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

FORM 10-Q

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

For the quarterly period ended March 31, 2019

OR

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

Commission file number: 001-37980

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

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

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

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

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

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

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

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

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

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

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

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

As of May 7, 2019, 485,052,708 shares of the Registrant's class A common stock and 733,931 shares of class B common stock were outstanding.

COLONY CAPITAL, INC.

FORM 10-Q

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	March 31, 2019 (Unaudited)	December 31, 2018
Assets		
Cash and cash equivalents	$ 321,199	$ 461,912
Restricted cash	326,635	366,758
Real estate, net	14,536,041	13,619,014
Loans receivable, net	1,596,673	1,659,217
Equity and debt investments ($425,929 and $238,963 at fair value, respectively)	2,769,616	2,543,169
Goodwill	1,534,561	1,534,561
Deferred leasing costs and intangible assets, net	546,903	540,264
Assets held for sale ($223,052 and $269,145 at fair value, respectively)	786,467	941,258
Other assets ($29,742 and $33,558 at fair value, respectively)	757,752	503,317
Due from affiliates	45,186	45,779
Total assets	$ 23,221,033	$ 22,215,249
Liabilities		
Debt, net	$ 10,712,788	$ 10,039,957
Accrued and other liabilities ($314,026 and $141,711 at fair value, respectively)	1,037,166	707,921
Intangible liabilities, net	141,744	159,386
Liabilities related to assets held for sale	22,435	68,217
Dividends and distributions payable	83,996	84,013
Total liabilities	11,998,129	11,059,494
Commitments and contingencies (Note 19)		
Redeemable noncontrolling interests	7,463	9,385
Equity		
Stockholders' equity:		
Preferred stock, $0.01 par value per share; $1,436,605 liquidation preference; 250,000 shares authorized; 57,464 shares issued and outstanding	1,407,495	1,407,495
Common stock, $0.01 par value per share		
Class A, 949,000 shares authorized; 484,775 and 483,347 shares issued and outstanding, respectively	4,848	4,834
Class B, 1,000 shares authorized; 734 shares issued and outstanding	7	7
Additional paid-in capital	7,610,947	7,598,019
Distributions in excess of earnings	(2,176,730)	(2,018,302)
Accumulated other comprehensive income	22,138	13,999
Total stockholders' equity	6,868,705	7,006,052
Noncontrolling interests in investment entities	3,996,206	3,779,728
Noncontrolling interests in Operating Company	350,530	360,590
Total equity	11,215,441	11,146,370
Total liabilities, redeemable noncontrolling interests and equity	$ 23,221,033	$ 22,215,249

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 March 31,	
	2019	2018
Revenues		
Property operating income	$ 540,130	$ 554,730
Interest income	46,250	63,854
Fee income ($33,322 and $36,772 from affiliates, respectively)	33,500	36,842
Other income ($9,845 and $6,793 from affiliates, respectively)	13,023	11,238
Total revenues	632,903	666,664
Expenses		
Property operating expense	293,079	305,770
Interest expense	149,516	148,889
Investment and servicing expense	18,979	18,653
Transaction costs	2,504	716
Placement fees	309	123
Depreciation and amortization	150,797	144,705
Provision for loan loss	3,611	5,375
Impairment loss	25,622	153,398
Compensation expense		
Cash and equity-based compensation	34,176	49,484
Carried interest and incentive compensation	1,051	859
Administrative expenses	24,014	24,740
Total expenses	703,658	852,712
Other income (loss)		
Gain on sale of real estate	52,301	18,444
Other gain (loss), net	(49,077)	75,256
Equity method earnings	34,065	30,117
Equity method earnings—carried interest	4,422	2,148
Loss before income taxes	(29,044)	(60,083)
Income tax benefit (expense)	(1,111)	32,808
Loss from continuing operations	(30,155)	(27,275)
Income from discontinued operations	—	117
Net loss	(30,155)	(27,158)
Net income (loss) attributable to noncontrolling interests:		
Redeemable noncontrolling interests	1,444	(696)
Investment entities	49,988	19,243
Operating Company	(6,611)	(4,378)
Net loss attributable to Colony Capital, Inc.	(74,976)	(41,327)
Preferred stock dividends	27,137	31,387
Net loss attributable to common stockholders	$ (102,113)	$ (72,714)
Basic loss per share		
Loss from continuing operations per basic common share	$ (0.21)	$ (0.14)
Net loss per basic common share	$ (0.21)	$ (0.14)
Diluted loss per share		
Loss from continuing operations per diluted common share	$ (0.21)	$ (0.14)
Net loss per diluted common share	$ (0.21)	$ (0.14)
Weighted average number of shares		
Basic	478,874	530,680
Diluted	478,874	530,680
Dividends declared per common share	$ 0.11	$ 0.11

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

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

	Three Months Ended March 31,	
	2019	2018
Net loss	$ (30,155)	$ (27,158)
Other comprehensive income (loss):		
Other comprehensive income from investments in unconsolidated ventures, net	4,910	1,099
Net change in fair value of available-for-sale debt securities	2,064	(20,718)
Net change in fair value of cash flow hedges	(663)	—
Foreign currency translation adjustments:		
Foreign currency translation gain (loss)	(28,246)	76,401
Change in fair value of net investment hedges	12,864	(24,378)
Net foreign currency translation adjustments	(15,382)	52,023
Other comprehensive income (loss)	(9,071)	32,404
Comprehensive income (loss)	(39,226)	5,246
Comprehensive income (loss) attributable to noncontrolling interests:		
Redeemable noncontrolling interests	1,444	(696)
Investment entities	32,359	49,350
Operating Company	(6,098)	(4,258)
Comprehensive loss attributable to stockholders	$ (66,931)	$ (39,150)

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

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

	Preferred Stock	Common Stock	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interests in Operating Company	Total Equity
Balance at December 31, 2017	1,606,966	5,433	7,913,622	(1,165,412)	47,316	8,407,925	3,539,072	402,395	12,349,392
Cumulative effect of adoption of new accounting pronouncements	—	—	—	(1,018)	(202)	(1,220)	—	—	(1,220)
Net income	—	—	—	(41,327)	—	(41,327)	19,243	(4,378)	(26,462)
Other comprehensive income	—	—	—	—	2,177	2,177	30,107	120	32,404
Common stock repurchases	—	(423)	(246,018)	—	—	(246,441)	—	—	(246,441)
Equity-based compensation	—	33	10,722	—	—	10,755	—	1,414	12,169
Redemption of OP Units for cash and class A common stock	—	—	24	—	—	24	—	(2,120)	(2,096)
Shares canceled for tax withholdings on vested stock awards	—	(29)	(31,723)	—	—	(31,752)	—	—	(31,752)
Deconsolidation of investment entities	—	—	—	—	—	—	(330,980)	—	(330,980)
Contributions from noncontrolling interests	—	—	—	—	—	—	97,867	—	97,867
Distributions to noncontrolling interests	—	—	—	—	—	—	(82,512)	(3,551)	(86,063)
Preferred stock dividends	—	—	—	(31,387)	—	(31,387)	—	—	(31,387)
Common stock dividends declared ($0.11 per share; Note 13)	—	—	—	(55,852)	—	(55,852)	—	—	(55,852)
Reallocation of equity (Note 2 and 14)	—	—	(11,675)	—	(254)	(11,929)	(5,822)	17,751	—
Balance at March 31, 2018	$ 1,606,966	$ 5,014	$ 7,634,952	$(1,294,996)	$ 49,037	$ 8,000,973	$ 3,266,975	$ 411,631	$11,679,579

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

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

	Preferred Stock	Common Stock	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interests in Operating Company	Total Equity
Balance at December 31, 2018	$ 1,407,495	$ 4,841	$ 7,598,019	$(2,018,302)	$ 13,999	$ 7,006,052	$ 3,779,728	$ 360,590	$11,146,370
Cumulative effect of adoption of new accounting pronouncement (Note 2)	—	—	—	(2,905)	—	(2,905)	(1,378)	(185)	(4,468)
Net income (loss)	—	—	—	(74,976)	—	(74,976)	49,988	(6,611)	(31,599)
Other comprehensive loss	—	—	—	—	8,045	8,045	(17,629)	513	(9,071)
Common stock repurchases	—	(7)	(3,160)	—	—	(3,167)	—	—	(3,167)
Redemption of OP Units for cash and class A common stock	—	—	33	—	—	33	—	(33)	—
Equity-based compensation	—	27	6,323	—	—	6,350	191	—	6,541
Shares canceled for tax withholdings on vested stock awards	—	(6)	(3,001)	—	—	(3,007)	—	—	(3,007)
Contributions from noncontrolling interests	—	—	—	—	—	—	305,216	—	305,216
Distributions to noncontrolling interests	—	—	—	—	—	—	(107,377)	(3,450)	(110,827)
Preferred stock dividends	—	—	—	(27,137)	—	(27,137)	—	—	(27,137)
Common stock dividends declared ($0.11 per share; Note 13)	—	—	—	(53,410)	—	(53,410)	—	—	(53,410)
Reallocation of equity (Notes 2 and 14)	—	—	12,733	—	94	12,827	(12,533)	(294)	—
Balance at March 31, 2019	$ 1,407,495	$ 4,855	$ 7,610,947	$(2,176,730)	$ 22,138	$ 6,868,705	$ 3,996,206	$ 350,530	$11,215,441

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

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

	Three Months Ended March 31,	
	2019	2018
Cash Flows from Operating Activities		
Net loss	$ (30,155)	(27,158)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of discount and net origination fees on loans receivable and debt securities	(5,426)	(7,995)
Paid-in-kind interest added to loan principal, net of interest received	(9,780)	(6,486)
Straight-line rents	(5,529)	(7,753)
Amortization of above- and below-market lease values, net	(3,643)	(1,925)
Amortization of deferred financing costs and debt discount and premium	19,594	22,802
Equity method earnings	(38,487)	(32,265)
Distributions of income from equity method investments	26,923	23,307
Provision for loan losses	3,611	5,375
Allowance for doubtful accounts	4,389	1,305
Impairment of real estate and intangibles	25,622	153,398
Depreciation and amortization	150,797	144,705
Equity-based compensation	6,663	12,169
Change in fair value of contingent consideration—Internalization	—	(10,480)
Gain on sales of real estate, net	(52,301)	(18,444)
Receipts (payments) of cash collateral on derivative	(31,054)	1,897
Deferred income tax benefit	(840)	(41,465)
Other (gain) loss, net	49,077	(63,976)
Increase in other assets and due from affiliates	(3,584)	(18,742)
Decrease in accrued and other liabilities and due to affiliates	(37,205)	(29,197)
Other adjustments, net	(2,036)	880
Net cash provided by operating activities	66,636	99,952
Cash Flows from Investing Activities		
Contributions to and acquisition of equity investments	(101,335)	(96,406)
Return of capital from equity method investments	18,310	159,929
Acquisition of loans receivable and debt securities	(451)	(68,007)
Net disbursements on originated loans	(21,892)	(11,573)
Repayments of loans receivable	89,199	40,085
Proceeds from sales of loans receivable and debt securities	13,373	90,877
Cash receipts in excess of accretion on purchased credit-impaired loans	8,607	21,463
Acquisition of and additions to real estate, related intangibles and leasing commissions	(1,267,762)	(236,392)
Proceeds from sales of real estate	294,667	112,562
Proceeds from paydown and maturity of debt securities	3,338	16,709
Cash and restricted cash contributed to Colony Credit	—	(141,153)
Payment of cash collateral on derivatives	—	(10,900)
Proceeds from sale of equity investments	19,505	4,340
Investment deposits	(14,294)	(2,383)
Net receipts (payments) on settlement of derivative instruments	19,608	(18,811)
Other investing activities, net	14,176	(582)
Net cash used in investing activities	(924,951)	(140,242)

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

	Three Months Ended March 31,	
	2019	2018
Cash Flows from Financing Activities		
Dividends paid to preferred stockholders	(27,137)	(32,821)
Dividends paid to common stockholders	(53,426)	(146,700)
Repurchase of common stock	(10,734)	(210,274)
Borrowings from corporate credit facility	—	233,000
Repayment of borrowings from corporate credit facility	—	(183,000)
Borrowings from secured debt	1,169,777	90,550
Repayments of secured debt	(498,259)	(139,471)
Payment of deferred financing costs	(16,700)	(5,112)
Contributions from noncontrolling interests	247,033	108,270
Distributions to and redemptions of noncontrolling interests	(129,734)	(101,426)
Shares canceled for tax withholdings on vested stock awards	(3,007)	(31,752)
Other financing activities, net	(1,138)	—
Net cash provided by (used in) financing activities	676,675	(418,736)
Effect of exchange rates on cash, cash equivalents and restricted cash	(1,196)	4,832
Net decrease in cash, cash equivalents and restricted cash	(182,836)	(454,194)
Cash, cash equivalents and restricted cash, beginning of period	832,730	1,393,920
Cash, cash equivalents and restricted cash, end of period	$ 649,894	$ 939,726

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

	Three Months Ended March 31,	
	2019	2018
Beginning of the period		
Cash and cash equivalents	$ 461,912	$ 921,822
Restricted cash	366,758	471,078
Restricted cash included in assets held for sale	4,060	1,020
Total cash, cash equivalents and restricted cash, beginning of period	$ 832,730	$ 1,393,920
End of the period		
Cash and cash equivalents	$ 321,199	$ 484,827
Restricted cash	326,635	453,366
Restricted cash included in assets held for sale	2,060	1,533
Total cash, cash equivalents and restricted cash, end of period	$ 649,894	$ 939,726

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

COLONY CAPITAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019
(Unaudited)

1. Business and Organization

Colony Capital, Inc. (together with its consolidated subsidiaries, the "Company" and formerly, Colony NorthStar, Inc. prior to June 25, 2018) is a leading global investment management firm with $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, and traded and non-traded real estate investment trusts ("REITs"). The Company has significant holdings in: (a) the healthcare, industrial and hospitality property sectors; (b) Colony Credit Real Estate, Inc. (NYSE: CLNC) and NorthStar Realty Europe, Corp. (NYSE: NRE), which are both externally managed by subsidiaries of the Company; and (c) various other equity and debt investments.

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

The Company conducts all of its activities and holds substantially all of its assets and liabilities through its operating subsidiary, Colony Capital Operating Company, LLC (the "Operating Company" or the "OP"). At March 31, 2019, the Company owned 93.9% of the OP, as its sole managing member. The remaining 6.1% is owned primarily by certain employees of the Company as noncontrolling interests.

Colony Credit

The Company owns an approximate 36.4% interest, on a fully diluted basis, in Colony Credit Real Estate, Inc. ("Colony Credit," formerly Colony NorthStar Credit Real Estate, Inc. prior to June 25, 2018). Colony Credit was formed on January 31, 2018 through a contribution of the CLNY Contributed Portfolio (as described below), represented by the Company's ownership interests ranging from 38% to 100% in certain investment entities ("CLNY Investment Entities"), and a concurrent all-stock merger with NorthStar Real Estate Income Trust, Inc. ("NorthStar I") and NorthStar Real Estate Income II, Inc. ("NorthStar II"), both publicly registered non-traded REITs sponsored and managed by a subsidiary of the Company (the "Combination"). The CLNY Contributed Portfolio comprised the Company's interests in certain commercial real estate loans, net lease properties and limited partnership interests in third party sponsored funds, which represented a select portfolio of U.S. investments within the Company's other equity and debt segment that were transferable assets consistent with Colony Credit's strategy. Upon closing of the Combination, the Company's management contracts with NorthStar I and NorthStar II were terminated; concurrently, the Company entered into a new management agreement with Colony Credit.

Corporate Restructuring

Following a strategic review process, in November 2018, the Company announced a corporate restructuring and reorganization plan aimed at reducing its annual compensation and administrative expenses over the next 12 months. The restructuring plan was designed to match resources that further align the Company's increasing focus on its investment management business. In the fourth quarter of 2018, the Company incurred $19.3 million of restructuring costs, predominantly severance costs and accelerated equity-based compensation. In the first quarter of 2019, an additional $0.6 million of restructuring costs were incurred.

2. Summary of Significant Accounting Policies

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

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated. The portions of equity, net income and other comprehensive income of consolidated subsidiaries that are not attributable to the parent are presented separately as amounts attributable to noncontrolling interests in the consolidated financial statements. A substantial portion of noncontrolling interests represents interests held by private investment funds or other investment vehicles

managed by the Company and which invest alongside the Company and membership interests in OP primarily held by certain employees of the Company.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and assumptions.

Merger

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

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

Principles of Consolidation

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

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

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

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

Noncontrolling Interests

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

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

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

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

Reclassifications

Beginning in the fourth quarter of 2018, the portion of carried interests earned by the Company that is allocated to employees is presented as carried interest and incentive compensation on the statement of operations. Such amounts had previously been presented as net income attributable to noncontrolling interests in investment entities. For the three months ended March 31, 2018, approximately $0.9 million was reclassified from net income attributable to noncontrolling interests in investment entities to compensation expense in the statement of operations to conform to the current period presentation. The reclassification increased net loss but did not have an impact on net loss attributable to Colony Capital, Inc. and net loss attributable to common stockholders.

Accounting Standards Adopted in 2019

Leases

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

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

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

The Company applied the package of practical expedients, which exempts the Company from having to reassess whether any expired or expiring contracts contain leases, revisit lease classification for any expired or expiring leases and reassess initial direct costs for any existing leases. The Company also elected the practical expedient related to land

easements, allowing the Company to carry forward the accounting treatment for land easements on existing agreements. The Company did not, however, elect the hindsight practical expedient to determine the lease terms for existing leases.

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

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

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

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

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

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

Lessor Accounting—The Company determines if an arrangement contains a lease and determines the classification of leasing arrangements at inception. The Company has operating leases with property tenants that expire at various dates through 2038 with renewal options typically exercised at the lessee's election. Therefore, such options are only recognized once they are deemed reasonably certain, typically at the time the option is exercised. Lease revenue is composed of rental income, which includes the effect of minimum rent increases and rent abatements, resident fee income from healthcare properties, and tenant reimbursements, such as common area maintenance costs and other costs associated with the leases.

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

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

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

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

Hedge Accounting

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

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

Future Application of Accounting Standards

Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses*, 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.

Fair Value Disclosures

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurements*. The ASU requires new disclosures of changes in unrealized gains and losses in other comprehensive income for recurring Level 3 fair value measurements of instruments held at balance sheet date, as well as the range and weighted average or other quantitative information, if more relevant, of significant unobservable inputs for recurring and nonrecurring Level 3 fair values. Certain previously required disclosures are eliminated, specifically around the valuation process required for Level 3 fair values, policy for timing of transfers between levels of the fair value hierarchy, as well as amounts and reason for transfers between Levels 1 and 2.

Additionally, the new guidance clarifies or modifies certain existing disclosures, including clarifying that information about measurement uncertainty of Level 3 fair values should be as of reporting date and requiring disclosures of the timing of liquidity events for investments measured under the net asset value ("NAV") practical expedient, but only if the investee has communicated this information or has announced it publicly. The provisions on new disclosures and modification to disclosure of Level 3 measurement uncertainty are to be applied prospectively, while all other provisions are to be applied retrospectively. ASU No. 2018-13 is effective for fiscal years and interim periods beginning after December 15, 2019. Early adoption is permitted in an interim period for which financial statements have not been issued, and may be made only to provisions that eliminate or modify existing disclosures. The adoption of this standard is not expected to have a material effect on the Company's existing disclosures.

Variable Interest Entities

In November 2018, the FASB issued ASU No. 2018-17, *Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The ASU amends the VIE guidance to align the evaluation of a decision maker's or service provider's fee in assessing a variable interest with the guidance in the primary beneficiary test. Specifically, indirect interests held by a related party that is under common control will now be considered on a proportionate basis, rather than in their entirety, when assessing whether the fee qualifies as a variable interest. The proportionate basis approach is consistent with the treatment of indirect interests held by a related party under common control when evaluating the primary beneficiary of a VIE. This effectively means that when a decision maker or service provider has an interest in a related party, regardless of whether they are under common control, it will consider that related party's interest in a VIE on a proportionate basis throughout the VIE model, for both the assessment of a variable interest and the determination of a primary beneficiary. Transition is generally on a modified retrospective basis, with the cumulative effect adjusted to retained earnings at the beginning of the earliest period presented. ASU No. 2018-17 is effective for fiscal years and interim periods beginning after December 15, 2019, with early adoption permitted in an interim period for which financial statements have not been issued. The Company is currently evaluating the impact of this new guidance but does not expect the adoption of this standard to have a material effect on its financial condition or results of operations.

