender the certificates evidencing such shares at such place on or about the date fixed in such redemption notice (which may not be later than the redemption date) against payment of the redemption price (including all accumulated and unpaid dividends to the redemption date). Subject to applicable escheat laws, any monies so deposited which remain unclaimed by the holders of the Series H Preferred Stock at the end of two years after the redemption date shall be returned by such bank or trust company to the Corporation.

(e) The following provisions set forth the procedures for redemption, in addition to those general procedures set forth in Section 5(c) hereof, pursuant to the Special Redemption Right.

(i) A notice of special optional redemption will be mailed, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the holders of record of the Series H Preferred Stock at their addresses as they appear on the Corporation's stock transfer records. A failure to give such notice or any defect in the notice or in its mailing will not affect the validity of the proceedings for the special optional redemption of the shares of Series H Preferred Stock except as to the holder to whom notice was defective or not given. Each notice will state: (A) the redemption date; (B) the redemption price; (C) the number of shares of Series H Preferred Stock to be redeemed; (D) the place or places where the certificates, if any, evidencing the shares of Series H Preferred Stock are to be surrendered for payment; (E) that the shares of Series H Preferred Stock are being redeemed pursuant to the Corporation's special optional redemption right in connection with the occurrence of a Change of Control and a brief description of the transaction or transactions constituting such Change of Control; (F) that the holders of shares of Series H Preferred Stock to which the notice relates will not be able to tender such shares of Series H Preferred Stock for conversion in connection with the Change of Control and each share of Series H Preferred Stock tendered for conversion that is selected for redemption, prior to the Change of Control Conversion Date, will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date; and (G) that dividends on the shares to be redeemed will cease to accrue on such redemption date except as otherwise provided herein.

(ii) If fewer than all the shares of Series H Preferred Stock held by any holder are to be redeemed, the notice mailed to such holder will also specify the number of shares of Series H Preferred Stock to be redeemed from such holder. If fewer than all of the outstanding shares of Series H Preferred Stock are to be redeemed, the shares to be redeemed shall be selected by lot or pro rata.

(iii) On and after the date fixed for redemption, provided that the Corporation has given a notice of redemption and has paid or set aside sufficient funds for the redemption in trust for the benefit of the holders of shares of Series H Preferred Stock called for redemption, those shares of Series H Preferred Stock will be treated as no longer being outstanding, no further dividends will accrue on the share of Series H Preferred Stock called for redemption and all other rights of the holders of those shares of Series H Preferred Stock will terminate (except that, in the case of a redemption date after a dividend payment record date and prior to the related Series H Dividend Payment Date, holders of Series H Preferred Stock on the applicable record date will be entitled on such Series H Dividend Payment Date to receive the dividend payable on such shares on the corresponding Series H Dividend Payment Date). The holders of those shares of Series H Preferred Stock will retain their right to receive the redemption price for their shares and any accrued and unpaid dividends to (but not including) the redemption date, without interest from the date of such redemption.

(iv) At its election, the Corporation, prior to a redemption date, may irrevocably deposit the redemption price (including accumulated and unpaid dividends to the redemption date) of the Series H Preferred Stock so called for redemption in trust for the holders thereof with a bank or trust company, in which case the redemption notice to holders of the Series H Preferred Stock to be redeemed shall (A) state the date of such deposit, (B) specify the office of such bank or trust company as the place of payment of the redemption price and (C) require such holders to surrender the certificates evidencing such shares at such place on or about the date fixed in such redemption notice (which may not be later than the redemption date) against payment of the redemption price (including all accumulated and unpaid dividends to the redemption date). Subject to applicable escheat laws, any monies so deposited which remain unclaimed by the holders of the Series H Preferred Stock at the end of two years after the redemption date shall be returned by such bank or trust company to the Corporation.

(f) Any shares of Series H Preferred Stock that shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board.

(6) *Voting Rights.* Except as otherwise set forth herein, the Series H Preferred Stock shall not have any relative, participating, optional or other voting rights or powers, and the consent of the holders thereof shall not be required for the taking of any corporate action. In any matter in which the holders of Series H Preferred Stock are entitled to vote, each such holder shall have the right to one vote for each share of Series H Preferred Stock held by such holder.