3. Real Estate

The Company's real estate held for investment was as follows:

(In thousands)	March 31, 2019	December 31, 2018
Land	$ 2,079,432	$ 1,950,412
Buildings and improvements	12,729,805	11,895,642
Tenant improvements	173,914	163,397
Furniture, fixtures and equipment	398,918	389,969
Construction in progress	207,684	155,511
	15,589,753	14,554,931
Less: Accumulated depreciation	(1,053,712)	(935,917)
Real estate assets, net	$ 14,536,041	$ 13,619,014

Real Estate Sales

Results from sales of real estate were as follows:

	Three Months Ended March 31,	
(In thousands)	2019	2018
Proceeds from sales of real estate	$ 294,667	$ 112,562
Gain on sale of real estate	52,301	18,444

Real estate held for sale is presented in Note 7.

Real Estate Acquisitions

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

($ in thousands)				Purchase Price Allocation [1]			
Acquisition Date	Property Type and Location	Number of Buildings	Purchase Price [1]	Land	Building and Improvements	Lease Intangible Assets	Lease Intangible Liabilities
Three Months Ended March 31, 2019							
Asset Acquisitions[2]							
February	Bulk Industrial—Various in U.S.	6	$ 373,182	$ 49,446	$ 296,348	$ 27,553	$ (165)
Various	Light industrial—Various in U.S.[3]	47	789,486	144,250	612,582	35,519	(2,865)
			$ 1,162,668	$ 193,696	$ 908,930	$ 63,072	$ (3,030)
Year Ended Ended December 31, 2018							
Asset Acquisitions							
September	Healthcare—United Kingdom[4]	1	$ 24,444	$ 10,231	$ 12,733	$ 1,480	$ —
November	Office and Industrial—France	220	478,844	109,858	330,752	38,234	—
Various	Light industrial—Various in U.S.[3]	40	569,442	111,194	433,040	30,183	(4,975)
			$ 1,072,730	$ 231,283	$ 776,525	$ 69,897	$ (4,975)

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

(2) Useful life of real estate acquired in 2019 is 37 to 49 years for buildings, 12 to 14 years for site improvements, 4 to 11 years for tenant improvements and 1 to 15 years for lease intangibles (based on remaining lease terms).

(3) Includes acquisition of land totaling $5.8 million in the three months ended March 31, 2019 and $13.1 million in the year ended December 31, 2018 for co-development with operating partners.

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

Depreciation and Impairment

Depreciation expense on real estate was $121.5 million and $118.4 million and for the three months ended March 31, 2019 and 2018, respectively.

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

Property Operating Income

For the three months ended March 31, 2018, property operating income was composed of $270.7 million of total lease revenue and $284.0 million of hotel operating income. For the three months ended March 31, 2019, the components of property operating income were as follows.

(In thousands)	Three Months Ended March 31, 2019
Lease revenue:	
Fixed lease revenue	$ 231,561
Variable lease revenue	36,434
	267,995
Hotel operating income	272,135
	$ 540,130

Future Fixed Lease Revenue

At March 31, 2019, future fixed lease revenue under noncancelable operating leases for real estate held for investment were as follows:

Year Ending December 31,		(In thousands)
Remaining 2019	$	419,198
2020		525,601
2021		470,848
2022		426,274
2023		375,828
2024 and thereafter		1,303,576
Total	$	3,521,325

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

Year Ending December 31,		(In thousands)
2019	$	495,765
2020		464,229
2021		413,416
2022		372,432
2023		327,836
2024 and thereafter		1,123,879
Total	$	3,197,557

Commitments and Contractual Obligations

Purchase Commitments—At March 31, 2019, the Company had funded aggregate deposits of $14.4 million with remaining unfunded purchase commitments totaling $363.5 million for the acquisition of 39 light industrial buildings in the industrial segment, of which eight are under construction.

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

4. Loans Receivable

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

($ in thousands)	March 31, 2019				December 31, 2018			
	Unpaid Principal Balance	Carrying Value	Weighted Average Coupon	Weighted Average Maturity in Years	Unpaid Principal Balance	Carrying Value	Weighted Average Coupon	Weighted Average Maturity in Years
Loans at amortized cost								
Non-PCI Loans								
Fixed rate								
Mortgage loans	$ 573,062	$ 599,479	10.5%	2.0	$ 643,973	$ 667,590	10.7%	2.2
Mezzanine loans	377,336	374,650	12.5%	1.2	357,590	354,326	12.5%	1.5
Corporate loans	107,792	106,658	12.3%	5.7	108,944	107,796	12.3%	5.8
	1,058,190	1,080,787			1,110,507	1,129,712		
Variable rate								
Mortgage loans	175,313	175,650	4.4%	0.4	178,650	179,711	4.3%	0.1
Mezzanine loans	35,899	35,565	13.5%	2.3	27,772	27,417	13.4%	2.5
	211,212	211,215			206,422	207,128		
	1,269,402	1,292,002			1,316,929	1,336,840		
PCI Loans								
Mortgage loans	1,289,671	337,357			1,324,287	351,646		
Mezzanine loans	7,425	3,671			7,425	3,671		
	1,297,096	341,028			1,331,712	355,317		
Allowance for loan losses		(36,357)				(32,940)		
Loans receivable, net	$ 2,566,498	$ 1,596,673			$ 2,648,641	$ 1,659,217		

Nonaccrual and Past Due Loans

Non-PCI loans, excluding loans carried at fair value, that are 90 days or more past due as to principal or interest, or where reasonable doubt exists as to timely collection, are generally considered nonperforming and placed on nonaccrual status.

The following table provides an aging summary of non-PCI loans held for investment at carrying values before allowance for loan losses:

(In thousands)	Current or Less Than 30 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due and Nonaccrual	Total Non-PCI Loans
March 31, 2019	$ 1,079,224	$ 44,325	$ —	$ 168,453	$ 1,292,002
December 31, 2018	1,052,303	—	44,392	240,145	1,336,840

Troubled Debt Restructuring

During the three months ended March 31, 2019 and 2018, 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 both March 31, 2019 and December 31, 2018, the Company had one existing TDR loan that was in maturity default, with a carrying value before allowance for loan loss of $37.8 million, and for which the Company had previously recorded an allowance for loan loss. The Company has no additional lending commitment on this TDR loan.

Non-PCI Impaired Loans

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

The following table summarizes non-PCI impaired loans:

(In thousands)	Unpaid Principal Balance	Gross Carrying Value			Allowance for Loan Losses
		With Allowance for Loan Losses	Without Allowance for Loan Losses	Total	
March 31, 2019	$ 320,211	$ 74,254	$ 250,073	$ 324,327	$ 18,115
December 31, 2018	280,337	75,179	206,628	281,807	18,304

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

(In thousands)	Three Months Ended March 31, 2019	2018
Average carrying value before allowance for loan losses	$ 244,532	$ 273,410
Total interest income recognized during the period impaired	3,003	29
Cash basis interest income recognized	447	—

Purchased Credit-Impaired Loans

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

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

There were no PCI loans acquired in the three months ended March 31, 2019 and 2018.

Changes in accretable yield of PCI loans were as follows:

(In thousands)	Three Months Ended March 31, 2019	2018
Beginning accretable yield	$ 9,620	$ 42,435
Dispositions	—	(2,565)
Changes in accretable yield	1,442	1,989
Accretion recognized in earnings	(3,087)	(12,579)
Effect of changes in foreign exchange rates	(40)	354
Ending accretable yield	$ 7,935	$ 29,634

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 $171.6 million at March 31, 2019 and $175.6 million at December 31, 2018, as the Company did not have reasonable expectations of the timing and amount of future cash receipts on these loans.

Allowance for Loan Losses

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

Allowance for loan losses represents the estimated probable credit losses inherent in loans 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 were as follows:

	March 31, 2019		December 31, 2018	
(In thousands)	Allowance for Loan Losses	Carrying Value	Allowance for Loan Losses	Carrying Value
Non-PCI loans	$ 18,115	$ 74,254	$ 18,304	$ 75,179
PCI loans	18,242	67,650	14,636	54,440
	$ 36,357	$ 141,904	$ 32,940	$ 129,619

Changes in allowance for loan losses is presented below:

	Three Months Ended March 31,	
(In thousands)	2019	2018
Allowance for loan losses at January 1	$ 32,940	$ 52,709
Contribution to Colony Credit	—	(518)
Provision for loan losses, net	3,611	5,375
Charge-off	(194)	(3,586)
Allowance for loan losses at March 31	$ 36,357	$ 53,980

Provision for loan losses by loan type is as follows:

	Three Months Ended March 31,	
(In thousands)	2019	2018
Non-PCI loans	$ —	$ 2,662
PCI loans	3,611	2,713
Total provision for loan losses, net	$ 3,611	$ 5,375

Lending Commitments

The Company has lending commitments to borrowers pursuant to certain loan agreements in which the borrower may submit a request for funding contingent on achieving certain criteria, which must be approved by the Company as lender, such as leasing, performance of capital expenditures and construction in progress with an approved budget. At March 31, 2019, total unfunded lending commitments was $227.5 million, of which the Company's share was $99.8 million, net of amounts attributable to noncontrolling interests.

5. Equity and Debt Investments

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

(In thousands)	March 31, 2019	December 31, 2018
Equity Investments		
Equity method investments		
Investment ventures	$ 2,282,817	$ 2,151,847
Private funds	142,388	138,248
	2,425,205	2,290,095
Other equity investments		
Marketable equity securities	131,226	36,438
Investment ventures	96,612	95,196
Private fund and retail company	31,024	24,607
Total equity investments	2,684,067	2,446,336
Debt Securities		
N-Star CDO bonds, available for sale	64,410	64,127
CMBS of consolidated fund, at fair value	21,139	32,706
Total debt securities	85,549	96,833
Equity and debt investments	$ 2,769,616	$ 2,543,169

Equity Investments

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

Equity Method Investments

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

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

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

($ in thousands)				Carrying Value at	
Investments	Description		Ownership Interest at March 31, 2019 [1]	March 31, 2019	December 31, 2018
Colony Credit Real Estate, Inc.	Common equity in publicly traded commercial real estate credit REIT managed by the Company and membership units in its operating subsidiary	[2]	36.4%	$ 1,027,345	$ 1,037,754
NorthStar Realty Europe Corp.	Common equity in publicly traded equity REIT managed by the Company	[2]	11.3%	88,058	87,696
RXR Realty	Common equity in investment venture with a real estate investor, developer and investment manager		27.2%	100,386	95,418
Preferred equity	Preferred equity investments with underlying real estate	[3]	NA	221,183	219,913
ADC investments	Investments in acquisition, development and construction loans in which the Company participates in residual profits from the projects, and the risk and rewards of the arrangements are more similar to those associated with investments in joint ventures	[4]	Various	502,023	481,477
Private funds	General partner and/or limited partner interests in private funds (excluding carried interest allocation)		Various	111,183	110,610
Private funds—carried interest	Disproportionate allocation of returns to the Company as general partner or equivalent based on the extent to which cumulative performance of the fund exceeds minimum return hurdles		Various	25,850	21,730
Other investment ventures	Interests in 17 investments at March 31, 2019		Various	171,046	154,412
Fair value option	Interests in initial stage, real estate development and hotel ventures and limited partnership interests in private equity funds		Various	178,131	81,085
				$ 2,425,205	$ 2,290,095

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[1] The Company's ownership interest represents capital contributed to date and may not be reflective of the Company's economic interest in the entity because of provisions in operating agreements governing various matters, such as classes of partner or member interests, allocations of profits and losses, preferential returns and guaranty of debt. Each equity method investment has been determined to be either a VIE for which the Company was not deemed to be the primary beneficiary or a voting interest entity in which the Company does not have the power to control through a majority of voting interest or through other arrangements.

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

In connection with the Company's investment in NRE, the Company has an ownership waiver under NRE's charter which allows the Company to own up to 45% of NRE's common stock, and to the extent the Company owns more than 25% of NRE's common stock, the Company will vote the excess shares in the same proportion that the remaining NRE shares not owned by the Company are voted.

[3] Some preferred equity investments may not have a stated ownership interest.

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

Impairment of Equity Method Investments

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

Impairment of $2.6 million was recorded in equity method earnings for the three months ended March 31, 2019 based upon a pending sale of the underlying real estate held by the investee.

No OTTI was recognized for the three months ended March 31, 2018. However, impairment of $61.2 million was subsequently recorded during the year ended December 31, 2018. In making its assessment, the Company considered a variety of factors and assumptions specific to each investment, including: offer prices on the Company's investment; expected payoffs from sales of the underlying business of the investee; estimated fair values or sale proceeds of the underlying real estate held by the investee; estimated enterprise value of the investee; or discounted cash flows from the investment.

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

Colony Credit's class A common stock had traded between $15.32 and $23.23 per share since its inception through March 29, 2019, the last trading day of the first quarter. At March 31, 2019, the Company's investment in Colony Credit had a carrying value of $1.03 billion or $21.43 per share, which was approximately $276.7 million in excess of its fair

value of $750.7 million based upon the closing stock price of $15.66 per share on March 29, 2019. The Company believes that the carrying value of its investment in Colony Credit is recoverable in the near term and determined that its investment in Colony Credit was not other-than-temporarily impaired as of March 31, 2019. 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.

Other Equity Investments

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

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

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

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

Investment Commitments

Investment Ventures—Pursuant to the operating agreements of certain unconsolidated ventures, the venture partners may be required to fund additional amounts for future investments, unfunded lending commitments, ordinary operating costs, guaranties or commitments of the venture entities. The Company also has lending commitments under ADC arrangements which are accounted for as equity method investments. At March 31, 2019, the Company’s share of these commitments was $31.3 million.

Private Funds—At March 31, 2019, the Company has unfunded commitments of $270.8 million to funds sponsored or co-sponsored by the Company that are accounted for as equity method investments.

Debt Securities

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

AFS Debt Securities

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

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

		Gross Cumulative Unrealized		
(in thousands)	Amortized Cost	Gains	Losses	Fair Value
March 31, 2019	$ 65,732	$ 2,180	$ (3,502)	$ 64,410
December 31, 2018	67,513	1,565	(4,951)	64,127

Results from disposition of N-Star CDO bonds, with realized gains (losses) recorded in other gain (loss), were as follows for the three months ended March 31, 2018. There were no dispositions in the three months ended March 31, 2019.

	Three Months Ended March 31,
(In thousands)	2018
Proceeds from sale	$ 63,185
Gross realized gain (including $8,205 of unrealized gain transferred from AOCI)	8,384
Gross realized loss	499

Impairment of AFS Debt Securities

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

	March 31, 2019				December 31, 2018	
	Less Than 12 Months		More Than 12 Months		Less Than 12 Months	
(In thousands)	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
N-Star CDO bonds	$ 9,194	$ 409	$ 42,865	$ 3,093	$ 54,459	$ 4,951

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

OTTI loss of $0.7 million was recorded during the three months ended March 31, 2019. For the three months ended March 31, 2018, the Company recorded $4.4 million of OTTI loss in other gain (loss) due to an adverse change in expected cash flows on N-Star CDOs, and CMBS held by consolidated N-Star CDOs which were subsequently deconsolidated in the second quarter of 2018. The Company believed that it was not likely that it would recover the amortized cost on these securities prior to selling them.

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

6. Goodwill, Deferred Leasing Costs and Other Intangibles

Goodwill

The following table presents the goodwill balance by reportable segment.

(In thousands)	March 31, 2019	December 31, 2018
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. Based upon the Company's most recent annual impairment test in 2018, the Company determined that its investment management and industrial goodwill were not impaired. Additionally, no impairment was recognized during the three months ended March 31, 2019.

Deferred Leasing Costs, Other Intangible Assets and Intangible Liabilities

(In thousands)	March 31, 2019			December 31, 2018		
	Carrying Amount (Net of Impairment) (1)	Accumulated Amortization	Net Carrying Amount	Carrying Amount (Net of Impairment) (1)	Accumulated Amortization	Net Carrying Amount
Deferred Leasing Costs and Intangible Assets						
In-place lease values	$ 328,208	$ (126,373)	$ 201,835	$ 267,221	$ (112,673)	$ 154,548
Above-market lease values	130,216	(47,284)	82,932	129,079	(43,412)	85,667
Below-market ground lease obligations (2)	—	—	—	16,258	(984)	15,274
Deferred leasing costs	117,608	(51,296)	66,312	111,486	(46,666)	64,820
Lease incentives	14,576	(1,652)	12,924	14,576	(1,381)	13,195
Trade name (3)	15,500	—	15,500	15,500	—	15,500
Investment management contracts	194,698	(100,445)	94,253	194,698	(92,618)	102,080
Customer relationships	49,291	(15,863)	33,428	49,291	(15,027)	34,264
Other (4)	41,664	(1,945)	39,719	59,157	(4,241)	54,916
Total deferred leasing costs and intangible assets	$ 891,761	$ (344,858)	$ 546,903	$ 857,266	$ (317,002)	$ 540,264
Intangible Liabilities						
Below-market lease values	$ 206,783	$ (65,039)	$ 141,744	$ 204,066	$ (59,180)	$ 144,886
Above-market ground lease obligations (2)	—	—	—	16,080	(1,580)	14,500
Total intangible liabilities	$ 206,783	$ (65,039)	$ 141,744	$ 220,146	$ (60,760)	$ 159,386

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

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

(3) The Colony trade name is determined to have an indefinite useful life and is not currently subject to amortization.

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

Impairment

No impairment was recorded during the three months ended March 31, 2019.

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

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

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

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

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Amortization of Intangible Assets and Liabilities

(In thousands)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Above-market lease values	$ (3,167)	$ (5,183)
Below-market lease values	6,280	7,108
Lease incentives	(271)	(262)
Net increase (decrease) to rental income	$ 2,842	$ 1,663
Above-market ground lease obligations	$ —	$ (286)
Below-market ground lease obligations	—	463
Net increase (decrease) to ground rent expense	$ —	$ 177
In-place lease values	$ 13,616	$ 12,405
Deferred leasing costs	5,179	4,171
Trade name	—	804
Investment management contracts	7,827	5,686
Customer relationships	836	1,152
Other	252	515
Amortization expense	$ 27,710	$ 24,733

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

	Year Ending December 31,						
(In thousands)	Remaining 2019	2020	2021	2022	2023	2024 and Thereafter	Total
Net increase (decrease) to rental income	$ 8,521	$ 10,202	$ 10,209	$ 9,148	$ 9,307	$ (1,499)	$ 45,888
Amortization expense	124,969	66,555	52,384	40,050	29,247	93,420	406,625

7. Assets and Related Liabilities Held for Sale

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

(In thousands)	March 31, 2019	December 31, 2018
Assets		
Restricted cash	$ 2,060	$ 4,060
Real estate, net	734,078	852,402
Intangible assets, net	15,342	41,590
Other assets	34,987	43,206
Total assets held for sale	$ 786,467	$ 941,258
Liabilities		
Lease intangibles and other liabilities, net	$ 22,435	$ 68,217
Total liabilities related to assets held for sale	$ 22,435	$ 68,217

There were no assets and liabilities held for sale that constituted discontinued operations as of March 31, 2019 and December 31, 2018.

Properties in the THL Hotel Portfolio acquired in 2017 that qualified as held for sale at the time of foreclosure were deemed to be discontinued operations. Such properties have been fully disposed of in the second quarter of 2018. Revenues and expenses from discontinued operations of THL Hotel Portfolio for the three months ended March 31, 2018 were $0.7 million and $0.6 million, respectively.

8. Restricted Cash, Other Assets and Other Liabilities

Restricted Cash

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

(In thousands)	March 31, 2019	December 31, 2018
Capital expenditures reserves [1]	$ 170,545	$ 215,366
Real estate escrow reserves [2]	46,395	51,352
Borrower escrow deposits	15,653	10,412
Working capital and other reserves [3]	14,522	19,586
Tenant lock boxes [4]	17,989	15,666
Other	61,531	54,376
Total restricted cash	$ 326,635	$ 366,758

[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.

Other Assets

The following table summarizes the Company's other assets:

(In thousands)	March 31, 2019	December 31, 2018
Interest receivable	$ 11,961	$ 14,005
Straight-line rents	63,100	61,196
Hotel-related reserves [1]	15,728	21,636
Investment deposits and pending deal costs	43,072	34,179
Deferred financing costs, net [2]	11,024	7,870
Derivative assets (Note 10)	29,742	33,558
Prepaid taxes and deferred tax assets, net	58,846	71,656
Receivables from resolution of investments [3]	32,624	30,770
Contributions receivable [4]	113,200	55,252
Operating lease right-of-use asset	117,468	—
Accounts receivable [5]	94,745	67,005
Prepaid expenses	40,904	26,991
Other assets	78,997	31,267
Fixed assets, net	46,341	47,932
Total other assets	$ 757,752	$ 503,317

[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] Represents primarily proceeds from loan repayments held in escrow and sales of marketable equity securities pending settlement.

[4] Represents contributions receivable from noncontrolling interests in investment entities as a result of capital calls made at period end.

[5] Includes receivables for hotel operating income, resident fees, rent and other tenant receivables.

Accrued and Other Liabilities

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

(In thousands)	March 31, 2019	December 31, 2018
Tenant security deposits and payable	$ 31,307	$ 29,070
Borrower escrow deposits	18,885	13,001
Deferred income [1]	32,033	40,156
Interest payable	42,123	40,648
Derivative liabilities (Note 10)	304,714	132,808
Contingent consideration—THL Hotel Portfolio (Note 11)	9,312	8,903
Share repurchase payable [2]	—	7,567
Current and deferred income tax liability	105,982	93,174
Operating lease liability (Note 19)	117,440	—
Accrued compensation	34,694	81,911
Accrued carried interest and contractual incentive fee compensation	13,150	12,182
Accrued real estate and other taxes	71,519	64,440
Accounts payable and accrued expenses	128,286	104,596
Other liabilities	127,721	79,465
Total accrued and other liabilities	$ 1,037,166	$ 707,921

(1) Represents primarily prepaid rental income and interest income held in reserve accounts. Includes deferred asset management fee income of $2.9 million at March 31, 2019 and $3.2 million at December 31, 2018, which will be recognized as fee income on a straight-line basis through 2024.

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

9. Debt

The Company's debt consists of the following components:

(In thousands)	Corporate Credit Facility[1]	Convertible and Exchangeable Senior Notes	Secured and Unsecured Debt [2]	Junior Subordinated Notes	Total Debt
March 31, 2019					
Debt at amortized cost					
Principal	$ —	$ 616,105	$ 10,017,683	$ 280,117	$ 10,913,905
Premium (discount), net	—	2,586	(33,157)	(80,554)	(111,125)
Deferred financing costs	—	(6,073)	(83,919)	—	(89,992)
	$ —	$ 612,618	$ 9,900,607	$ 199,563	$ 10,712,788
December 31, 2018					
Debt at amortized cost					
Principal	$ —	$ 616,105	$ 9,352,902	$ 280,117	$ 10,249,124
Premium (discount), net	—	2,697	(41,217)	(81,031)	(119,551)
Deferred financing costs	—	(6,652)	(82,964)	—	(89,616)
	$ —	$ 612,150	$ 9,228,721	$ 199,086	$ 10,039,957

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

(2) Debt principal totaling $356.5 million at March 31, 2019 and $425.9 million at December 31, 2018 was related to financing on assets held for sale. Debt associated with assets held for sale that will be assumed by the buyer, if any, is included in liabilities related to assets held for sale (Note 7).

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

	Fixed Rate			Variable Rate			Total		
($ in thousands)	Outstanding Principal	Weighted Average Interest Rate (Per Annum)	Weighted Average Years Remaining to Maturity	Outstanding Principal	Weighted Average Interest Rate (Per Annum)	Weighted Average Years Remaining to Maturity	Outstanding Principal	Weighted Average Interest Rate (Per Annum)	Weighted Average Years Remaining to Maturity
March 31, 2019									
Recourse									
Corporate credit facility	$ —	N/A	N/A	$ —	N/A	2.8	$ —	N/A	2.8
Convertible and exchangeable senior notes	616,105	4.27%	2.8	—	N/A	N/A	616,105	4.27%	2.8
Junior subordinated debt	—	N/A	N/A	280,117	5.46%	17.2	280,117	5.46%	17.2
Secured debt [1]	36,660	5.02%	6.7	—	N/A	N/A	36,660	5.02%	6.7
	652,765			280,117			932,882		
Non-recourse									
Secured and unsecured debt									
Healthcare [2] [3]	2,130,999	4.62%	1.7	1,112,944	6.54%	3.1	3,243,943	5.28%	2.2
Industrial [4]	1,071,514	3.83%	10.4	856,773	4.04%	4.8	1,928,287	3.93%	7.9
Hospitality	12,559	13.01%	2.4	2,646,977	5.60%	3.7	2,659,536	5.64%	3.7
Other Real Estate Equity [2]	181,384	4.23%	3.6	1,682,195	4.38%	3.2	1,863,579	4.36%	3.2
Real Estate Debt	—	N/A	N/A	285,678	4.59%	2.6	285,678	4.59%	2.6
	3,396,456			6,584,567			9,981,023		
	$ 4,049,221			$ 6,864,684			$ 10,913,905		
December 31, 2018									
Recourse									
Corporate credit facility	$ —	N/A	N/A	$ —	N/A	3.0	$ —	N/A	3.0
Convertible and exchangeable senior notes	616,105	4.27%	3.0	—	N/A	N/A	616,105	4.27%	3.0
Junior subordinated debt	—	N/A	N/A	280,117	5.66%	17.4	280,117	5.66%	17.4
Secured debt [1]	37,199	5.02%	6.9	—	N/A	N/A	37,199	5.02%	6.9
	653,304			280,117			933,421		
Non-recourse									
Secured debt									
Healthcare [2] [3]	2,130,999	4.62%	1.9	1,109,681	6.64%	2.7	3,240,680	5.31%	2.2
Industrial [4]	1,071,721	3.83%	10.6	5,474	5.27%	4.2	1,077,195	3.84%	10.6
Hospitality	12,019	12.99%	2.6	2,636,053	5.68%	3.8	2,648,072	5.71%	3.8
Other Real Estate Equity [2]	200,814	4.02%	3.8	1,789,431	4.43%	3.6	1,990,245	4.39%	3.7
Real Estate Debt	—	N/A	N/A	359,511	4.50%	2.4	359,511	4.50%	2.4
	3,415,553			5,900,150			9,315,703		
	$ 4,068,857			$ 6,180,267			$ 10,249,124		

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

[2] Mortgage debt in the healthcare and other real estate equity segment with an aggregate outstanding principal of $460.2 million at March 31, 2019 and $538.5 million at December 31, 2018 were either in payment default or were not in compliance with certain debt and/or lease covenants. The Company is negotiating with the lenders and the tenants to restructure the debt and leases, as applicable, or otherwise refinance the debt.

[3] $1.725 billion outstanding principal of non-recourse fixed rate mortgage debt on certain properties in our U.S. healthcare portfolio is scheduled to mature in December 2019. The Company continues to evaluate its options in connection with the scheduled debt maturity. In the fourth quarter of 2018, the Company had impaired the real estate collateralizing the debt by $109.1 million based on a reassessment of the expected hold period, taking into consideration the upcoming debt maturity (see Note 11). The Company will continue to re-evaluate certain assumptions, including with respect to the hold period of the real estate collateralizing the debt, which could result in further impairment of the underlying real estate in a future period. At March 31, 2019, carrying value of the real estate collateralizing the debt was approximately $2.5 billion.

[4] Includes $613.7 million of outstanding principal of non-recourse unsecured debt that is supported by an unencumbered asset pool within the light industrial portfolio.

Corporate Credit Facility

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

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

Advances under the Credit Agreement accrue interest at a per annum rate equal to the sum of one-month London Inter-bank Offered Rate ("LIBOR") plus 2.25% or a base rate determined according to a prime rate or federal funds rate plus a margin of 1.25%. The Company pays a commitment fee of 0.25% or 0.35% per annum of the unused amount (0.35% at March 31, 2019), depending upon the amount of facility utilization.

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

The Credit Agreement contains various affirmative and negative covenants, including financial covenants that require the Company to maintain minimum tangible net worth, liquidity levels and financial ratios, as defined in the Credit Agreement.

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

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

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	
								March 31, 2019	December 31, 2018
5.00% Convertible Notes	April 2013	April 15, 2023	5.00	$ 15.76	63.4700	12,694	April 22, 2020	$ 200,000	$ 200,000
3.875% Convertible Notes	January and June 2014	January 15, 2021	3.875	16.57	60.3431	24,288	January 22, 2019	402,500	402,500
5.375% Exchangeable Notes	June 2013 [1]	June 15, 2033	5.375	12.04	83.0837	1,130	June 15, 2023	13,605	13,605
								$ 616,105	$ 616,105

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

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

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

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

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

Secured and Unsecured Debt

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

Junior Subordinated Debt

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

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

Interest Incurred

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

	Three Months Ended March 31,	
(In thousands)	2019	2018
Interest expensed	$ 149,516	$ 148,889
Interest capitalized	1,046	429
Total interest incurred	$ 150,562	$ 149,318

10. Derivatives

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

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

(In thousands)	March 31, 2019 Designated Hedges	March 31, 2019 Non-Designated Hedges	March 31, 2019 Total	December 31, 2018 Designated Hedges	December 31, 2018 Non-Designated Hedges	December 31, 2018 Total
Derivative Assets						
Foreign exchange contracts	$ 25,819	$ 907	$ 26,726	$ 31,127	$ 1,069	$ 32,196
Interest rate contracts	237	157	394	862	500	1,362
Performance swaps	—	2,622	2,622	—	—	—
Included in other assets	$ 26,056	$ 3,686	$ 29,742	$ 31,989	$ 1,569	$ 33,558
Derivative Liabilities						
Foreign exchange contracts	$ 6,965	$ 891	$ 7,856	$ 6,193	$ 211	$ 6,404
Interest rate contracts	55	185,519	185,574	—	126,404	126,404
Forward contracts	—	111,284	111,284	—	—	—
Included in accrued and other liabilities	$ 7,020	$ 297,694	$ 304,714	$ 6,193	$ 126,615	$ 132,808

Certain counterparties to the derivative instruments require the Company to deposit cash or other eligible collateral. The Company had $41.4 million and $0.8 million of cash collateral on deposit as of March 31, 2019 and December 31, 2018, respectively, included in other assets.

Foreign Exchange Contracts

The following table summarizes the aggregate notional amounts of designated and non-designated foreign exchange contracts in place at March 31, 2019, along with certain key terms:

Hedged Currency	Instrument Type	Notional Amount (in thousands) Designated	Notional Amount (in thousands) Non-Designated	FX Rates ($ per unit of foreign currency)	Range of Expiration Dates
EUR	FX Collar	€ 84,050	€ 613	Min $1.06 / Max $1.53	October 2019 to November 2020
GBP	FX Collar	£ 40,228	£ 1,962	Min $1.45 / Max $1.82	June 2019 to December 2019
EUR	FX Forward	€ 476,530	€ 10,803	Min $1.10 / Max $1.38	April 2019 to February 2024
GBP	FX Forward	£ 90,445	£ 26,490	Min $1.24 / Max $1.33	May 2019 to December 2020

Designated Net Investment Hedges

The Company's foreign denominated net investments in subsidiaries or joint ventures were €652.4 million and £232.7 million, or a total of $1.0 billion at March 31, 2019, and €614.0 million and £235.7 million, or a total of $1.0 billion at December 31, 2018.

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

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

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

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

(In thousands)	Three Months Ended March 31, 2019	2018
Designated net investment hedges:		
Realized gain (loss) transferred from AOCI to earnings	$ 240	$ 2,583

Non-Designated Hedges

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

(In thousands)	Three Months Ended March 31, 2019	2018
Non-designated net investment hedges:		
Unrealized gain (loss) transferred from AOCI to earnings	$ (419)	$ (2,882)

Interest Rate Contracts

The Company uses various interest rate contracts, some of which may be designated as cash flows hedges, to limit its exposure to changes in interest rates on various floating rate debt obligations.

At March 31, 2019, the Company held the following interest rate contracts:

	Notional Amount (in thousands)				
Instrument Type	Designated	Non-Designated	Index	Strike Rate / Forward Rate	Expiration
Interest rate swap [1]	$ —	$ 2,000,000	3-Month LIBOR	3.39%	December 2019
Interest rate swap	$ 300,000	$ —	1-Month LIBOR	2.15%	February 2022 to February 2024
Interest rate caps	$ —	$ 4,427,714	1-Month LIBOR	3.0% - 4.5%	June 2019 to March 2021
Interest rate caps	€ 247,513	€ 441,151	3-Month EURIBOR	1.0% - 1.5%	October 2019 to November 2023
Interest rate caps	£ —	£ 363,716	3-Month GBP LIBOR	1.5% - 2.5%	November 2019 to February 2020
Deliverable swap futures	$ —	$ 14,000	[2]	[2]	June 2019

[1] Represents a forward-starting interest rate swap that has a maturity date in December 2029, with mandatory settlement at fair value in December 2019.

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

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

(In thousands)	Three Months Ended March 31, 2019	2018
Unrealized gain (loss):		
Non-designated interest rate contracts	$ (59,526)	$ 56,657

Forward Contracts and Performance Swaps

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

The forwards and swaps are not designated as hedges for accounting purposes and are subject to fair value adjustments through earnings. For the three months ended March 31, 2019, fair value loss in the forwards of $11.3 million and fair value gain on the swaps of $2.6 million are included in other gain (loss) in the Company's statement of operations. The Company's investment in the mutual fund is carried at fair value and is included in equity and debt

investments on the balance sheet. Unrealized gain on the mutual fund shares of $11.8 million for the three months ended March 31, 2019 is included in other gain (loss).

Offsetting Assets and Liabilities

The Company enters into agreements subject to enforceable master netting arrangements with its derivative counterparties that allow the Company to offset the settlement of derivative assets and liabilities in the same currency by derivative instrument type or, in the event of default by the counterparty, to offset all derivative assets and liabilities with the same counterparty. The Company has elected not to net derivative asset and liability positions, notwithstanding the conditions for right of offset may have been met. 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 Assets (Liabilities) Included on Consolidated Balance Sheets	Gross Amounts Not Offset on Consolidated Balance Sheets		Net Amounts of Assets (Liabilities)
		(Assets) Liabilities	Cash Collateral Pledged	
March 31, 2019				
Derivative Assets				
Foreign exchange contracts	$ 26,726	$ (487)	$ —	$ 26,239
Interest rate contracts	394	(228)	—	166
Performance swaps	2,622	(2,622)	—	—
	$ 29,742	$ (3,337)	$ —	$ 26,405
Derivative Liabilities				
Foreign exchange contracts	$ (7,856)	$ 487	$ —	$ (7,369)
Interest rate contracts	(185,574)	228	31,394	(153,952)
Forward contract	(111,284)	2,622	10,000	(98,662)
	$ (304,714)	$ 3,337	$ 41,394	$ (259,983)
December 31, 2018				
Derivative Assets				
Foreign exchange contracts	$ 32,196	$ (1,743)	$ —	$ 30,453
Interest rate contracts	1,362	(823)	—	539
	$ 33,558	$ (2,566)	$ —	$ 30,992
Derivative Liabilities				
Foreign exchange contracts	$ (6,404)	$ 1,743	$ —	$ (4,661)
Interest rate contracts	(126,404)	823	840	(124,741)
	$ (132,808)	$ 2,566	$ 840	$ (129,402)

11. Fair Value

Recurring Fair Values

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

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

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

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

(In thousands)	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
March 31, 2019				
Assets				
Equity method investments	$ —	$ —	$ 178,131	$ 178,131
Marketable equity securities	131,226	—	—	131,226
Debt securities available for sale—N-Star CDO bonds	—	—	64,410	64,410
CMBS of consolidated fund	—	21,139	—	21,139
Other assets—derivative assets	—	29,742	—	29,742
Liabilities				
Other liabilities—derivative liabilities	—	304,714	—	304,714
Other liabilities—contingent consideration for THL Hotel Portfolio	—	—	9,312	9,312
December 31, 2018				
Assets				
Equity method investments	$ —	$ —	$ 81,085	$ 81,085
Marketable equity securities	36,438	—	—	36,438
Debt securities available for sale—N-Star CDO bonds	—	—	64,127	64,127
CMBS of consolidated fund	—	32,706	—	32,706
Other assets—derivative assets	—	33,558	—	33,558
Liabilities				
Other liabilities—derivative liabilities	—	132,808	—	132,808
Other liabilities—contingent consideration for THL Hotel Portfolio	—	—	8,903	8,903

Equity Method Investments

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

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

Marketable Equity Securities

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

Debt Securities

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

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

Derivatives

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

Level 3 inputs, these inputs are not significant to the overall valuation of its derivatives. As a result, derivative valuations in their entirety are classified as Level 2 of the fair value hierarchy.

Other Liabilities—Contingent Consideration for THL Hotel Portfolio

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

Level 3 Recurring Fair Value Measurements

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

Financial Instrument	Fair Value (In thousands)	Valuation Technique	Key Unobservable Inputs	Input Value Weighted Average (Range)	Effect on Fair Value from Increase in Input Value [1]
March 31, 2019					
Level 3 Assets					
Equity method investments—third party private equity funds	$ 5,354	Transaction price and NAV[2]	N/A	N/A	N/A
Equity method investments—other	18,569	Discounted cash flows	Discount rate	18.5% (14.8% - 19.5%)	Decrease
Equity method investments—other	25,000	Multiple	Revenue multiple	5.5x	[3]
Equity method investments—other	129,208	Transaction price[4]	N/A	N/A	N/A
N-Star CDO bonds	64,410	Discounted cash flows	Discount rate	22.2% (13.7% - 66.2%)	Decrease
Level 3 Liabilities					
Other liabilities—contingent consideration for THL Hotel Portfolio	9,312	Discounted cash flows	Discount rate	20.0%	Decrease
December 31, 2018					
Level 3 Assets					
Equity method investments—third party private equity funds	$ 5,908	Transaction price and NAV[2]	N/A	N/A	N/A
Equity method investments—other	21,831	Discounted cash flows	Discount rate	17.5% (9.1% - 18.4%)	Decrease
Equity method investments—other	25,000	Multiple	Revenue multiple	5.8x	[3]
Equity method investments—other	28,346	Transaction price[4]	N/A	N/A	N/A
N-Star CDO bonds	64,127	Discounted cash flows	Discount rate	21.6% (13.6% - 56.5%)	Decrease
Level 3 Liabilities					
Other liabilities—contingent consideration for THL Hotel Portfolio	8,903	Discounted cash flows	Discount rate	20.0%	Decrease

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

(2) Fair value was estimated based on a combination of inputs, namely indicative prices of investments sold by the Company as well as underlying NAV of the respective funds on a quarter lag.

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

(4) Valued based upon transaction price of investments recently acquired or offer prices on investments or underlying assets of investee pending sales. Transaction price approximates fair value for an investee engaged in multi-family development during the development stage and pending certificate of occupancy.

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

	Level 3 Assets			Level 3 Liabilities		
(In thousands)	Securitized Loans Receivable	Equity Method Investments	Securities	Debt—Securitized Bonds Payable	Due to Affiliates—Contingent Consideration for Internalization	Other Liabilities—Contingent Consideration for THL Hotel Portfolio
Fair value at December 31, 2017	$ 45,423	$ 363,901	$ 323,243	$ (44,542)	$ (20,650)	$ (7,419)
Purchases, contributions or accretion	—	60,044	2,969	389	—	—
Paydowns or distributions	(389)	(158,943)	(83,588)	—	—	—
Contribution to Colony Credit	—	(26,134)	—	—	—	—
Realized gains in earnings	—	2,842	4,030	—	—	—
Unrealized gains (losses):						
In earnings	(704)	6,273	—	50	10,480	(341)
In other comprehensive loss	—	—	(20,715)	—	—	—
Fair value at March 31, 2018	$ 44,330	$ 247,983	$ 225,939	$ (44,103)	$ (10,170)	$ (7,760)
Unrealized gains (losses) on ending balance:						
In earnings	$ (704)	$ 6,021	$ —	$ 50	$ 10,480	$ (341)
In other comprehensive income (loss)	$ —	$ —	$ (5,457)	$ —	$ —	$ —
Fair value at December 31, 2018	$ —	$ 81,085	$ 64,127	$ —	$ —	$ (8,903)
Purchases, contributions or accretion	—	101,195	1,769	—	—	—
Paydowns, distributions or sales	—	(6,341)	(2,882)	—	—	—
Realized gains in earnings	—	755	(667)	—	—	—
Unrealized gains (losses):						
In earnings	—	1,437	—	—	—	(409)
In other comprehensive income (loss)	—	—	2,063	—	—	—
Fair value at March 31, 2019	$ —	$ 178,131	$ 64,410	$ —	$ —	$ (9,312)
Unrealized gains (losses) on ending balance:						
In earnings	$ —	$ 1,437	$ —	$ —	$ —	$ (409)
In other comprehensive income (loss)	$ —	$ —	$ (1,322)	$ —	$ —	$ —

Securitized Loans and Securitized Bonds Payable

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

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

Due To Affiliates—Contingent Consideration for Internalization

In connection with the Company's acquisition of the investment management business and operations of its former manager in April 2015 (the "Internalization"), contingent consideration is payable to certain senior management personnel of the Company. The contingent consideration is payable in a combination of shares of class A common stock, shares of class B common stock and OP Units, measured based on multi-year performance targets for achievement of a

contractually-defined funds from operations ("Benchmark FFO") per share target, as well as real estate and non-real estate capital-raising thresholds from the funds management business, to the extent these targets are met. If the minimum performance target for either of these metrics is not met or exceeded, a portion of the contingent consideration paid in respect of the other metric would not be paid out in full.