(a) If and whenever six quarterly dividends (whether or not consecutive) payable on the Series H Preferred Stock are in arrears, whether or not earned or declared, the number of members then constituting the Board will be increased by two and the holders of Series H Preferred Stock, voting together as a class with the holders of any other series of Parity Stock upon which like voting rights have been conferred and are exercisable (any such other series, the "Voting Preferred Stock"), will have the right to elect two additional directors of the Corporation (the "Preferred Stock Directors") at an annual meeting of stockholders or a properly called special meeting of the holders of the Series H Preferred Stock and such Voting Preferred Stock and at each subsequent annual meeting of stockholders until all such dividends and dividends for the then current quarterly period on the Series H Preferred Stock and such other Voting Preferred Stock have been paid or declared and set aside for payment. Whenever all arrears in dividends on the Series H Preferred Stock and the Voting Preferred Stock then outstanding have been paid and full dividends on the Series H Preferred Stock and the Voting Preferred Stock for the then current quarterly dividend period have been paid in full or declared and set apart for payment in full, then the right of the holders of the Series H Preferred Stock and the Voting Preferred Stock to elect the two Preferred Stock Directors will cease, the terms of office of the Preferred Stock Directors will forthwith terminate and the number of members of the Board will be reduced accordingly; provided, however, that the right of the holders of the Series H Preferred Stock and the Voting Preferred Stock to elect the Preferred Stock Directors will again vest if and whenever six quarterly dividends are in arrears, as described above. In no event shall the holders of Series H Preferred Stock be entitled pursuant to these

voting rights to elect a director that would cause the Corporation to fail to satisfy a requirement relating to director independence of any national securities exchange on which any class or series of the Corporation's stock is listed. In class votes with other Voting Preferred Stock, preferred stock of different series shall vote in proportion to the liquidation preference of the preferred stock.

(b) So long as any shares of Series H Preferred Stock are outstanding, the approval of two-thirds of the votes entitled to be cast by the holders of outstanding Series H Preferred Stock, voting separately as a class, either at a meeting of stockholders or by written consent, is required (i) to amend, alter or repeal any provisions of the Charter (including these Articles Supplementary), whether by merger, consolidation or otherwise, to affect materially and adversely the voting powers, rights or preferences of the holders of the Series H Preferred Stock, unless in connection with any such amendment, alteration or repeal, the Series H Preferred Stock remains outstanding without the terms thereof being materially changed in any respect adverse to the holders thereof or is converted into or exchanged for preferred stock of the surviving entity having preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption thereof that are substantially similar to those of the Series H Preferred Stock, or (ii) to authorize, create, or increase the authorized amount of any class or series of capital stock having rights senior to the Series H Preferred Stock with respect to the payment of dividends or amounts upon liquidation, dissolution or winding up (provided that if such amendment affects materially and adversely the rights, preferences, privileges or voting powers of one or more but not all of the other series of Voting Preferred Stock, the consent of the holders of at least two-thirds of the outstanding shares of each such series so affected is required). However, the Corporation may create additional classes of Parity Stock and Junior Stock, amend the Charter and these Articles Supplementary to increase the authorized number of shares of Parity Stock (including the Series H Preferred Stock) and Junior Stock and issue additional series of Parity Stock and Junior Stock without the consent of any holder of Series H Preferred Stock.

(c) The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding Series H Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

(7) *Information Rights.* During any period in which the Corporation is not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any shares of Series H Preferred Stock are outstanding, the Corporation will (i) transmit by mail (or other permissible means under the Exchange Act) to all holders of Series H Preferred Stock, as their names and addresses appear in the record books of the Corporation and without cost to such holders, copies of the annual reports on Form 10-K and quarterly reports on Form 10-Q that the Corporation would have been required to file with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Exchange Act if the Corporation were subject thereto (other than any exhibits that would have been required) and (ii) promptly, upon request, supply copies of such reports to any prospective holder of Series H Preferred Stock. The Corporation will mail (or otherwise provide) the information to the holders of Series H Preferred Stock within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the Securities and Exchange Commission if the Corporation were subject to Section 13 or 15(d) of the Exchange Act, in each case, based on the dates on which the Corporation would be required to file such periodic reports if the Corporation were a "non-accelerated filer" within the meaning of the Exchange Act.

(8) *Other Limitations; Ownership and Transfer of the Series H Preferred Stock.* The Series H Preferred Stock constitutes Capital Stock (as defined in the Charter) of the Corporation and is governed by and issued subject to all the ownership and transfer restrictions of the Charter applicable to Capital Stock generally, including but not limited to the terms and conditions (including exceptions and exemptions) of Article VII of the Charter applicable to Capital Stock. The foregoing sentence shall not be construed to limit the applicability to the Series H Preferred Stock of any other term or provision of the Charter.

(9) *Conversion Upon a Change of Control.* The Series H Preferred Stock is not convertible into or exchangeable for any other property or securities of the Corporation, except as provided in this Section 9.