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

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

Investments Carried at Fair Value Using Net Asset Value

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

	March 31, 2019		December 31, 2018	
(In thousands)	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Private fund—real estate	$ 16,711	$ 10,153	$ 12,617	$ 13,658
Retail Company—real estate	14,312	—	11,990	—

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

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

Nonrecurring Fair Values

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

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

	March 31, 2019			December 31, 2018		
(In thousands)	Level 2	Level 3	Total	Level 2	Level 3	Total
Real estate held for sale	$ —	$ 223,052	$ 223,052	$ 68,864	$ 200,281	$ 269,145
Real estate held for investment	—	85,186	85,186	—	416,272	416,272
Intangible assets—investment management contracts	—	—	—	—	36,400	36,400
Equity method investments	—	7,014	7,014	—	32,761	32,761

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 March 31, 2019	Three Months Ended March 31, 2018
Impairment loss		
Real estate held for sale	$ 25,183	$ 8,763
Real estate held for investment	439	4,206
Intangible assets—investment management contracts	—	140,429
Equity method earnings	2,622	—

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

Real Estate Held For Sale

At March 31, 2019 and December 31, 2018, real estate held for sale carried at fair value consisted primarily of properties in the European portfolio, valued using either broker price opinions, or a combination of market information, including third-party appraisals and indicative selling prices, adjusted as deemed appropriate by management to account for the inherent risk associated with the properties, and net of 2% to 5% selling cost, classified as Level 3.

Other significant real estate held for sale carried at fair value comprised of certain hotels in the hospitality segment for which the Company previously held a long term hold strategy but in the third quarter of 2018, adopted a sales strategy. These hotels are currently classified as held for sale. Impairment was mostly recorded in 2018 when the hotels were classified as held for investment, based on broker price opinions and net of 3% selling cost, classified as Level 3. In the first quarter of 2019, additional impairment was recorded on certain hotels based on their respective auction prices, classified as Level 2.

Real estate held for sale carried at fair value also included U.S. multi tenant office buildings, valued based on broker quotes net of 2% selling cost, classified as Level 3.

Additionally, at December 31, 2018, certain properties in the THL Hotel Portfolio were impaired and valued based on auction prices or contracted sales prices, net of 2% selling costs, classified as Level 2.

Real Estate Held For Investment

At March 31, 2019, further impairment was recorded on certain properties in the THL Hotel Portfolio that were impacted by the hurricanes in 2017 based upon revised insurance estimates.

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

Other significant real estate held for investment carried at fair value at December 31, 2018 pertained to certain healthcare properties and THL Hotel Portfolio that were damaged by hurricanes or fire in 2017, and further impaired in 2018, with impairment based on estimates from insurance appraisers.

Fair Value Information on Financial Instruments Reported at Cost

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

	Fair Value Measurements				
(In thousands)	Level 1	Level 2	Level 3	Total	Carrying Value
March 31, 2019					
Assets					
Loans at amortized cost	$ —	$ —	$ 1,607,914	$ 1,607,914	$ 1,596,673
Liabilities					
Debt at amortized cost					
Convertible and exchangeable senior notes	573,423	13,095	—	586,518	612,618
Secured debt	—	—	9,956,842	9,956,842	9,900,607
Junior subordinated debt	—	—	203,039	203,039	199,563
December 31, 2018					
Assets					
Loans at amortized cost	$ —	$ —	$ 1,667,892	$ 1,667,892	$ 1,659,217
Liabilities					
Debt at amortized cost					
Convertible and exchangeable senior notes	547,300	13,095	—	560,395	612,150
Secured and unsecured debt	—	—	9,218,692	9,218,692	9,228,721
Junior subordinated debt	—	—	169,619	169,619	199,086

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

Debt—Fair value of convertible notes was determined using the last trade price in active markets. Fair value of exchangeable notes was determined based on unadjusted quoted prices in a non-active market. Fair values of the corporate credit facility and secured and unsecured debt were estimated by discounting expected future cash outlays at interest rates currently available to the Company for instruments with similar terms and remaining maturities; and such fair values approximated carrying value for floating rate debt with credit spreads that approximate market rates. Fair value of junior subordinated debt was based on unadjusted quotations from a third party valuation firm, with such quotes derived using a combination of internal valuation models, comparable trades in non-active markets and other market data. Fair value of securitization bonds payable was based on quotations from brokers or financial institutions that act as underwriters of the securitized bonds.

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

12. Variable Interest Entities

A VIE is an entity that lacks sufficient equity to finance its activities without additional subordinated financial support from other parties, or whose equity holders lack the characteristics of a controlling financial interest. The following discusses the Company's involvement with VIEs where the Company is the primary beneficiary and consolidates the VIEs or where the Company is not the primary beneficiary and does not consolidate the VIEs.

Operating Subsidiary

The Company's operating subsidiary, OP, is a limited liability company that has governing provisions that are the functional equivalent of a limited partnership. The Company holds the majority of membership interest in OP, acts as the managing member of OP and exercises full responsibility, discretion and control over the day-to-day management of OP. The noncontrolling interests in OP do not have substantive liquidation rights, substantive kick-out rights without cause, or substantive participating rights that could be exercised by a simple majority of noncontrolling interest members (including

by such a member unilaterally). The absence of such rights, which represent voting rights in a limited partnership equivalent structure, would render OP to be a VIE. The Company, as managing member, has the power to direct the core activities of OP that most significantly affect OP's performance, and through its majority interest in OP, has both the right to receive benefits from and the obligation to absorb losses of OP. Accordingly, the Company is the primary beneficiary of OP and consolidates OP. As the Company conducts its business and holds its assets and liabilities through OP, the total assets and liabilities of OP represent substantially all of the total consolidated assets and liabilities of the Company.

Company-Sponsored Private Funds

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

Consolidated Company-Sponsored Private Fund—The Company currently consolidates a sponsored private fund 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 $15.3 million at March 31, 2019 and $13.2 million at December 31, 2018. The Company, as general partner, is not obligated to provide any financial support to the consolidated private fund. At March 31, 2019 and December 31, 2018, the consolidated private fund had total assets of $26.6 million and $42.7 million, respectively, made up primarily of marketable equity securities, and total liabilities of $3.8 million and $20.1 million, respectively.

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 $121.2 million at March 31, 2019 and $117.3 million at December 31, 2018, included within equity and debt investments.

Securitizations

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

Consolidated Securitizations—Prior to June 30, 2018, the Company consolidated securitization trusts for which it had a retained interest and for which it acted as special servicer or collateral manager or otherwise, its interest in the trust may have become the controlling class or directing holder. The Company's role as special servicer, collateral manager or as controlling class or directing holder provided the Company with the ability to direct activities that most significantly impact the economic performance of the securitization vehicles, and together with the interests previously retained by the Company in the securitization vehicles, the Company was deemed to be the primary beneficiary and consolidated these securitization vehicles.

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

Unconsolidated Securitizations—The Company does not consolidate the assets and liabilities of CDOs in which the Company has an interest but does not retain the collateral management function. NRF had previously delegated the collateral management rights for certain sponsored N-Star CDOs and third party-sponsored CDOs to a third party collateral manager or collateral manager delegate who is entitled to a percentage of the senior and subordinate collateral management fees. The Company continues to receive fees as named collateral manager or collateral manager delegate and retained administrative responsibilities. The Company determined that the fees paid to the third party collateral manager or collateral manager delegate represent a variable interest in the CDOs and that the third party is acting as a principal. The Company concluded that it does not have the power to direct the activities that most significantly impact the economic performance of these CDOs, which include but are not limited to, the ability to sell distressed collateral, and therefore the Company is not the primary beneficiary of such CDOs and does not consolidate these CDOs. The Company’s exposure to loss is limited to its investment in these unconsolidated CDOs, comprising CDO bonds, which aggregate to $65.7 million at March 31, 2019 and $67.5 million at December 31, 2018.

Trusts

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

13. Stockholders’ Equity

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

	Number of Shares		
(In thousands)	Preferred Stock	Class A Common Stock	Class B Common Stock
Shares outstanding at December 31, 2017	65,464	542,599	736
Shares issued upon redemption of OP Units	—	2	—
Repurchase of common stock	—	(42,306)	—
Equity-based compensation, net of forfeitures	—	3,257	—
Shares canceled for tax withholding on vested stock awards	—	(2,909)	—
Shares outstanding at March 31, 2018	65,464	500,643	736
Shares outstanding at December 31, 2018	57,464	483,347	734
Shares issued upon redemption of OP Units	—	3	—
Repurchase of common stock	—	(652)	—
Equity-based compensation, net of forfeitures	—	2,659	—
Shares canceled for tax withholding on vested stock awards	—	(582)	—
Shares outstanding at March 31, 2019	57,464	484,775	734

Preferred Stock

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

The table below summarizes the preferred stock issued and outstanding at March 31, 2019:

Description	Dividend Rate Per Annum	Initial Issuance Date	Shares Outstanding (in thousands)	Par Value (in thousands)	Liquidation Preference (in thousands)	Earliest Redemption Date
Series B	8.25%	February 2007	6,114	$ 61	$ 152,855	Currently redeemable
Series E	8.75%	May 2014	10,000	100	250,000	May 15, 2019
Series G	7.5%	June 2014	3,450	35	86,250	June 19, 2019
Series H	7.125%	April 2015	11,500	115	287,500	April 13, 2020
Series I	7.15%	June 2017	13,800	138	345,000	June 5, 2022
Series J	7.125%	September 2017	12,600	126	315,000	September 22, 2022
			57,464	$ 575	$ 1,436,605	

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

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

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

Redemption of Preferred Stock

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

Common Stock

Except with respect to voting rights, class A common stock and class B common stock have the same rights and privileges and rank equally, share ratably in dividends and distributions, and are identical in all respects as to all matters. Class A common stock has one vote per share and class B common stock has thirty-six and one-half votes per share. This gives the holders of class B common stock a right to vote that reflects the aggregate outstanding non-voting economic interest in the Company (in the form of OP Units) attributable to class B common stock holders and therefore, does not provide any disproportionate voting rights. Class B common stock was issued as consideration in the Company's acquisition in April 2015 of the investment management business and operations of its former manager, which was previously controlled by the Company's 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.

Common Stock Repurchases

During the three months ended March 31, 2019, the Company repurchased 652,311 shares of its class A common stock, at an aggregate cost of approximately $3.2 million (excluding commissions), or a weighted average price of $4.84 per share pursuant to a $300 million share repurchase program authorized by its board of directors in May 2018, and extended in May 2019 for an additional one year term.

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

Dividend Reinvestment and Direct Stock Purchase Plan

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

Accumulated Other Comprehensive Income (Loss)

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

Changes in Components of AOCI—Stockholders

(In thousands)	Company's Share in AOCI of Equity Method Investments	Unrealized Gain (Loss) on Securities	Unrealized Gain (Loss) on Cash Flow Hedges	Foreign Currency Translation Gain (Loss)	Unrealized Gain (Loss) on Net Investment Hedges	Total
AOCI at December 31, 2017	$ 5,616	$ 14,418	$ —	$ 45,931	$ (18,649)	$ 47,316
Cumulative effect of adoption of new accounting pronouncements	(202)	—	—	—	—	(202)
Other comprehensive income (loss) before reclassifications	1,009	(15,736)	—	35,759	(18,534)	2,498
Amounts reclassified from AOCI	—	(3,800)	—	4,163	(938)	(575)
AOCI at March 31, 2018	$ 6,423	$ (5,118)	$ —	$ 85,853	$ (38,121)	$ 49,037
AOCI at December 31, 2018	$ 3,629	$ (3,175)	$ (91)	$ 6,618	$ 7,018	$ 13,999
Other comprehensive income (loss) before reclassifications	4,683	1,312	(129)	(11,103)	13,954	8,717
Amounts reclassified from AOCI	—	626	—	(955)	(249)	(578)
AOCI at March 31, 2019	$ 8,312	$ (1,237)	$ (220)	$ (5,440)	$ 20,723	$ 22,138

Changes in Components of AOCI—Noncontrolling Interests in Investment Entities

(In thousands)	Unrealized Gain (Loss) on Securities	Unrealized Gain (Loss) on Cash Flow Hedges	Foreign Currency Translation Gain (Loss)	Unrealized Gain (Loss) on Net Investment Hedges	Total
AOCI at December 31, 2017	$ —	$ —	$ 38,948	$ 3,127	$ 42,075
Other comprehensive income (loss) before reclassifications	—	—	29,242	(4,817)	24,425
Amounts reclassified from AOCI	—	—	4,415	1,267	5,682
AOCI at March 31, 2018	$ —	$ —	$ 72,605	$ (423)	$ 72,182
AOCI at December 31, 2018	$ —	(390)	$ (600)	$ 9,644	$ 8,654
Other comprehensive income (loss) before reclassifications	—	(525)	(15,379)	(2,169)	(18,073)
Amounts reclassified from AOCI	—	—	—	444	444
AOCI at March 31, 2019	$ —	$ (915)	$ (15,979)	$ 7,919	$ (8,975)

Reclassifications out of AOCI—Stockholders

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

(In thousands)	Three Months Ended March 31,		
Component of AOCI reclassified into earnings	2019	2018	Affected Line Item in the Consolidated Statements of Operations
Realized gain (loss) on marketable securities	$ —	$ 7,906	Other gain (loss), net
Other-than-temporary impairment and write-offs of securities	(626)	(4,106)	Other gain (loss), net
Release of cumulative translation adjustments	955	(4,163)	Other gain (loss), net
Unrealized gain (loss) on dedesignated net investment hedges	24	(1,498)	Other gain (loss), net
Realized gain (loss) on net investment hedges	225	2,436	Other gain (loss), net

14. Noncontrolling Interests

Redeemable Noncontrolling Interests

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

	Three Months Ended March 31,	
(In thousands)	2019	2018
Beginning balance	$ 9,385	$ 34,144
Contributions	—	250
Distributions and redemptions	(3,366)	(2,050)
Net income (loss)	1,444	(696)
Ending balance	$ 7,463	$ 31,648

Noncontrolling Interests in Investment Entities

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

The Company's investment in the real estate portfolio of its industrial segment is made alongside third party limited partners through a joint venture consolidated by the Company. Over time, additional capital contributions from limited partners reduce the Company's ownership interest in the joint venture. New limited partners are admitted at the net asset value of the joint venture, based upon valuations determined by independent third parties, at the time of their contributions. For the three months ended March 31, 2019 and 2018, the difference between contributions received and the limited partners' share of the joint venture resulted in an increase to additional paid-in capital of $12.5 million and $5.8 million, respectively.

Noncontrolling Interests in Operating Company

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

For the three months ended March 31, 2019, the Company redeemed 2,793 OP Units with the issuance of an equal number of shares of class A common stock on a one-for-one basis.

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

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15. 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 March 31, 2019	2018
Net income (loss) allocated to common stockholders		
Loss from continuing operations	$ (30,155)	$ (27,275)
Income from discontinued operations	—	117
Net loss	(30,155)	(27,158)
Net (income) loss attributable to noncontrolling interests:		
Redeemable noncontrolling interests	(1,444)	696
Investment entities	(49,988)	(19,243)
Operating Company	6,611	4,378
Net loss attributable to Colony Capital, Inc.	(74,976)	(41,327)
Preferred dividends	(27,137)	(31,387)
Net loss attributable to common stockholders	(102,113)	(72,714)
Net income allocated to participating securities	(720)	(629)
Net loss allocated to common stockholders—basic	(102,833)	(73,343)
Interest expense attributable to convertible notes [(1)]	—	—
Net loss allocated to common stockholders—diluted	$ (102,833)	$ (73,343)
Weighted average common shares outstanding		
Weighted average number of common shares outstanding—basic	478,874	530,680
Weighted average effect of dilutive shares [(1)(2)(3)]	—	—
Weighted average number of common shares outstanding—diluted	478,874	530,680
Basic loss per share		
Loss from continuing operations	$ (0.21)	$ (0.14)
Income from discontinued operations	—	—
Net loss attributable to common stockholders per basic common share	$ (0.21)	$ (0.14)
Diluted loss per share		
Loss from continuing operations	$ (0.21)	$ (0.14)
Income from discontinued operations	—	—
Net loss attributable to common stockholders per diluted common share	$ (0.21)	$ (0.14)

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(1) For the three months ended March 31, 2019 and 2018, excluded from the calculation of diluted earnings per share is the effect of adding back $7.2 million and $7.1 million of interest expense, respectively, and 38,112,100 and 38,112,100 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) The calculation of diluted earnings per share excludes the effect of weighted average unvested non-participating restricted shares of 137,900 and 662,900 for the three months ended March 31, 2019 and 2018, respectively, as well as the weighted average shares of class A common stock that are contingently issuable in relation to PSUs (Note 17) of 3,814,300 for the three months ended March 31, 2019, as the effect would be antidilutive. There were no contingently issuable shares of class A common stock in relation to PSUs for the three months ended March 31, 2018.

(3) OP Units, subject to lock-up agreements, may be redeemed for registered or unregistered class A common shares on a one-for-one basis. At March 31, 2019 and 2018, there were 31,355,700 and 32,280,500 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.

16. Fee Income

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

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

(In thousands)	Three Months Ended March 31, 2019	2018
Institutional funds	$ 13,110	$ 13,141
Public companies (Colony Credit, NRE)	15,106	12,172
Non-traded REITs	5,106	11,459
Other	178	70
	$ 33,500	$ 36,842

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

(In thousands)	Three Months Ended March 31, 2019	2018
Base management fees ($32,673 and $34,176 from affiliates, respectively)	$ 32,836	$ 34,176
Asset management fees—from affiliates	635	674
Acquisition and disposition fees—from affiliates	—	1,922
Other fee income ($14 and $0 from affiliates, respectively)	29	70
Total fee income	$ 33,500	$ 36,842

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

- Private Funds—generally 1% per annum of the limited partners' net funded capital;
- Colony Credit—1.5% per annum of Colony Credit's stockholders' equity (as defined in its management agreement).
- Non-Traded REITs—1.5% per annum of most recently published net asset value (as may be subsequently adjusted for any special distribution) for NorthStar Healthcare, and prior to closing of the Combination on January 31, 2018, 1% to 1.25% per annum of gross assets for NorthStar I and NorthStar II. $2.5 million per quarter of base management fee for NorthStar Healthcare is paid in shares of NorthStar Healthcare common stock at a price per share equal to its most recently published NAV per share (as may be subsequently adjusted for any special distribution); and
- NRE—a variable fee of 1.5% per annum of NRE's reported European Public Real Estate Association Net Asset Value ("EPRA NAV" as defined in its management agreement) for EPRA NAV up to and including $2.0 billion, and 1.25% per annum for EPRA NAV amounts exceeding $2.0 billion. The management agreement had provided for the Company's management of NRE through at least January 1, 2023. In November 2018, NRE and the Company reached an agreement to terminate the management agreement upon a sale of NRE or, if no sale is consummated, upon internalization of the management of NRE. Such termination will result in a termination payment to the Company of $70 million, less any incentive fees earned through termination. The strategic review committee of NRE's board of directors is in the process of evaluating strategic alternatives to maximize NRE's shareholder value, which includes the potential sale of NRE.

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

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

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

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 through its broker-dealer platform for selling equity in certain classes of shares in the retail companies. In April 2018, the Company combined its broker-dealer platform with a third

party to form a joint venture to distribute future investment products. The Company's share of earnings or losses from the joint venture is reflected in equity method earnings.

17. Equity-Based Compensation

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

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

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

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

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

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

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

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

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

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

LTIP Units—LTIP units are 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 14). 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, or on a straight-line basis over the vesting period as equity based compensation expense and equity.

Equity-based compensation expense is as follows:

	Three Months Ended March 31,	
(In thousands)	2019	2018
Compensation expense (including $122 and $22 amortization of fair value of dividend equivalent right)	$ 6,663	$ 12,191

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

					Weighted Average Grant Date Fair Value	
	Restricted Stock	DSUs	PSUs [1]	Total	PSUs	All Other Awards
Unvested shares and units at December 31, 2018	5,422,090	183,134	2,043,949	7,649,173	$ 5.09	$ 9.39
Granted	2,752,005	27,391	3,451,992	6,231,388	2.79	5.24
Vested	(1,627,193)	(23,772)	—	(1,650,965)	—	11.40
Forfeited	(93,018)	—	(9,994)	(103,012)	4.56	5.51
Unvested shares and units at March 31, 2019	6,453,884	186,753	5,485,947	12,126,584	$ 3.65	$ 7.21

[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 $8.5 million and $105.0 million for the three months ended March 31, 2019 and 2018, respectively.

At March 31, 2019, aggregate unrecognized compensation cost for all unvested equity awards was $53.0 million, which is expected to be recognized over a weighted average period of 2.3 years.

Awards Granted by Managed Companies

Colony Credit and NRE, both managed by the Company, issued restricted stock and performance stock units to the Company and certain of the Company's employees (collectively, "managed company awards"). Colony Credit awards are primarily restricted stock grants that typically vest over a three-year period, subject to service conditions. NRE awards generally 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. Generally, the Company then grants the managed company awards that it receives in its capacity as manager to its employees with substantially the same terms and service requirements. Such grants are made at the discretion of the Company, and the Company may consult with the board of directors or compensation committees of the respective managed companies as to final allocation of awards to its employees.

Managed company awards granted to the Company, pending the grant by the Company to its employees, are recognized based upon their fair value at grant date as an investment in unconsolidated ventures and other liabilities on the consolidated balance sheet. The deferred revenue liability is amortized into other income as the awards vest to the Company. Managed company awards granted to employees, directly by NRE or Colony Credit, or through the Company, are recorded as other asset and other liability, and amortized on a straight-line basis as equity-based compensation expense and as other income, respectively, as the awards vest to the employees. The other asset and other liability

associated with managed company awards granted to employees are subject to adjustment to fair value at each reporting period, with changes reflected in equity-based compensation and other income, respectively.

Equity-based compensation expense recognized in relation to managed company awards was $2.8 million and $0.8 million for the three months ended March 31, 2019 and 2018, respectively. A corresponding amount is recognized in other income for managed company awards granted to employees (Note 18). At March 31, 2019, aggregate unrecognized compensation cost for unvested managed company awards was $28.3 million, which is expected to be recognized over a weighted average period of 2.4 years.

18. 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 affiliates consist of the following:

(In thousands)	March 31, 2019	December 31, 2018
Investment vehicles and unconsolidated ventures		
Fee income	$ 36,390	$ 34,429
Cost reimbursements and recoverable expenses	8,542	10,754
Employees and other affiliates	254	596
	$ 45,186	$ 45,779

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 16.

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 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;
- Equity awards granted by Colony Credit and NRE to employees of the Company, which are presented gross as other income and compensation expense (see Note 17);
- Services provided to the Company's unconsolidated investment ventures for servicing and managing their loan portfolios, including foreclosed properties, and services to the Company's joint venture with Digital Bridge Holdings, LLC ("Digital Bridge") which manages the Company's digital infrastructure investment vehicle; and
- Administrative services provided to certain senior executives of the Company.

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

	Three Months Ended March 31,	
(In thousands)	2019	2018
Retail companies	$ 738	$ 2,387
Public companies (Colony Credit, NRE)	2,632	1,750
Private funds and other	3,535	1,844
Equity awards of Colony Credit and NRE (Note 17)	2,940	812
	$ 9,845	$ 6,793

Recoverable Expenses—The Company pays organization and offering costs associated with the formation and capital raising of the retail companies and private funds sponsored by the Company, for which the Company recovers

from these investment vehicles, up to specified thresholds for certain private funds and up to 1% of proceeds expected to be raised from the offering of retail companies (excluding shares offered pursuant to distribution reinvestment plans).

NorthStar Healthcare Credit Facility—The Company has committed to provide NorthStar Healthcare with an unsecured revolving credit facility at market terms with a maximum principal amount of $35.0 million. The credit facility matures in December 2020, with a six-month extension option. Advances under the credit facility accrue interest at LIBOR plus 3.5%. There is no commitment fee for the unused portion of the facility. The credit facility is intended to provide additional liquidity to NorthStar Healthcare on an as needed basis. At March 31, 2019 and December 31, 2018, 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 junior participation interest in a loan receivable previously held by NorthStar I that was not transferred to Colony Credit ("NorthStar I Retained Asset"). 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 for the three months ended March 31, 2019 and 2018.

Sales to Colony Credit—There were no such sales in the three months ended March 31, 2019. In May 2018, the Company sold a preferred equity investment sponsored by the Company's equity method investee, RXR Realty, to Colony Credit at the unpaid principal amount of the investment of $89.1 million. In July 2018, the Company sold to Colony Credit its interest in a subsidiary holding a net lease property in Norway that was partially financed by a non-callable bond for $121.5 million based on an appraised value of the property, resulting in a gain on sale of $28.6 million.

Healthcare Partnership—The Healthcare Partnership was previously formed by NRF with the intention of expanding the Company's healthcare business (see Note 17). The Healthcare Partnership is entitled to incentive fees ranging from 20% to 25% of distributions above certain hurdles for new and existing healthcare real estate investments held by the Company and a portion of incentive fees earned from NorthStar Healthcare. To date, no incentive fees have been earned by the Healthcare Partnership.

American Healthcare Investors Joint Venture—The Company has an equity method investment in American Healthcare Investors, LLC ("AHI"). Prior to the termination of its management agreement in October 2018, AHI had provided certain healthcare-focused real estate investment management and related services to the Company and NorthStar Healthcare. For the three months ended March 31, 2018, the Company incurred property management fees and sub-advisory fees to AHI totaling $1.3 million.

Arrangements with Company-Sponsored Private Fund—The Company co-invests alongside a Company-sponsored private fund through joint ventures between the Company and the sponsored private fund. These co-investment joint ventures are consolidated by the Company. The Company has capital commitments, as general partner, directly into the private fund and as an affiliate of the general partner, capital commitments satisfied through co-investment joint ventures. In connection with the Company's commitments as an affiliate of the general partner, the Company is allocated a proportionate share of the costs of the private fund such as financing and administrative costs. Such costs expensed during the three months ended March 31, 2019 and 2018 were immaterial and relate primarily to the Company's share of the fund's operating costs and deferred financing costs on borrowings of the fund.

Equity Awards of NRE and Colony Credit—As discussed in Note 17, NRE and Colony Credit grant equity awards to the Company and certain of the Company's employees, either directly by NRE and Colony Credit, or indirectly through the Company, are recognized as a gross-up of equity-based compensation expense over the vesting period with a corresponding amount in other income.

Investment in Managed Investment Vehicles—Subject to the Company's related party policies and procedures, senior management, investment professionals and certain other employees may participate on a discretionary basis in investment vehicles sponsored by the Company, either directly in the vehicle or indirectly through the general partner entity. These investments are generally not subject to management fees, but otherwise bear their proportionate share of other operating expenses of the investment vehicles. At March 31, 2019 and December 31, 2018, such investments amounted to $6.4 million and $5.7 million, respectively, reflected in redeemable noncontrolling interests and noncontrolling interests on the balance sheet. Their share of net income was $0.5 million for the three months ended March 31, 2019 and was immaterial for the three months ended March 31, 2018.

Corporate Aircraft—The Company, through its subsidiary, Colony Capital Advisors, LLC, has entered into a time sharing agreement with Thomas J. Barrack, Jr., the Company's Executive Chairman and Chief Executive Officer, under which Mr. Barrack may use the Company's aircraft for personal travel. Under this arrangement, Mr. Barrack pays the Company for personal usage based on the incremental cost to the Company, including direct and indirect variable costs,

but in no case more than the maximum reimbursement permitted by the Federal Aviation Regulations under the agreement. Mr. Barrack has reimbursed the Company $0.2 million and $0.1 million for personal flights taken during the three months ended March 31, 2019 and 2018, respectively.

19. Commitments and Contingencies

Operating Leases

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

At March 31, 2019, the weighted average remaining lease terms were 25.7 years for ground leases and 8.0 years for office leases.

For the three months ended March 31, 2018, lease expense, including variable lease expense, was $2.0 million for ground leases and $2.7 million for office leases. The following table summarizes lease expense for ground leases, included in property operating expense, and office leases, included in administrative expense, for the three months ended March 31, 2019.

	Three Months Ended March 31, 2019	
(In thousands)	Ground Leases	Office Leases
Operating lease expense:		
Fixed lease expense	$ 1,959	$ 2,295
Variable lease expense	573	409
	$ 2,532	$ 2,704

Operating Lease Commitments

The operating lease liability was determined using a weighted average discount rate of 5.5%. At March 31, 2019, the Company's future operating lease commitments for ground leases on real estate held for investment and for corporate office leases were as follows.

(In thousands) Year Ending December 31,	Ground Leases	Office Leases	Total
Remaining 2019	$ 3,926	$ 7,073	$ 10,999
2020	5,318	9,014	14,332
2021	5,487	8,619	14,106
2022	5,877	7,602	13,479
2023	5,821	7,045	12,866
2024 and thereafter	89,276	29,615	118,891
Total lease payments	115,705	68,968	184,673
Present value discount			(67,233)
Operating lease liability (Note 8)			$ 117,440

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

(In thousands) Year Ending December 31,	Ground Leases	Office Leases	Total
2019	$ 5,236	$ 9,380	$ 14,616
2020	5,318	9,007	14,325
2021	5,487	8,617	14,104
2022	5,877	7,602	13,479
2023	5,821	7,045	12,866
2024 and thereafter	89,276	29,615	118,891
Total lease payments	$ 117,015	$ 71,266	$ 188,281

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 (see Note 11).

Litigation and Claims

The Company may be involved in litigation and claims in the ordinary course of business. As of March 31, 2019, the Company was not involved in any legal proceedings that are expected to have a material adverse effect on the Company’s results of operations, financial position or liquidity.

20. Segment Reporting

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

- *Healthcare*—The Company's healthcare segment is composed of a diverse portfolio of senior housing, skilled nursing facilities, medical office buildings, and hospitals. The Company earns rental income from senior housing, skilled nursing facilities and hospital assets that are under net leases to single tenants/operators and from medical office buildings which are both single tenant and multi-tenant. In addition, certain of the Company's senior housing properties are managed by operators under a RIDEA (REIT Investment Diversification and Empowerment Act) structure, which effectively allows the Company to gain financial exposure to underlying operations of the facility in a tax efficient manner versus receiving contractual rent under a net lease arrangement.
- *Industrial*—The Company's industrial segment is composed of primarily light industrial assets throughout the U.S. Light industrial properties serve as the “last mile” of the logistics chain, which are vital for e-commerce and tenants that require increasingly quick delivery times. In addition, in February 2019, the Company entered into the bulk industrial market as bulk assets remain integral to highly functional distribution networks.
- *Hospitality*—The Company's hospitality portfolio is composed of primarily extended stay and select service hotels located mainly in major metropolitan and high-demand suburban markets in the U.S., with the majority affiliated with top hotel brands such as Marriott and Hilton.
- *CLNC*—This represents the Company's investment in Colony Credit, a commercial real estate credit REIT with a diverse portfolio consisting primarily of CRE senior mortgage loans, mezzanine loans, preferred equity, debt securities and net lease properties primarily in the U.S.
- *Other Equity and Debt*—The Company's other equity and debt segment consists of a diversified group of strategic and non-strategic real estate and real estate-related debt and equity investments. Strategic investments include investments for which the Company acts as a general partner and/or manager (“GP Co-Investments”) and receives various forms of investment management economics on related third-party capital. Non-strategic investments are composed of those investments the Company does not intend to own for the long term including other real estate equity, real estate debt, and net leased assets, among other holdings.
- *Investment Management*—The Company's investment management business raises, invests and manages funds on behalf of a diverse set of institutional and individual investors, for which the Company earns management fees, generally based on the amount of assets or capital managed, and contractual incentive fees or carried interest based on the performance of the investment vehicles managed subject to the achievement of minimum return hurdles.

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

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

Selected Segment Results of Operations

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

(In thousands)	Healthcare	Industrial	Hospitality	CLNC	Other Equity and Debt	Investment Management	Amounts Not Allocated to Segments	Total
Three Months Ended March 31, 2019								
Total revenues	$ 145,774	$ 82,372	$ 196,615	$ —	$ 162,688	$ 42,477	$ 2,977	$ 632,903
Property operating expenses	64,302	22,337	136,345	—	70,095	—	—	293,079
Interest expense	47,527	14,627	42,065	—	31,853	—	13,444	149,516
Depreciation and amortization	40,131	39,445	36,248	—	24,783	8,669	1,521	150,797
Provision for loan losses	—	—	—	—	3,611	—	—	3,611
Impairment loss	—	—	3,850	—	21,772	—	—	25,622
Gain on sale of real estate	—	22,848	139	—	29,314	—	—	52,301
Equity method earnings	—	—	—	5,513	24,608	3,944	—	34,065
Equity method earnings—carried interest	—	—	—	—	—	4,422	—	4,422
Income tax benefit (expense)	1,874	169	(836)	—	(2,074)	12	(256)	(1,111)
Income (loss) from continuing operations	(7,206)	24,154	(26,077)	5,513	59,563	22,777	(108,879)	(30,155)
Net income (loss)	(7,206)	24,154	(26,077)	5,513	59,563	22,777	(108,879)	(30,155)
Net income (loss) attributable to Colony Capital, Inc.	(7,462)	6,428	(22,981)	5,178	23,922	20,548	(100,609)	(74,976)
Three Months Ended March 31, 2018								
Total revenues	$ 152,595	$ 68,753	$ 195,782	$ —	$ 205,154	$ 42,521	$ 1,859	$ 666,664
Property operating expenses	66,966	20,811	136,095	—	81,898	—	—	305,770
Interest expense	50,941	10,190	34,361	—	40,280	—	13,117	148,889
Depreciation and amortization	41,127	29,945	35,457	—	28,969	7,676	1,531	144,705
Provision for loan losses	—	—	—	—	5,375	—	—	5,375
Impairment loss	3,780	—	—	—	9,189	140,429	—	153,398
Gain on sale of real estate	—	2,293	—	—	16,151	—	—	18,444
Equity method earnings (losses)	—	—	—	(3,654)	27,217	6,554	—	30,117
Equity method earnings—carried interest	—	—	—	—	—	2,148	—	2,148
Income tax benefit (expense)	(998)	(3)	1,481	—	(4,539)	36,803	64	32,808
Income (loss) from continuing operations	(12,534)	6,321	(11,886)	(3,654)	68,431	(85,483)	11,530	(27,275)
Income from discontinued operations	—	—	—	—	117	—	—	117
Net income (loss)	(12,534)	6,321	(11,886)	(3,654)	68,548	(85,483)	11,530	(27,158)
Net income (loss) attributable to Colony Capital, Inc.	(10,360)	1,278	(10,050)	(3,446)	49,109	(80,520)	12,662	(41,327)

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

(In thousands)	Healthcare	Industrial	Hospitality	CLNC	Other Equity and Debt	Investment Management	Amounts Not Allocated to Segments	Total
March 31, 2019								
Total assets	$ 5,399,403	$ 4,312,205	$ 3,989,997	$ 1,027,345	$ 6,295,439	$ 1,995,190	$ 201,454	$ 23,221,033
Equity method investments	—	—	—	1,027,345	1,177,146	216,972	3,742	2,425,205
December 31, 2018								
Total assets	$ 5,395,550	$ 3,185,906	$ 3,980,988	$ 1,037,754	$ 6,371,999	$ 1,983,911	$ 259,141	$ 22,215,249
Equity method investments	—	—	—	1,037,754	1,054,295	194,304	3,742	2,290,095

Geography

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

(In thousands)	Three Months Ended March 31, 2019	2018
Total income by geography:		
United States	$ 575,287	$ 613,661
Europe	86,258	78,173
Other	—	302
Total [(1)]	$ 661,545	$ 692,136

(In thousands)	March 31, 2019	December 31, 2018
Long-lived assets by geography:		
United States	$ 13,600,579	$ 12,454,871
Europe	1,502,993	1,600,623
Total [(2)]	$ 15,103,572	$ 14,055,494

(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. Balances at March 31, 2019 include operating lease ROU assets of $115.1 million in the United States and $2.4 million in Europe.

21. Supplemental Disclosure of Cash Flow Information

(In thousands)	Three Months Ended March 31, 2019	2018
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest, net of amounts capitalized	$ 127,948	$ 121,934
Cash received for income tax refunds	19,113	9,430
Cash paid for amounts included in measurement of operating lease liabilities	3,438	—
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Dividends and distributions payable	$ 83,996	$ 90,791
Contributions receivable from noncontrolling interests	113,200	12,000
Improvements in operating real estate in accrued and other liabilities	23,023	25,587
ROU assets and operating lease liabilities arising from adoption of lease standard, net of related deferred receivables, intangibles and lease incentives derecognized (Note 2)	126,810	—
Securities acquired, subject to forward contract deliverable, net of cash collateral	90,000	—
Proceeds from loan repayments and asset sales held in escrow	32,624	—
Distributions payable to noncontrolling interests included in other liabilities	3,756	—
Assets of CLNY Investment Entities deconsolidated, net of cash and restricted cash contributed	—	1,753,066
Liabilities of CLNY Investment Entities deconsolidated	—	421,245
Noncontrolling interests of CLNY Investment Entities deconsolidated	—	395,274

(In thousands)	Three Months Ended March 31, 2019	2018
Redemption of OP Units for cash in accrued and other liabilities	—	2,096
Share repurchase payable	—	36,166

22. Subsequent Events

Corporate Credit Facility—As further described in Note 9, the Credit Agreement was amended in April 2019.

Abraaj Group—In April 2019, the Company completed its previously announced acquisition of the private equity platform of The Abraaj Group in Latin America, which was rebranded as Colony Latam Partners. Colony Latam Partners will continue to be headed by its existing senior management team. The core strategy of the platform will focus on investing growth capital in mid-cap companies in the Latin American region.

FORWARD-LOOKING STATEMENTS

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

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

- the market, economic and environmental conditions in the healthcare, hospitality and industrial real estate, other commercial real estate equity and debt, and investment management sectors;
- any decrease in our net income and funds from operations as a result of the Merger or otherwise, or our other acquisition activity;
- our ability to integrate and maintain consistent standards and controls following the Merger, including our ability to manage our acquisitions effectively (such as Colony Latam Partners) and to realize the anticipated benefits of such acquisitions;
- our ability to realize anticipated compensation and administrative cost reductions in connection with the implementation of our corporate restructuring and reorganization plan;
- our exposure to risks to which we have not historically been exposed, including liabilities with respect to the assets acquired through the Merger and our other acquisitions;
- our business and investment strategy, including the ability of the businesses in which we have a significant investment (such as Colony Credit Real Estate, Inc. (NYSE:CLNC)) to execute their business strategies;
- performance of our investments relative to our expectations and the impact on our actual return on invested equity, as well as the cash provided by these investments and available for distribution;
- our ability to grow our business by raising capital for the companies that we manage;
- our ability to deploy capital into new investments consistent with our business strategies, including the earnings profile of such new investments;
- the impact of adverse conditions affecting a specific asset class in which we have investments;
- the availability of attractive investment opportunities;
- our ability to achieve any of the anticipated benefits certain joint ventures, including any ability for such ventures to create and/or distribute new investment products;
- our ability to satisfy and manage our capital requirements;
- our expected holding period for our assets and the impact of any changes in our expectations on the carrying value of such assets;
- the general volatility of the securities markets in which we participate;
- our ability to obtain and maintain financing arrangements, including securitizations, on favorable or comparable terms or at all;
- our ability to repay or refinance the existing debt on certain properties in our U.S. healthcare portfolio that is scheduled to mature in December 2019 on similar terms or at all;
- changes in interest rates and the market value of our assets;

- interest rate mismatches between our assets and any borrowings used to fund such assets;
- effects of hedging instruments on our assets;
- the impact of economic conditions on third parties on which we rely;
- any litigation and contractual claims against us and our affiliates, including potential settlement and litigation of such claims;
- adverse domestic or international economic conditions and the impact on the commercial real estate or real-estate related sectors;
- the impact of legislative, regulatory and competitive changes;
- actions, initiatives and policies of the U.S. and non-U.S. governments and changes to U.S. or non-U.S. government policies and the execution and impact of these actions, initiatives and policies;
- our ability to maintain our qualification as a real estate investment trust for U.S. federal income tax purposes;
- our ability to maintain our exemption from registration as an investment company under the Investment Company Act of 1940, as amended (the “1940 Act”);
- changes in our management team, including availability of qualified personnel;
- our ability to make or maintain distributions to our stockholders; and
- our understanding of our competition.