(a) Upon the occurrence of a Change of Control, each holder of Series H Preferred Stock will have the right, subject to the Special Redemption Right of the Corporation, to convert some or all of the shares of Series H Preferred Stock held by such holder (the “Change of Control Conversion Right”) on the relevant Change of Control Conversion Date (as defined herein) into a number of shares of Class A Common Stock (as defined in the Charter) per share of Series H Preferred Stock (the “Common Stock Conversion Consideration”) equal to the lesser of (A) the quotient obtained by dividing (i) the sum of (x) \$25.00, plus (y) an amount equal to any accrued and unpaid dividends (whether or not declared) to, but not including, the Change of Control Conversion Date (as defined herein), except if such Change of Control Conversion Date is after a record date for a Series H Preferred Stock dividend payment and prior to the corresponding Series H Dividend Payment Date, in which case the amount pursuant to this clause (i)(y) shall equal \$0.00 in respect of such dividend payment to be made on such Series H Dividend Payment Date, by (ii) the Common Stock Price (as defined herein) (such quotient, the “Conversion Rate”), and (B) 2.8198 (the “Share Cap”), subject to the immediately succeeding paragraph.

The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a Class A Common Stock dividend), subdivisions or combinations (in each case, a “Share Split”) with respect to Class A Common Stock as follows: the adjusted Share Cap as the result of a Share Split shall be the number of shares of Class A Common Stock that is equivalent to the product of (i) the Share Cap in effect immediately prior to such Share Split multiplied by (ii) a fraction, the numerator of which is the number of shares of Class A Common Stock outstanding after giving effect to such Share Split and the denominator of which is the number of shares of Class A Common Stock outstanding immediately prior to such Share Split.

For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of shares of Class A Common Stock (or equivalent Alternative Conversion Consideration (as defined herein), as applicable) issuable in connection with the exercise of the Change of Control Conversion Right shall not exceed 28,198,415 shares of Class A Common Stock (or equivalent Alternative Conversion Consideration, as applicable), subject to increase to the extent the underwriters’ over-allotment option to purchase additional Series H Preferred Stock in the initial public offering of Series H Preferred Stock is exercised, not to exceed 32,428,178 shares of Class A Common Stock in total (or equivalent Alternative Conversion Consideration, as applicable) (the “Exchange Cap”). The Exchange Cap is subject to pro rata adjustments for any Share Splits with respect to Class A Common Stock as follows: the adjusted Exchange Cap as the result of a Share Split will be the number of shares of Class A Common Stock that is equivalent to the product of (i) the Exchange Cap in effect immediately prior to such Share Split multiplied by (ii) a fraction, the numerator of which is the number of shares of Class A Common Stock outstanding after giving effect to such Share Split and the denominator of which is the number of shares of Class A Common Stock outstanding immediately prior to such Share Split.

In the case of a Change of Control as a result of which holders of Class A Common Stock are entitled to receive consideration other than solely shares of Class A Common Stock, including other securities, other property or assets (including cash or any combination thereof) with respect to or in exchange for shares of Class A Common Stock (the “Alternative Form Consideration”), a holder of Series H Preferred Stock shall be entitled thereafter to convert (subject to the Corporation’s Special Redemption Right) such Series H Preferred Stock not into Class A Common Stock but solely into the kind and amount of Alternative Form Consideration which the holder of Series H Preferred Stock would have owned or been entitled to receive upon such Change of Control as if such holder of Series H Preferred Stock then held the Common Stock Conversion Consideration immediately prior to the effective time of the Change of Control (the “Alternative Conversion Consideration,” and the Common Stock Conversion Consideration or the Alternative Conversion Consideration, as may be applicable to a Change of Control, shall be referred to herein as the “Conversion Consideration”).

If the holders of Class A Common Stock have the opportunity to elect the form of consideration to be received in such Change of Control, the Conversion Consideration will be deemed to be the kind and amount of consideration actually received by holders of a majority of Class A Common Stock that voted for such an election (if electing between two types of consideration) or holders of a plurality of Class A Common Stock that voted for such an election (if electing between more than two types of consideration), as the case may be.

As used herein, “Common Stock Price” will mean (i) if the consideration to be received in the Change of Control by holders of shares of Class A Common Stock is solely cash, the amount of cash consideration per share of

Class A Common Stock, (ii) if the consideration to be received in the Change of Control by holders of Class A Common Stock is other than solely cash, the average of the closing price per share of Class A Common Stock on the ten consecutive trading days immediately preceding, but not including, the effective date of the Change of Control, and (iii) if there is not a readily determinable closing price for the Class A Common Stock or Alternative Form Consideration (as defined herein), the fair market value of Class A Common Stock or such Alternative Form Consideration (as determined by the Board or a committee thereof).

(b) No fractional shares of Class A Common Stock shall be issued upon the conversion of Series H Preferred Stock. In lieu of fractional shares, holders shall be entitled to receive the cash value of such fractional shares based on the Common Stock Price.