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

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

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

Overview

We are a leading global investment management firm with $43 billion in assets under management ("AUM"). We manage capital on behalf of our stockholders, as well as institutional and retail investors in private funds, and traded and non-traded real estate investment trusts ("REITs"). We have significant holdings in: (a) the healthcare, industrial and hospitality property sectors; (b) Colony Credit Real Estate, Inc. (NYSE: CLNC) and NorthStar Realty Europe, Corp. (NYSE: NRE), which are both externally managed by subsidiaries of the Company; and (c) various other equity and debt investments. We are headquartered in Los Angeles, with key offices in New York, Paris and London, and have over 400 employees in 19 locations in 12 countries.

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

We conduct our operations as a REIT, and generally are not subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our taxable income to stockholders and maintain qualification as a REIT, although we are subject to U.S. federal income tax on income earned through our taxable subsidiaries. We also operate our business in a manner that will permit us to maintain our exemption from registration as an investment company under the 1940 Act. We conduct substantially all of our activities and hold substantially all of our assets and liabilities through our Operating Company. At March 31, 2019, we owned 93.9% of the Operating Company, as its sole managing member.

Our Business

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

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

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

- *Industrial*—Our industrial segment is composed of primarily light industrial assets throughout the U.S. The light industrial properties serve as the "last mile" of the logistics chain, which are vital for e-commerce and tenants that require increasingly quick delivery times. In addition, in February 2019, the Company entered into the bulk industrial market as bulk assets remain integral to highly functional distribution networks.

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

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

Refer to Note 20 to the consolidated financial statements for further information about our reportable segments.

Colony Credit

We own an approximate 36.4% interest, on a fully diluted basis, in Colony Credit Real Estate, Inc. ("Colony Credit," formerly Colony NorthStar Credit Real Estate, Inc. prior to June 25, 2018). Colony Credit was formed on January 31, 2018 through a contribution of the CLNY Contributed Portfolio (as described below), represented by our ownership interests ranging from 38% to 100% in certain investment entities ("CLNY Investment Entities"), and a concurrent all-stock merger with NorthStar Real Estate Income Trust, Inc. (“NorthStar I”) and NorthStar Real Estate Income II, Inc. (“NorthStar II”), both publicly registered non-traded REITs sponsored and managed by our subsidiary (the "Combination"). The CLNY Contributed Portfolio comprised our interests in certain commercial real estate loans, net lease properties and limited partnership interests in third party sponsored funds, which represented a select portfolio of U.S. investments within our other equity and debt segment that were transferable assets consistent with Colony Credit's strategy. Upon closing of the Combination, our management contracts with NorthStar I and NorthStar II were terminated; concurrently, we entered into a new management agreement with Colony Credit.

Corporate Restructuring

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

We have now achieved approximately 60% of our expected $50 to $55 million ($45 to $50 million on a cash basis) of the previously announced annual compensation and administrative cost savings on a run rate basis.

Corporate Governance Enhancements

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

Recent Developments

During the three months ended March 31, 2019 and through May 7, 2019, significant developments affecting our business and results of operations included the following:

Acquisitions and Fundraising

- In February 2019, closed on the acquisition of 50 buildings in our industrial segment at a purchase price of approximately $1.1 billion, part of which includes the initiation of a new bulk industrial strategy. Acquisition of additional four buildings will close upon completion of construction throughout the remainder of 2019.

- Continued fundraising in our open-end light industrial fund with $141.5 million of additional capital raised in the first quarter of 2019, bringing total third party capital raised to date in our light industrial platform to $1.66 billion. Additionally, raised $72.5 million of capital in our new bulk industrial joint venture initiated in February 2019.
- Completed the previously announced acquisition of the private equity platform of The Abraaj Group in Latin America, which was rebranded as Colony Latam Partners, and to be headed by its existing senior management team.

Financing and Capital Transactions

- Repurchased 652,311 shares of our class A common stock for $3.2 million under our May 2018 stock repurchase program, which has been extended for an additional one-year term.
- In April 2019, amended certain terms of our Credit Agreement, including a reduction of aggregate revolving commitments from $1.0 billion to $750 million and modification of a financial covenant and borrowing base formula.
- Extended scheduled maturities on $210 million of debt principal in our healthcare segment to 2022.
- Refinanced $115.5 million of debt financing in our hospitality portfolio, extending its scheduled maturity to March 2021.
- In connection with the industrial portfolio acquisition in February 2019, closed on $500 million floating rate, five-year unsecured term loan and a $235 million first mortgage debt, and replaced our existing $400 million revolver with a $600 million revolver with a four-year initial term.

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.	
Three Months Ended March 31,	2019	2018	2019	2018	2019	2018
Healthcare	$ 145,774	$ 152,595	$ (7,206)	$ (12,534)	$ (7,462)	$ (10,360)
Industrial	82,372	68,753	24,154	6,321	6,428	1,278
Hospitality	196,615	195,782	(26,077)	(11,886)	(22,981)	(10,050)
CLNC	—	—	5,513	(3,654)	5,178	(3,446)
Other Equity and Debt	162,688	205,154	59,563	68,548	23,922	49,109
Investment Management	42,477	42,521	22,777	(85,483)	20,548	(80,520)
Amounts not allocated to segments	2,977	1,859	(108,879)	11,530	(100,609)	12,662
	$ 632,903	$ 666,664	$ (30,155)	$ (27,158)	$ (74,976)	$ (41,327)

Selected Balance Sheet Data

The following table summarizes key balance sheet data by segment:

(In thousands)	Healthcare	Industrial	Hospitality	CLNC	Other Equity and Debt	Investment Management	Amounts Not Allocated to Segments	Total
March 31, 2019								
Real estate, net	$ 4,981,581	$ 3,901,328	$ 3,662,423	$ —	$ 1,990,709	$ —	$ —	$ 14,536,041
Loans receivable, net	49,973	—	—	—	1,535,027	11,673	—	1,596,673
Equity and debt investments	—	—	—	1,027,345	1,521,557	216,972	3,742	2,769,616
Debt, net	3,221,885	1,909,389	2,615,935	—	2,116,738	—	848,841	10,712,788
December 31, 2018								
Real estate, net	$ 4,995,298	$ 2,793,004	$ 3,668,824	$ —	$ 2,161,888	$ —	$ —	$ 13,619,014
Loans receivable, net	48,330	—	—	—	1,597,214	13,673	—	1,659,217
Equity and debt investments	—	—	—	1,037,754	1,307,369	194,304	3,742	2,543,169
Debt, net	3,213,992	1,064,585	2,603,599	—	2,309,347	—	848,434	10,039,957

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Comparison of the Three Months Ended March 31, 2019 to the Three Months Ended March 31, 2018

Consolidated Statements of Operations

	Three Months Ended March 31,		
(In thousands)	2019	2018	Change
Revenues			
Property operating income	$ 540,130	$ 554,730	$ (14,600)
Interest income	46,250	63,854	(17,604)
Fee income	33,500	36,842	(3,342)
Other income	13,023	11,238	1,785
Total revenues	632,903	666,664	(33,761)
Expenses			
Property operating expense	293,079	305,770	(12,691)
Interest expense	149,516	148,889	627
Investment and servicing expense	18,979	18,653	326
Transaction costs	2,504	716	1,788
Placement fees	309	123	186
Depreciation and amortization	150,797	144,705	6,092
Provision for loan loss	3,611	5,375	(1,764)
Impairment loss	25,622	153,398	(127,776)
Compensation expense			
Cash and equity-based compensation	34,176	49,484	(15,308)
Carried interest and incentive fee compensation	1,051	859	192
Administrative expenses	24,014	24,740	(726)
Total expenses	703,658	852,712	(149,054)
Other income			
Gain on sale of real estate	52,301	18,444	33,857
Other gain (loss), net	(49,077)	75,256	(124,333)
Equity method earnings	34,065	30,117	3,948
Equity method earnings—carried interest	4,422	2,148	2,274
Loss before income taxes	(29,044)	(60,083)	31,039
Income tax benefit (expense)	(1,111)	32,808	(33,919)
Loss from continuing operations	(30,155)	(27,275)	(2,880)
Income from discontinued operations	—	117	(117)
Net loss	(30,155)	(27,158)	(2,997)
Net income (loss) attributable to noncontrolling interests:			
Redeemable noncontrolling interests	1,444	(696)	2,140
Investment entities	49,988	19,243	30,745
Operating Company	(6,611)	(4,378)	(2,233)
Net loss attributable to Colony Capital, Inc.	(74,976)	(41,327)	(33,649)
Preferred stock dividends	27,137	31,387	(4,250)
Net loss attributable to common stockholders	$ (102,113)	$ (72,714)	(29,399)

Property Operating Income and Property Operating Expenses

(In thousands)	Three Months Ended March 31, 2019	2018	Change
Property operating income:			
Healthcare	$ 144,690	$ 151,137	$ (6,447)
Industrial	81,232	67,637	13,595
Hospitality	196,555	195,259	1,296
Other Equity and Debt	117,653	140,697	(23,044)
	$ 540,130	$ 554,730	(14,600)
Property operating expenses:			
Healthcare	$ 64,302	$ 66,966	$ (2,664)
Industrial	22,337	20,811	1,526
Hospitality	136,345	136,095	250
Other Equity and Debt	70,095	81,898	(11,803)
	$ 293,079	$ 305,770	(12,691)

Healthcare—Property operating income and expenses decreased $6.4 million and $2.7 million, respectively, comparing the three months ended March 31, 2019 and 2018. While resident fee income was higher for the three months ended March 31, 2019, higher rent concessions were provided in 2019 than in 2018. The three months ended March 31, 2018 also benefited from termination fees from an early lease termination in our medical office building portfolio. Property income and property expense were also minimally affected by the adoption of the new lease accounting standard as (i) the threshold for recognizing lease income is subject to higher probability of collection criteria under the new lease standard and bad debt is recorded as a direct reduction of revenue; and (ii) property taxes and insurance paid directly to third parties by tenants or operators are no longer recognized on a gross basis in income and expense in 2019. Additionally, we incurred lower property management fees following the termination of a third party management contract in October 2018, partially offset by higher resident fee expenses and marketing costs.

Industrial—Comparing the three months ended March 31, 2019 and 2018, property operating income and expenses increased $13.6 million and $1.5 million, respectively, as a result of continued growth in our industrial portfolio as acquisitions outpaced dispositions. At March 31, 2019 and March 31, 2018, our industrial portfolio consisted of 419 and 378 buildings, respectively, with a net addition of 41 buildings and 12.5 million rentable square feet.

Comparing our industrial portfolio on a same store basis for the three months ended March 31, 2019 and 2018, property operating income and expenses decreased 1.0% and approximately 5%, respectively. Occupancy decreased marginally to 94.5% for the three months ended March 31, 2019 from 95.9% for the same period in 2018, which reflects natural tenant turnover in a stabilized portfolio averaging approximately 95% occupancy. The decreases in income and expenses can be attributed largely to higher non-rental related income in 2018 and bad debt allowance recorded in 2018 that has since been charged off, respectively. In 2019, bad debt expense is no longer recognized but income is adjusted for amounts not probable of collection under the new lease accounting standard. Such amounts were not material for the three months ended March 31, 2019. Additionally, property taxes and insurance paid directly to third parties by tenants are no longer recognized in income and expense in 2019.

($ in thousands)	Three Months Ended March 31, 2019	2018	% change
Industrial:[(1)]			
Same store property operating income	$ 61,340	$ 61,938	(1.0)%
Same store property operating expenses	17,812	18,691	(4.7)%

[(1)] The same store portfolio is defined once a year at the beginning of the current calendar year and includes buildings that were owned, stabilized and held-for-use throughout the entirety of both the current and prior years. Stabilized properties are properties held for more than one year or that are greater than 90% leased. Properties acquired, disposed or held-for-sale after the same store portfolio is determined are excluded. Our same store portfolio consisted of 314 buildings.

Hospitality—Property operating income and expenses increased $1.3 million and $0.3 million, respectively, comparing the three months ended March 31, 2019 and 2018. Occupancy decreased marginally from 70.5% to 69.7%, however, revenue per available room ("RevPAR") remained fairly consistent at $90. The net increase in income can be attributed to favorable ancillary revenues, while expenses, for the most part, were fairly consistent during the periods under comparison.

Other Equity and Debt—Property operating income and expenses decreased $23.0 million and $11.8 million, respectively, comparing the three months ended March 31, 2019 and 2018. The decreases were driven by continued sales of our non-core properties, primarily in our THL Hotel Portfolio and European portfolio, and contribution of real estate to Colony Credit on January 31, 2018. These decreases were partially offset by income and expenses contributed by a portfolio of office and industrial buildings in France that was acquired in November 2018.

Interest Income

Interest income decreased $17.6 million for the three months ended March 31, 2019 compared to the same period in 2018. The decrease can be attributed to our contribution of $1.3 billion of loans to Colony Credit on January 31, 2018 which had generated $9.5 million of interest income in 2018 prior to contribution, $6.5 million decrease in interest income from sale and deconsolidation of our securitization trusts in the second quarter of 2018, and decreases due to continuing loan repayments and payoffs. These decreases more than offset new loan originations and additional loan fundings subsequent to the first quarter of 2018.

Fee Income

Fee income is earned from the following sources:

	Three Months Ended March 31,		
(In thousands)	2019	2018	Change
Institutional funds	$ 13,110	$ 13,141	$ (31)
Public companies (Colony Credit, NRE)	15,106	12,172	2,934
Non-traded REITs	5,106	11,459	(6,353)
Other	178	70	108
	$ 33,500	$ 36,842	(3,342)

Fee income decreased $3.3 million for the three months ended March 31, 2019 compared to the same period in 2018, resulting from:

- $2.2 million decrease in fee income from Colony Credit, which replaced fees from non-traded REITs, NorthStar I and NorthStar II beginning February 1, 2018. Approximately $2.0 million of the decrease was attributed to acquisition and disposition fees from NorthStar I and NorthStar II in 2018 prior to the closing of the Combination; such fees are excluded from the Colony Credit fee structure;
- approximately $0.3 million of lower fee income from NRE following the sale of a significant real estate asset in the fourth quarter of 2018 which reduced NRE's net asset value ("NAV") fee basis; and
- approximately $1.0 million decrease in fee income from NorthStar Healthcare Income, Inc. ("NorthStar Healthcare") following a decrease in its NAV fee basis effective December 2018.

Other Income

Other income increased $1.8 million for the three months ended March 31, 2019 compared to the same period in 2018, attributable primarily to (i) higher amounts grossed up in other income and equity-based compensation expense related to equity awards granted by Colony Credit and NRE to the Company and certain of its employees, (ii) higher dividend income from a consolidated private fund, (iii) higher property management fee income with the growth of our industrial portfolio, and (iv) higher cost reimbursement income in relation to investment due diligence activities and from our joint venture with Digital Bridge that manages our digital infrastructure vehicle, all of which were partially offset by (v) lower recovery income from our loan portfolios which continue to resolve over time, and (vi) a non-recurring class action settlement received in the first quarter of 2018 related to our hospitality segment.

Interest Expense

(In thousands)	Three Months Ended March 31, 2019	2018	Change
Investment-level financing:			
Healthcare	$ 47,527	$ 50,941	$ (3,414)
Industrial	14,627	10,190	4,437
Hospitality	42,065	34,361	7,704
Other Equity and Debt	31,853	40,280	(8,427)
Corporate-level debt	13,444	13,117	327
	$ 149,516	$ 148,889	627

The $0.6 million net increase in interest expense for the three months ended March 31, 2019 compared to the same period in 2018 can be attributed to the following:

Healthcare—Interest expense was $3.4 million lower as the first quarter of 2018 included a higher amortization of debt discount which decreased interest expense. Additionally, interest expense in the first quarter 2019 was lower resulting from debt refinancing that occurred subsequent to the first quarter of 2018, partially offset by accelerated amortization of deferred financing costs as a result of the debt refinancing and the impact of higher LIBOR on variable rate debt.

Industrial—Increase of $4.4 million in interest expense resulted from additional debt obtained to fund new acquisitions, primarily $735 million of new debt to finance our approximately $1.1 billion portfolio acquisition in late February 2019, along with $142 million drawn from our industrial revolver to fund the same acquisition. Additionally, higher deferred financing costs were recognized in 2019 in relation to the new debt and the increased capacity of our industrial revolver, which also resulted in higher unused fees on the revolver. The increase was partially offset by the capitalization of interest on debt financing development activities in the first quarter of 2019.

Hospitality—Interest expense increased $7.7 million, resulting primarily from the impact of higher LIBOR on variable rate debt, additional debt obtained in connection with debt refinancing subsequent to the first quarter of 2018, and higher deferred financing costs expensed as a result of the refinancing.

Other Equity and Debt—Interest expense decreased $8.4 million, driven by: (i) $4.5 million decrease in interest expense from the sale and deconsolidation of our securitization trusts in the second quarter of 2018, (ii) the effect of debt payoffs from continued sales and resolutions of our non-core investments, and (iii) contribution of certain assets along with their underlying debt to Colony Credit on January 31, 2018. These decreases were partially offset by an increase in interest expense mainly from new debt acquired to finance the acquisition of a portfolio of office and industrial buildings in France in November 2018.

Corporate-level debt—The marginal increase in interest expense reflects the effect of higher LIBOR on our junior subordinated debt and higher unused fees on our corporate credit line, partially offset by the absence of interest expense on our corporate credit line which was undrawn in the first quarter of 2019.

Investment and Servicing Expense

There was a marginal $0.3 million net increase in investment and servicing costs for the three months ended March 31, 2019 compared to the three months ended March 31, 2018. While we incurred higher unconsummated deal costs in 2019, the increase was partially offset by lower write-offs of receivables related to certain retail companies, lower servicing and management fees following the termination of a third party healthcare operator in October 2018 and continued resolution of our loan portfolio, and other decreases in investment related costs.

Transaction Costs

Transaction costs were higher for three months ended March 31, 2019 compared to the three months ended March 31, 2018 primarily due to our acquisition of the Latin American investment management business of The Abraaj Group.

Placement Fees

Immaterial placement fees were incurred in connection with fundraising activities, primarily for our open-end industrial fund in the three months ended March 31, 2019 and our distressed credit fund in the three months ended March 31, 2018.

Depreciation and Amortization

The net increase of $6.1 million in depreciation and amortization comparing the three months ended March 31, 2019 and 2018 is attributable to new acquisitions, including a portfolio of 50 light and bulk industrial properties in February 2019 and a portfolio of office and industrial buildings in France in November 2018. This increase was partially offset, mainly by non-core properties sold or transferred to held for sale, and to a lesser extent, real estate contributed to Colony Credit in January 2018.

Provision for Loan Losses

	Three Months Ended March 31,		
(In thousands)	2019	2018	Change
Non-PCI loans	$ —	$ 2,662	$ (2,662)
PCI loans	3,611	2,713	898
Total provision for loan losses	$ 3,611	$ 5,375	(1,764)

Provision for loan losses related to the write-down of a loan to its underlying collateral value upon foreclosure in the three months ended March 31, 2019 and to losses attributable primarily to loans pending sale or in maturity default in the three months ended March 31, 2018.

Of the total provision for loan losses, $1.8 million and $3.2 million in the three months ended March 31, 2019 and 2018, respectively, was attributable to noncontrolling interests in investment entities.

Impairment Loss

	Three Months Ended March 31,		
(In thousands)	2019	2018	Change
Healthcare	$ —	$ 3,780	$ (3,780)
Hospitality	3,850	—	3,850
Other Equity and Debt	21,772	9,189	12,583
Investment Management	—	140,429	(140,429)
	$ 25,622	$ 153,398	(127,776)

Healthcare—In the three months ended March 31, 2018, additional impairment was recorded on properties with hurricane-related damage from 2017.

Hospitality—Additional impairment loss was recognized in the three months ended March 31, 2019 on hotels held for sale based on revised expected sale prices.

Other Equity and Debt—Impairment was higher at $21.8 million in the first quarter of 2019 compared to $9.2 million in the first quarter of 2018. The increase resulted from higher impairment of $8.2 million on European properties held for sale based on revised expectation of sales proceeds, and $4.5 million additional impairment in the U.S. resulting from concessions provided to buyers of properties near closing.

Investment Management—Impairment in the three months ended March 31, 2018 was related to the write-off of management contract intangibles of (i) a combined $139.0 million for NorthStar I and NorthStar II upon closing of the Combination as these contracts were terminated, and (ii) $1.4 million for NorthStar/RXR New York Metro Real Estate, Inc. ("NorthStar/RXR NY Metro"), which had terminated its offering period effective March 31, 2018, followed by subsequent liquidation.

Of the $25.6 million and $153.4 million of total impairment in in the three months ended March 31, 2019 and 2018, respectively, $14.2 million and $7.8 million were attributable to noncontrolling interests in investment entities, respectively.

Compensation Expense

The following table provides the components of compensation expense.

(In thousands)	Three Months Ended March 31, 2019	2018	Change
Cash compensation and benefits	$ 24,702	$ 36,489	$ (11,787)
Carried interest and incentive fee compensation	1,051	859	192
Equity-based compensation	9,474	12,995	(3,521)
	35,227	50,343	(15,116)

Compensation expense decreased $15.1 million comparing the three months ended March 31, 2019 and 2018. The first quarter of 2018 had included $6.0 million of compensation expense in connection with the Merger, including $3.2 million of equity-based compensation in connection with awards granted to certain NSAM executives that vested one year from the closing of the Merger. This was partially offset by a $2.0 million increase in equity-based compensation in the first quarter of 2019 related to awards granted by Colony Credit and NRE to the Company and its employees that is grossed up in both income and expense. The remaining net decrease in compensation largely reflects the impact of the corporate restructuring undertaken in November 2018 which was aimed at reducing the Company's global workforce.

Administrative Expenses

Administrative expenses were $24.0 million for the three months ended March 31, 2019, a $0.7 million decrease from the same period in 2018, largely due to our ongoing cost reduction initiatives.

Gain on Sale of Real Estate

(In thousands)	Three Months Ended March 31, 2019	2018	Change
Industrial	$ 22,848	$ 2,293	$ 20,555
Hospitality	139	—	139
Other Equity and Debt	29,314	16,151	13,163
	$ 52,301	$ 18,444	33,857

Industrial—The higher gain on sale in the three months ended March 31, 2019 was generated from the sale of a portfolio of 34 buildings in February 2019.

Hospitality—Gain on sale in the three months ended March 31, 2019 pertained to proceeds received on a parcel of land subject to eminent domain.

Other Equity and Debt—We recognized higher gain on sales totaling $29.3 million for the three months ended March 31, 2019 compared to $16.2 million for the three months ended March 31, 2018 related to our European properties and certain U.S. multi-tenant office properties.

Gain on sale of $30.9 million and $10.7 million in the three months ended March 31, 2019 and 2018, respectively, were attributable to noncontrolling interests in investment entities.

Equity Method Earnings (Losses)

(In thousands)	Three Months Ended March 31, 2019	2018	Change
CLNC	$ 5,513	(3,654)	$ 9,167
Other Equity and Debt	24,608	27,217	(2,609)
Investment Management (including $4,422 and $2,148 of carried interest, respectively)	8,366	8,702	(336)
	$ 38,487	$ 32,265	6,222

CLNC—Our share of earnings from Colony Credit was $5.5 million in the three months ended March 31, 2019, compared to a net loss of $3.7 million in the three months ended March 31, 2018. The net loss resulted from significant transaction costs incurred in connection with the closing of the Combination.

Other Equity and Debt—Equity method earnings decreased $2.3 million comparing the three months ended March 31, 2019 and 2018, due to several factors such as sales of investments, paydowns and repayments of preferred

equity investments, contribution of investments to Colony Credit on January 31, 2018 and impairment on an investee based upon pending sales of its underlying real estate. Decreases were partially offset by earnings from new investments and additional fundings on an ADC investment.

Investment Management—There was a marginal decrease of $0.3 million in overall net earnings comparing the three months ended March 31, 2019 and 2018. While carried interest was higher by $2.3 million in the first quarter of 2019 compared to 2018, the first quarter of 2018 included a one-time gain related to the sale of an equity investment in this segment.

Other Gain (Loss), Net

We recognized a loss of $49.1 million in the three months ended March 31, 2019 and a gain of $75.3 million in the same period in 2018 from a variety of items:

- $59.2 million loss in the three months ended March 31, 2019 compared to a $56.3 million gain in the same period 2018 on a non-designated out-of-money interest rate swap assumed through the Merger due to the flattening of the 10-year treasury forward curve. The swap was intended to hedge future refinancing risk on certain NRF mortgage debt;
- $1.0 million lower gain on a loan receivable denominated in a foreign currency; and
- Various gains recorded in the first quarter of 2018 that were not recurring in 2019 such as:
  - $9.9 million gain in connection with the Combination, which represents the excess of fair value over carrying value of the Company's equity interest in the CLNY Investment Entities, retained through the Company’s interest in Colony Credit;
  - $10.5 million unrealized fair value gain on the contingent consideration liability in connection with Colony's management internalization, which liability was subsequently settled in 2018 (refer to Note 11 of the consolidated financial statements); and
  - $8.4 million gain from sale of CRE securities.
- Higher unrealized fair value gain on securities held by a consolidated investment company by $1.5 million in the 2019 period compared to 2018;
- Impairment on CRE securities of approximately $6.0 million in the first quarter of 2018.

Income Tax Benefit (Expense)

We recorded income tax expense of $1.1 million and income tax benefit of $32.8 million in the three months ended March 31, 2019 and 2018, respectively. The large income tax benefit in the prior year resulted primarily from the write-off of deferred tax liabilities in connection with the write-off of the management contract intangible assets for NorthStar I and NorthStar II as the contracts were terminated upon closing of the Combination and for NorthStar RXR/NY Metro upon termination of its offering period.

Income from Discontinued Operations

There was immaterial net loss from discontinued operations in 2018 from the hotels in the THL Hotel Portfolio that were classified as held for sale upon acquisition in 2017. These hotels were fully disposed in the second quarter of 2018.

Segments

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

Healthcare

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

At March 31, 2019, our interest in our healthcare segment was 71%.

Portfolio Overview

Our healthcare portfolio is located across 33 states domestically and 13% of our portfolio (based upon NOI) is in the United Kingdom.

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

(In thousands)	March 31, 2019	December 31, 2018
Real estate		
Held for investment	$ 4,981,581	$ 4,995,298
Debt	3,221,885	3,213,992

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

	Number of Buildings	Capacity	Average Occupancy[(1)]	Average Remaining Lease Term (Years)
March 31, 2019				
Senior housing—operating	108	6,388 units	86.7%	N/A
Medical office buildings	108	3.8 million sq. ft.	82.4%	4.5
Net lease—senior housing	84	4,231 units	82.1%	11.4
Net lease—skilled nursing facilities	99	11,829 beds	82.4%	5.7
Net lease—hospitals	14	872 beds	58.5%	9.7
Total	413			
December 31, 2018				
Senior housing—operating	108	6,388 units	86.8%	N/A
Medical office buildings	108	3.8 million sq. ft.	82.3%	4.5
Net lease—senior housing	84	4,231 units	82.1%	11.7
Net lease—skilled nursing facilities	99	11,829 beds	82.4%	5.9
Net lease—hospitals	14	872 beds	58.1%	9.7
Total	413			

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

Revenue mix of our healthcare portfolio weighted by net operating income ("NOI") for the twelve months ended December 31, 2018 (as our operators report on a quarter lag) was as follows:

Payor Sources	Revenue Mix % (1)
Private Pay	59%
Medicaid	31%
Medicare	10%
Total	100%

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

Financing

At March 31, 2019, our healthcare portfolio is financed by $3.24 billion of outstanding debt principal, of which $2.13 billion is fixed and $1.11 billion is variable rate debt, bearing a combined weighted average interest rate of 5.28%.

Through April 2019, we refinanced an aggregate of $210 million of debt principal, extending their 2019 maturities to 2022, with two one-year extension options. Previous default due to debt and/or lease coverage ratios on two of the refinanced debt have been cured.

There is currently $1.725 billion of non-recourse fixed rate mortgage debt on certain properties in our U.S. healthcare portfolio that is scheduled to mature in December 2019 for which we continue to evaluate our options in connection with the scheduled maturity. In the fourth quarter of 2018, we had impaired the real estate collateralizing the debt by $109.1 million based on a reassessment of the expected hold period, taking into consideration the upcoming debt maturity (see Note 11). We will continue to re-evaluate certain assumptions, including with respect to the hold period of the real estate

collateralizing the debt, which could result in further impairment of the underlying real estate in a future period. At March 31, 2019, carrying value of the real estate collateralizing the debt was approximately $2.5 billion.

Performance

Results of operations of our healthcare segment were as follows:

(In thousands)	Three Months Ended March 31, 2019	2018
Total revenues	$ 145,774	$ 152,595
Net loss attributable to Colony Capital, Inc.	7,462	10,360

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

(In thousands)	Three Months Ended March 31, 2019	2018
Total revenues	$ 145,774	$ 152,595
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease right-of-use asset	(5,227)	(4,319)
Property operating expenses [(1)]	(64,302)	(66,966)
NOI—Healthcare	$ 76,245	$ 81,310

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

($ in thousands)	Three Months Ended March 31, 2019	2018	Change
Senior housing—operating	$ 17,335	$ 17,472	$ (137)
Medical office buildings	12,424	16,551	(4,127)
Net lease—senior housing	15,379	15,539	(160)
Net lease—skilled nursing facilities	25,744	26,825	(1,081)
Net lease—hospitals	5,363	4,923	440
NOI—Healthcare	$ 76,245	$ 81,310	(5,065)

Comparing the three months ended March 31, 2019 and 2018, NOI was lower by $5.1 million or 6.2%, largely due to $3.2 million of termination fees from an early lease termination in 2018 in our medical office building portfolio, coupled with higher rental concessions in 2019 in both our medical office buildings and skilled nursing facilities.

Industrial

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

In addition, in February 2019, we initiated a new bulk industrial strategy with the acquisition of six bulk industrial buildings. Our immediate bulk industrial strategy is to stabilize the existing portfolio and seek to invest in bulk industrial properties in major U.S. metropolitan markets, generally targeting warehouses greater than 500,000 square feet.

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

Capitalization

Light Industrial—At March 31, 2019, we owned 33.5% of our light industrial platform based upon net asset value through our capital contributions totaling $749.2 million. Our ownership interest decreased from 35.3% at December 31, 2018 as we continued to expand our light industrial platform through third party capital, with $141.5 million of additional capital closed in 2019, bringing total third party capital to $1.66 billion at March 31, 2019.

Bulk Industrial—We own 51% of our bulk industrial portfolio through a capital contribution of $72.5 million, with the remaining $69.7 million of capital contributed by a third-party institutional investor for a 49% interest in the newly formed joint venture.

Portfolio Overview

Our industrial portfolio is well-diversified with 53.9 million square feet of light industrial and 4.2 million square feet of bulk industrial, aggregating to over 950 tenants across 27 major U.S. markets, with significant concentrations (based upon NOI) in Atlanta (14%) and Dallas (13%).

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

(In thousands)	March 31, 2019	December 31, 2018

Real estate		
Held for investment	$ 3,901,328	$ 2,793,004
Held for sale	8,395	131,400
Debt	1,909,389	1,064,585

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

	March 31, 2019				December 31, 2018			
	Number of Buildings	Rentable Square Feet (in thousands)	Leased %	Average Remaining Lease Term (Years)	Number of Buildings	Rentable Square Feet (in thousands)	Leased %	Average Remaining Lease Term (Years)
Light industrial	413	53,881	91.8%	3.8	400	48,526	94.5%	3.8
Bulk industrial	6	4,183	67.4%	12.0	—	—	—	—
Total	419	58,064	90.0%	4.3	400	48,526	94.5%	3.8

- At March 31, 2019, as it relates to our total portfolio, 79% of our tenants (based upon leased square feet) were international and national companies, with the top ten tenants making up 10.5% of our portfolio based upon annualized base rent.
- Total portfolio leased percentage for our light industrial portfolio declined from 94.5% at December 31, 2018 to 91.8% at March 31, 2019, driven largely by vacancy in new acquisitions. The market for light industrial space continues to experience capacity constraints and is driving rental rate growth and strong tenant demand, with initial rental rates on new and renewed leases commencing in 2019 (excluding leases less than 12 months) experiencing a 6.7% growth compared to prior ending rents (on a cash basis).
- At March 31, 2019, no more than 17% of existing leases by square footage in our light industrial portfolio was scheduled to expire in any single year over the next ten years.

•Acquisitions and dispositions in 2019 are summarized below.

	Number of Buildings	Rentable Square Feet (in thousands)	Weighted Average Leased % At Acquisition	Purchase Price [1] (in thousands)	Gross Sales Price (in thousands)	Realized Gain (in thousands)
Acquisitions						
Light industrial	47	7,611	79%	$ 789,486	NA	NA
Bulk industrial	6	4,183	67%	373,182	NA	NA
	53	11,794		$ 1,162,668		
Dispositions						
Light industrial	34	2,256	NA	NA	$ 135,667	$ 22,848

[1] Purchase price includes capitalized transaction costs for asset acquisitions.

A significant value-add portfolio of 50 buildings was acquired in February 2019 at a purchase price of approximately $1.1 billion. The portfolio is located across 10 markets, totaling approximately 11.1 million square feet and averaged 73.4% leased at the time of purchase. Forty-four buildings are light industrial, while the remaining six buildings are bulk industrial. In addition, we will be acquiring another four light industrial buildings within the same portfolio that is expected to close upon completion of construction throughout the remainder of 2019.

In terms of dispositions, we continually seek to sell less strategic assets and redeploy capital into high quality real estate in line with our strategy.

- As of March 31, 2019, we funded $14.4 million with remaining unfunded purchase commitment of $363.5 million for the acquisition of 39 buildings aggregating to 3.4 million square feet, of which eight buildings totaling 1.9 million square feet are under construction.
- Separately, subsequent to the quarter end through May 7, 2019, we acquired two land parcels in Northern New Jersey for co-development with an operating partner.
- At March 31, 2019, three buildings with total carrying value of $8.4 million were held for sale. There was no debt financing on these held for sale properties.

Financing

At March 31, 2019, we have outstanding debt at total carrying value of $1.9 billion, bearing a weighted average interest rate of 3.93%, with a weighted average remaining maturity of 7.9 years.

In connection with our light industrial portfolio acquisition in February 2019, we obtained a $500 million floating rate, five-year term loan, of which $300 million is fixed through the use of interest rate swaps. We also replaced our existing $400 million revolver with $600 million revolver, having a four-year initial term, that was $142 million drawn at closing. The combined financing is unsecured, supported by an unencumbered asset pool within the light industrial portfolio and is non-recourse to the Company. Separately, we closed on $235 million first mortgage debt secured by the bulk industrial portfolio.

Performance

Results of operations of our industrial segment were as follows:

	Three Months Ended March 31,	
(In thousands)	**2019**	**2018**
Total revenues	$ 82,372	$ 68,753
Net income attributable to Colony Capital, Inc.	6,428	1,278

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

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018
(In thousands)	**Light Industrial**	**Bulk Industrial**	**Total**	**Light Industrial**
Total revenues	$ 80,712	$ 1,660	$ 82,372	$ 68,753
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease right-of-use asset	(3,045)	(187)	(3,232)	(2,297)
Interest income	(180)	—	(180)	(532)
Property operating expenses	(22,124)	(213)	(22,337)	(20,811)
Compensation and administrative expense [(1)]	(784)	—	(784)	(480)
NOI—Industrial	$ 54,579	$ 1,260	$ 55,839	$ 44,633

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

The $11.2 million increase in total NOI comparing the three months ended March 31, 2019 and 2018 reflects the continued growth of our portfolio, including the initiation of a new bulk strategy, with net increase in total rentable square feet of 12.5 million, taking into account both acquisitions and dispositions during the period. The six buildings under the bulk portfolio were 67.4% occupied and contributed $1.3 million in NOI for the one month period post-acquisition. Average occupancy in the light portfolio decreased to 90.8% in the first quarter of 2019 from 94.0% in the first quarter of 2018,

driven mainly by vacancy in newly acquired value-add properties. Notwithstanding, overall increase in revenues from new acquisitions more than offset corresponding increase in property operating expenses. Additionally, the first quarter of 2018 also included bad debt allowance that has since been charged off, while in the first quarter of 2019, adjustment for amounts not probable of collection was not material.

Hospitality

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

At March 31, 2019, we owned 94% of our hospitality segment.

Financing

At March 31, 2019, our hotel portfolio was financed by $2.7 billion of outstanding debt, predominantly variable rate debt, bearing a weighted average interest rate of 5.64%.

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

Portfolio Overview

Our hotel portfolio is located across 26 states in the U.S., with concentrations (based upon NOI before FF&E Reserve) in Florida (21.5%), California (18.1%) and Texas (12.3%).

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

(In thousands)	March 31, 2019	December 31, 2018
Real estate		
Held for investment	$ 3,662,423	$ 3,668,824
Held for sale	66,247	69,699
Debt	2,615,935	2,603,599

A majority of our portfolio is affiliated with top hotel brands. Composition of our hotel portfolio by brand at March 31, 2019 is as follows:

Brands	% by Rooms
Marriott	79%
Hilton	16%
Hyatt	3%
Intercontinental	2%
Total	100%

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

	March 31,		Three Months Ended March 31,		
Type	Number of Hotel Properties	Number of Rooms	Average Occupancy	ADR [1]	RevPAR [2]
2019					
Select service	97	13,194	67.1%	$ 126	$ 84
Extended stay	66	7,936	74.1%	130	96
Full service	4	966	70.0%	171	120
Total	167	22,096	69.7%	129	90
2018					
Select service	97	13,193	68.4%	$ 123	$ 84
Extended stay	66	7,936	74.3%	130	96
Full service	4	962	67.7%	181	123
Total	167	22,091	70.5%	128	90

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

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

Performance

Results of operations of our hospitality segment were as follows.

	Three Months Ended March 31,	
(In thousands)	2019	2018
Total revenues	$ 196,615	$ 195,782
Net loss attributable to Colony Capital, Inc.	22,981	10,050

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

	Three Months Ended March 31,	
(In thousands)	2019	2018
Total revenues	$ 196,615	$ 195,782
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease right-of-use asset	310	(7)
Other income	—	(488)
Property operating expenses [1]	(136,345)	(136,095)
NOI before FF&E Reserve—Hospitality	$ 60,580	$ 59,192

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

	Three Months Ended March 31,		
($ in thousands)	2019	2018	Change
Select service	$ 34,181	$ 32,365	$ 1,816
Extended stay	22,847	22,918	(71)
Full service	3,552	3,909	(357)
NOI before FF&E Reserve—Hospitality	$ 60,580	$ 59,192	1,388

NOI before FF&E Reserve increased $1.4 million or 2.3% comparing the three months ended March 31, 2019 and 2018. RevPAR remained consistent at $90 although occupancy decreased marginally from 70.5% in the first quarter of 2019 to 69.7% in the same period in 2018. The increase in NOI can be attributed to favorable ancillary income, while expenses were fairly consistent in the periods under comparison.

Colony Credit

At March 31, 2019, we have a 36.4% interest (on a fully diluted basis) in Colony Credit. In the first quarter of 2019, our share of net income in Colony Credit was $5.5 million compared to a $3.7 million net loss in the three months ended

March 31, 2018. The net loss was driven by significant transaction costs incurred in connection with the closing of the Combination.

Our interest in Colony Credit was measured based upon our proportionate share of Colony Credit's fair value at the closing date of the Combination. Colony Credit's class A common stock had traded between $15.32 and $23.23 per share since its inception through March 29, 2019, the last trading day of the first quarter. At March 31, 2019, our investment in Colony Credit had a carrying value of $1.03 billion or $21.43 per share, which was approximately $276.7 million in excess of its fair value of $750.7 million based upon the closing stock price of $15.66 per share on March 29, 2019. We believe that the carrying value of our investment in Colony Credit is recoverable in the near term and determined that our investment in Colony Credit was not other-than-temporarily impaired as of March 31, 2019. If Colony Credit's common stock continues to trade below the carrying value of our investment for a prolonged period of time, an other-than-temporary impairment may be recognized in the future.

Other Equity and Debt

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

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

	Three Months Ended March 31,	
(In thousands)	2019	2018
Total revenues	$ 162,688	$ 205,154
Net income attributable to Colony Capital, Inc.	23,922	49,109

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

(In thousands)	March 31, 2019	December 31, 2018
Real estate		
Held for investment	$ 1,990,709	$ 2,161,888
Held for sale	659,436	651,303
Equity and debt investments		
NRE	88,058	87,696
Limited partnership interests in our sponsored and co-sponsored funds	89,653	90,062
Other equity investments [(1)]	1,258,297	1,026,870
N-Star CDO bonds	64,410	64,127
CMBS of consolidated funds	21,139	32,706
Loans receivable	1,535,027	1,597,214
Debt [(2)]	2,116,738	2,309,347

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(1) Significant investments include acquisition, development and construction loans ($502.0 million) and preferred equity investments ($221.2 million).

(2) Includes debt carrying value of $340.9 million financing real estate held for sale.