(c) Within 15 days following the occurrence of a Change of Control, the Corporation shall provide to holders of Series H Preferred Stock a notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right. A failure to give such notice or any defect in the notice or in its mailing shall not affect the validity of the proceedings for the conversion of any Series H Preferred Stock except as to the holder to whom notice was defective or not given. Each notice shall state the following: (i) the events constituting the Change of Control; (ii) the date of the Change of Control; (iii) the last date on which the holders of Series H Preferred Stock may exercise their Change of Control Conversion Right, which shall be the Change of Control Conversion Date; (iv) the method and period for calculating the Common Stock Price; (v) the Change of Control Conversion Date, which will be a business day occurring within 20 to 35 days following the date of the notice; (vi) if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Series H Preferred Stock; (vii) the name and address of the paying agent and the conversion agent; and (viii) the procedures that the holders of Series H Preferred Stock must follow to exercise the Change of Control Conversion Right.

(d) The Corporation shall issue a press release for publication on the Dow Jones & Company, Inc., Business Wire, PR Newswire or Bloomberg Business News (or, if such organizations are not in existence at the time of issuance of such press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), or post notice on the Corporation's website, in any event prior to the opening of business on the first Business Day following any date on which the Corporation provides notice pursuant to paragraph (c) above to the holders of Series H Preferred Stock.

(e) In order to exercise the Change of Control Conversion Right, a holder of Series H Preferred Stock shall be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificates (if any) evidencing the shares of Series H Preferred Stock to be converted, duly endorsed for transfer, together with a written conversion notice completed, to the transfer agent. Such conversion notice shall state: (i) the relevant Change of Control Conversion Date; (ii) the number of shares of Series H Preferred Stock to be converted; and (iii) that the shares of Series H Preferred Stock are to be converted pursuant to the applicable provisions of the Series H Preferred Stock. Notwithstanding the foregoing, if the shares of Series H Preferred Stock are held in global form, such notice shall comply with applicable procedures of the Depository Trust Company ("DTC"). The "Change of Control Conversion Date" shall be a Business Day set forth in the notice of Change of Control provided in accordance with paragraph 9(c) hereof that is no less than 20 days nor more than 35 days after the date on which the Corporation gives such notice pursuant to paragraph 9(c) hereof.

(f) Holders of Series H Preferred Stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to the Corporation's transfer agent prior to the close of business on the Business Day prior to the Change of Control Conversion Date. The notice of withdrawal must state: (i) the number of withdrawn shares of Series H Preferred Stock; (ii) if certificated shares of Series H Preferred Stock have been issued, the certificate numbers of the withdrawn shares of Series H Preferred Stock; and (iii) the number of shares of Series H Preferred Stock, if any, which remain subject to the conversion notice. Notwithstanding the foregoing, if the shares of Series H Preferred Stock are held in global form, the notice of withdrawal shall comply with applicable DTC procedures.

(g) Series H Preferred Stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn shall be converted into the

applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date.

(h) In connection with the exercise of any Change of Control Conversion Right, the Corporation will comply with all U.S. federal and state securities laws and stock exchange rules in connection with any conversion of Series H Preferred Stock into Class A Common Stock. Notwithstanding anything to the contrary contained herein, no holder of Series H Preferred Stock will be entitled to convert such Series H Preferred Stock for Class A Common Stock to the extent that receipt of such Class A Common Stock would cause such holder (or any other person) to Beneficially Own or Constructively Own, within the meaning of the Charter, Common Stock of the Corporation in excess of the Common Stock Ownership Limit, as such term is defined in the Charter.

(10) *Record Holders.* The Corporation and the transfer agent for the Series H Preferred Stock may deem and treat the record holder of any Series H Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor the transfer agent shall be affected by any notice to the contrary.

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

I, Richard B. Saltzman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Colony 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: August 9, 2018

/s/ Richard B. Saltzman

**Richard B. Saltzman
Chief Executive Officer and President**

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

I, Darren J. Tangen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Colony 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: August 9, 2018

/s/ Darren J. Tangen

Darren J. Tangen
Chief Financial Officer and Treasurer

**Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Colony Capital, Inc. (the "Company") on Form 10-Q for the three months ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard B. Saltzman, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (i) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2018

/s/ Richard B. Saltzman

Richard B. Saltzman
Chief Executive Officer and President

The foregoing certification is being furnished solely pursuant to 18 U.S.C §1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Colony Capital, Inc. (the "Company") on Form 10-Q for the three months ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Darren J. Tangen, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (i) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2018

/s/ Darren J. Tangen

Darren J. Tangen
Chief Financial Officer and Treasurer

The foregoing certification is being furnished solely pursuant to 18 U.S.C §1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.