Significant activities in our other equity and debt segment in the first quarter of 2019 were as follows:

- Together with our sponsored credit fund, acquired a portfolio of six hotels in France from a distressed hotel owner, with the investment held through an equity method investee.
- We continue to monetize other non-strategic assets, primarily our loan portfolios and our real estate in Europe, in our efforts to streamline our business and redeploy capital to more strategic areas.

Investment Management

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

Significant Developments in the Investment Management Segment

Abraaj Group—In April 2019, the Company completed its previously announced acquisition of the private equity platform of The Abraaj Group in Latin America, which was rebranded as Colony Latam Partners. Colony Latam Partners will continue to be headed by its existing senior management team. The core strategy of the platform will focus on investing growth capital in mid-cap companies in the Latin American region. Colony Latam Partners manages approximately $530 million of fee earning equity under management ("FEEUM").

Performance

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

	Three Months Ended March 31,	
(In thousands)	**2019**	**2018**
Total revenues [1]	$ 42,477	$ 42,521
Net income (loss) attributable to Colony Capital, Inc.	20,548	(80,520)

[1] Includes $3.4 million and $4.1 million of cost reimbursement income from Colony Credit, NRE and retail companies for the three months ended March 31, 2019 and 2018, which are recorded gross as income and expense in the results of operations.

Net loss recognized in 2018 was driven by impairments on management contract intangibles, specifically write-off of $139.0 million related to the NorthStar I and NorthStar II management contracts that were terminated upon closing of the Combination and $1.4 million related to NorthStar/RXR NY Metro, which had terminated its offering period effective March 31, 2018, followed by subsequent liquidation.

Balance sheet investments of $217.0 million in our Investment Management segment generally consist of our general partner and co-general partner interests in investment vehicles we sponsor or co-sponsor, which, as of March 31, 2019, included $25.9 million of unrealized carried interest allocation, as well as interests in other asset managers.

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

In the three months ended March 31, 2019, we raised approximately $310 million of third party capital (including our pro rata share from equity method investments in third party asset managers of $38 million), driven primarily by $141.5 million in our open-end industrial fund, $72.5 million in our new bulk industrial joint venture partnership and $44 million in our co-sponsored digital real estate infrastructure vehicle.

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

Type	Products	Description	AUM [1] (In billions)		FEEUM [2] (In billions)	
			March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Institutional funds	Credit funds, opportunistic funds, value-add funds, Colony industrial open end fund and other co-investment vehicles	Earns base and asset management fees from all managed funds; potential for carried interest on sponsored funds	$ 9.9	$ 9.5	$ 6.6	$ 6.4
Retail Companies	NorthStar Healthcare CC Real Estate Income Fund [3]	Earns base management fees and potential for carried interest	3.5	3.5	1.4	1.4
Public companies	NorthStar Realty Europe Corp.	NYSE-listed European equity REIT	1.6	1.7	1.0	1.0
	Colony Credit Real Estate, Inc.[4]	NYSE-listed credit REIT	3.5	3.5	3.0	3.1
		Earns base management fees and potential for incentive fees				
Non-wholly owned real estate investment management platform	Joint venture investments in co-sponsored investment vehicles and third party asset managers	Earns share of earnings from equity method investments:				
		Digital Colony, 50% interest in co-sponsored digital infrastructure vehicle	1.9	1.9	1.9	1.9
		Others include investments in RXR Realty (27% interest in a real estate investor, developer and asset manager) and AHI (43% interest in a healthcare asset manager and sponsor of non-traded vehicles)	8.4	8.3	3.9	3.8
			$ 28.8	**$ 28.4**	**$ 17.8**	**$ 17.6**

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

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

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

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

The Company's third party FEEUM was marginally higher at $17.8 billion at March 31, 2019 compared to $17.6 billion at December 31, 2018. The $0.2 billion increase is attributable to fee-bearing capital raised in our light and bulk industrial platform.

Non-GAAP Supplemental Financial Measures

The Company reports funds from operations ("FFO") as an overall non-GAAP supplemental financial measure. The Company also reports NOI for the healthcare and industrial segments and EBITDA for the hospitality segment, which are supplemental non-GAAP financial measures widely used in the equity REIT industry. FFO and NOI should not be considered alternatives to GAAP net income as indications of operating performance, or to cash flows from operating activities as measures of liquidity, nor as indications of the availability of funds for our cash needs, including funds available to make distributions. Our calculation of FFO and NOI may differ from methodologies utilized by other REITs for similar performance measurements, and, accordingly, may not be comparable to those of other REITs.

Funds from Operations

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

depreciable real estate such as loans receivable, equity method investments, and equity and debt securities, as applicable.

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

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

(In thousands)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net loss attributable to common stockholders	$ (102,113)	$ (72,714)
Adjustments for FFO attributable to common interests in Operating Company and common stockholders:		
Net income (loss) attributable to noncontrolling common interests in Operating Company	(6,611)	(4,378)
Real estate depreciation and amortization	154,402	143,906
Impairment of real estate	25,622	14,940
Gain on sales of real estate	(55,234)	(22,925)
Less: Adjustments attributable to noncontrolling interests in investment entities[1]	(35,274)	(40,763)
FFO attributable to common interests in Operating Company and common stockholders	$ (19,208)	$ 18,066

[1] For the three months ended March 31, 2019, adjustments attributable to noncontrolling interests in investment entities include $51.8 million of real estate depreciation and amortization, $14.2 million of impairment of real estate, offset by $30.7 million of gain on sales of real estate. For the three months ended March 31, 2018, adjustments attributable to noncontrolling interests in investment entities include $43.7 million of real estate depreciation and amortization, $7.8 million of impairment of real estate, offset by $10.7 million of gain on sales of real estate.

Net Operating Income

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

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

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

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

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

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

(In thousands)	Healthcare		Industrial		Hospitality [(1)]	
	Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
	2019	2018	2019	2018	2019	2018
Income (loss) from continuing operations	$ (7,206)	$ (12,534)	$ 24,154	$ 6,321	$ (26,077)	$ (11,886)
Adjustments:						
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease right-of-use asset	(5,227)	(4,319)	(3,232)	(2,297)	310	(7)
Interest income	—	—	(180)	(532)	—	—
Other income	—	—	—	—	—	(488)
Interest expense	47,527	50,941	14,627	10,190	42,065	34,361
Transaction, investment and servicing costs	3,108	2,310	530	74	1,584	1,542
Depreciation and amortization	40,131	41,127	39,445	29,945	36,248	35,457
Impairment loss	—	3,780	—	—	3,850	—
Compensation and administrative expense	1,653	1,933	3,504	3,222	1,904	2,017
Gain on sale of real estate	—	—	(22,848)	(2,293)	(139)	—
Other (gain) loss, net	(1,867)	(2,926)	8	—	(1)	(323)
Income tax (benefit) expense	(1,874)	998	(169)	3	836	(1,481)
NOI / NOI (before FF&E Reserve)	$ 76,245	$ 81,310	$ 55,839	$ 44,633	$ 60,580	$ 59,192

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

Liquidity and Capital Resources

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

Our current primary liquidity needs are to fund:

- our general partner commitments to our future investment vehicles and co-investment commitments to other investment vehicles;
- acquisitions of our target assets for our balance sheet and third party capital and related ongoing commitments;
- principal and interest payments on our borrowings, including interest obligation on our corporate level debt;
- our operations, including compensation, administrative and overhead costs;
- capital expenditures for our real estate investments;
- distributions to our stockholders;

- acquisitions of common stock under our common stock repurchase program and potentially other corporate securities;
- income tax liabilities of taxable REIT subsidiaries and of the Company subject to limitations as a REIT;
- potential margin calls and/or out-of-the-money expiration of $2 billion notional interest rate swap in December 2019; and
- the repayment or refinancing of $1.725 billion of fixed rate debt financing our U.S. healthcare portfolio that is scheduled to mature in December 2019 for which we continue to evaluate our options in connection with the scheduled maturity.

Our current primary sources of liquidity are:

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

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

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

Liquidity Needs

Commitments

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

Dividends

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

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

Declaration Date	Record Date	Payment Date	Dividend Per Share
February 27, 2019	March 29, 2019	April 15, 2019	$ 0.11
May 7, 2019	June 28, 2019	July 15, 2019	0.11

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

Description	Dividend Rate Per Annum	Shares Outstanding March 31, 2019 (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	

Common Stock Repurchases

During the three months ended March 31, 2019, the Company repurchased 652,311 shares of its class A common stock, at an aggregate cost of approximately $3.2 million (excluding commissions), or a weighted average price of $4.84 per share pursuant to a $300 million share repurchase program authorized by its board of directors in May 2018. As of May 7, 2019, $246.7 million remained outstanding under the May 2018 stock repurchase program. In May 2019, the Company's board of directors authorized an extension of the stock repurchase program for an additional one year term.

Investment-Level Debt Maturity

There is currently $1.725 billion of fixed rate debt financing our U.S. healthcare portfolio that is scheduled to mature in December 2019 for which we continue to evaluate our options in connection with the scheduled maturity. A refinancing of such debt may require us to provide additional equity and/or commit funds for future capital expenditures in the portfolio.

Settlement of Interest Rate Swap

In connection with the Merger, we assumed a $2 billion notional interest rate swap intended to hedge against future interest rate increases of certain healthcare mortgage debt at a break-even 10-year swap rate of 3.394%. This interest rate swap does not qualify for hedge accounting; therefore, unrealized gains (losses) resulting from fair value changes at the end of each reporting period are recognized in earnings. The swap is currently out of the money and is subject to margin calls if the liability is in excess of $160 million. The swap expires in December 2019 with a mandatory cash settlement at fair value (receivable to the Company if the 10-year swap rate is greater than 3.394% and a liability of the Company if the 10-year swap rate is lower than 3.394%) and can be terminated by the Company any time prior to expiration at termination value. As of May 7, 2019, the termination value of the liability was approximately $179.8 million, and a hypothetical 100 basis point increase or decrease in the 10-year treasury forward curve would result in a reduction of $175.7 million or additional $196.2 million in the cash settlement amount.

Sources of Liquidity

Cash From Operations

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

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

Investment-Level Financing

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

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

Corporate Credit Facility

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

The maximum amount available at any time is limited by a borrowing base of certain investment assets. As of May 7, 2019, the borrowing base valuation was sufficient to permit borrowings of up to the full $750 million commitment, of which the full amount was available to be drawn.

The Credit Agreement contains various affirmative and negative covenants, including financial covenants that require the Company to maintain minimum tangible net worth, liquidity levels and financial ratios, as defined in the Credit Agreement and as amended in April 2019. As of March 31, 2019, we were in compliance with the financial covenants, as amended.

Convertible and Exchangeable Senior Notes

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

Public Offerings

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

There were no public offerings of securities in the three months ended March 31, 2019 and in the year ended December 31, 2018.

Cash Flows

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

	Three Months Ended March 31,	
(In thousands)	2019	2018
Net cash provided by (used in):		
Operating activities	$ 66,636	$ 99,952
Investing activities	(924,951)	(140,242)
Financing activities	676,675	(418,736)

Operating Activities

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

Our operating activities generated cash of $66.6 million and $100.0 million in the three months ended March 31, 2019 and 2018, respectively.

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

Investing Activities

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

Our investing activities generated net cash outflows of $925.0 million and $140.2 million in the three months ended March 31, 2019 and 2018, respectively.

The significantly higher cash outflows in the three months ended March 31, 2019 was driven by net cash outflows of $973.1 million from our real estate acquisitions and sales, in particular, acquisition of a 50 building portfolio in our

industrial segment for $1.1 billion in February 2019. By contrast, our real estate investment activities in the three months ended March 31, 2018 generated much lower net cash outflows of $123.8 million. Additionally, contributions to our equity investments net of distributions resulted in a net cash outflow of $83.0 million in the three months ended March 31, 2019, while the three months ended March 31, 2018 had positive cash inflows of $63.5 million as we received a return of capital from our initial investment in the digital real estate infrastructure joint venture upon raising third party capital through a private fund. Net cash inflows from our loan and securities portfolio was also lower in the three months ended March 31, 2019 at $114.5 million compared to the three months ended March 31, 2018 at $169.1 million. In the first quarter of 2018, however, we had contributed the CLNY Contributed Portfolio to Colony Credit, which included $141.2 million of cash and restricted cash.

Financing Activities

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

Financing activities generated net cash inflows of $676.7 million in the three months ended March 31, 2019 compared to net cash outflows of $418.7 million in the three months ended March 31, 2018. The net cash inflows in the three months ended March 31, 2019 was composed of borrowings exceeding debt repayments by $654.8 million, in particular borrowings of $735 million to fund a large portfolio acquisition in our industrial segment in February 2019, $117.3 million of net contributions from noncontrolling interests as we raised $213.2 million of third party capital in our industrial platform in the first quarter of 2019. In comparison, the net cash outflows in the three months ended March 31, 2018 was driven by repurchases of 42.3 million shares of common stock totaling $210.3 million and dividend payments of $179.5 million. In the three months ended March 31, 2019, dividend payments were lower at $80.6 million, primarily as a result of lower per share dividends beginning in the second quarter of 2018 combined with dividend savings from common stock repurchases and preferred stock redemptions throughout 2018 and in the first quarter of 2019. Stock repurchase activity was also significantly reduced in the first quarter of 2019, at $0.7 million shares for $10.7 million.

Contractual Obligations, Commitments and Contingencies

There were no material changes outside the ordinary course of business to the information regarding specified contractual obligations contained in our Form 10-K for the year ended December 31, 2018.

Guarantees and Off-Balance Sheet Arrangements

In connection with financing arrangements for certain equity method investments, we provide customary non-recourse carve-out guarantees. We believe that the likelihood of making any payments under the guarantees is remote and no liability has been recorded as of March 31, 2019.

In connection with the THL Hotel Portfolio, we entered into guarantee agreements with various hotel franchisors, pursuant to which we guaranteed the franchisees' obligations, including payments of franchise fees and marketing fees, for the term of the agreements, which expire between 2027 and 2032. In the event of default or termination of the franchise agreements, the Company is liable for liquidated damages not to exceed $75 million.

We have off-balance sheet arrangements with respect to our retained interests in 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 management, periodically reviews our policies with respect to risk assessment and risk management, including key risks to which we are subject, including credit risk, liquidity risk, financing risk, foreign currency risk and market risk, and the steps that management has taken to monitor and control such risks. The audit committee of our board of directors maintains oversight of financial reporting risk matters.

Underwriting

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

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

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

Investment Committees

We have established investment committees composed of senior executives for our various business segments as well as for the portfolios of the funds we manage. These investment committees review and evaluate potential investment

opportunities, and meet periodically with the Company’s portfolio management team to review and monitor risks posed by existing investments.

Allocation Procedures

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

Portfolio Management

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

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

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

Interest Rate and Foreign Currency Hedging

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

Financing Strategy

Our financing strategy in general is to favor investment-specific financing principally on a non-recourse basis, and then corporate financing, which is generally recourse to the Company or the Company’s assets. We seek to match terms and currencies, as available and applicable, and the amount of leverage we use is based on our assessment of a variety of factors, including, among others, the anticipated liquidity and price volatility of the assets in our investment portfolio, the potential for losses and extension risk in our portfolio, the ability to raise additional equity to reduce leverage and create

liquidity for future investments, the availability of credit at favorable prices or at all, the credit quality of our assets, our outlook for borrowing costs relative to the income earned on our assets and financial covenants within our credit facilities.

Our decision to use leverage to finance our assets is at our discretion and not subject to the approval of our stockholders. To the extent that we use leverage in the future, we may mitigate interest rate risk through utilization of hedging instruments, primarily interest rate swap and cap agreements, to serve as a hedge against future interest rate increases on our borrowings.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP, which requires the use of estimates and assumptions that involve the exercise of judgment and that affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Other than adoption of the new lease accounting standard, which is included in Note 2 to our consolidated financial statements in Item 1 of this Quarterly Report, there have been no changes to our critical accounting policies or those of our unconsolidated joint ventures since the filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Recent Accounting Updates

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Credit Risk

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

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

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

Interest Rate and Credit Curve Spread Risk

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

As U.S. Treasury securities are priced to a higher yield and/or the spread to U.S. Treasuries used to price the assets increases, the price at which we could sell some of our fixed rate financial assets may decline. Conversely, as U.S.

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

We utilize a variety of financial instruments on some of our investments, including interest rate swaps, caps, floors and other interest rate exchange contracts, in order to limit the effects of fluctuations in interest rates on our operations. The use of these types of derivatives to hedge interest-earning assets and/or interest-bearing liabilities carries certain risks, including the risk that losses on a hedge position will reduce the funds available for distribution and that such losses may exceed the amount invested in such instruments. A hedge may not perform its intended purpose of offsetting losses of rising interest rates. Moreover, with respect to certain of the instruments used as hedges, we are exposed to the risk that the counterparties with which we trade may cease making markets and quoting prices in such instruments, which may render us unable to enter into an offsetting transaction with respect to an open position. If we anticipate that the income from any such hedging transaction will not be qualifying income for REIT income purposes, we may conduct all or part of our hedging activities through a to-be-formed corporate subsidiary that is fully subject to federal corporate income taxation. Our profitability may be adversely affected during any period as a result of changing interest rates.

Foreign Currency Risk

We have foreign currency rate exposures related to our foreign currency-denominated investments held predominantly by our foreign subsidiaries and to a lesser extent, by U.S. subsidiaries. Changes in foreign currency rates can adversely affect the fair values and earnings of our non-U.S. holdings. We generally mitigate this foreign currency risk by utilizing currency instruments to hedge our net investments in our foreign subsidiaries. The types of hedging instruments that we may employ on our foreign subsidiary investments are forwards and costless collars (buying a protective put while writing an out-of the-money covered call with a strike price at which the premium received is equal to the premium of the protective put purchased) which involved no initial capital outlay. The puts are generally structured with strike prices up to 10% lower than our cost basis in such investments, thereby limiting any foreign exchange fluctuations to up to 10% of the original capital invested.

At March 31, 2019, we had approximately €652.4 million and £232.7 million or a total of $1.0 billion, in net investments in our European subsidiaries and a £38.3 million or $50.0 million loan receivable held by a U.S subsidiary. A 1% change in these foreign currency rates would result in a $10.4 million increase or decrease in translation gain or loss included in other comprehensive income in connection with our investment in our European subsidiaries, and a $0.5 million gain or loss in earnings in connection with the foreign denominated loan receivable held by a U.S subsidiary.

A summary of the foreign exchange contracts in place at March 31, 2019, including notional amount and key terms, is included in Note 10 to the consolidated financial statements. The maturity dates of these instruments approximate the projected dates of related cash flows for specific investments. Termination or maturity of currency hedging instruments may result in an obligation for payment to or from the counterparty to the hedging agreement. We are exposed to credit loss in the event of non-performance by counterparties for these contracts. To manage this risk, we select major international banks and financial institutions as counterparties and perform a quarterly review of the financial health and stability of our trading counterparties. Based on our review at March 31, 2019, we do not expect any counterparty to default on its obligations.

Inflation

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) that are designed to ensure that information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter

how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

As required by Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at March 31, 2019.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company may be involved in litigations and claims in the ordinary course of business. As of March 31, 2019, the Company was not involved in any material legal proceedings.

Item 1A. Risk Factors.

There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

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

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

Redemption of Membership Units in OP ("OP Units")—Holders of OP Units have the right to require the OP to redeem all of a portion of their OP Units for cash or, at our option, shares of our class A common stock on a one-for-one basis. During the quarter ended March 31, 2019, in satisfaction of redemption requests by certain OP Unit holders, we issued an aggregate of 2,793 shares of our class A common stock to certain of our employees. Such shares of class A common stock were issued in reliance on Section 4(a)(2) of the Securities Act.

Purchases of Equity Securities by Issuer and Affiliated Purchasers

On May 23, 2018, the Company's board of directors authorized a common stock repurchase program pursuant to which the Company may repurchase up to $300 million of its outstanding shares of class A common stock over a one-year period, either in the open market or through privately negotiated transactions. In May 2019, the Company's board of directors authorized an extension of the stock repurchase program for an additional one year term.

The following table presents information related to our purchases of the Company's class A common stock during the quarter ended March 31, 2019:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Approximate Dollar Value that May Yet Be Purchased Under the Program
January 1, 2019 to January 31, 2019	652,311	$ 4.84	652,311	$ 246,744,227
February 1, 2019 to February 28, 2019	—	N/A	N/A	246,744,227
March 1, 2019 to March 31, 2019	—	N/A	N/A	246,744,227
Total	652,311	$ 4.84	652,311	246,744,227

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Articles of Amendment and Restatement of Colony NorthStar, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 10, 2017)
3.2	Articles of Amendment of Colony Capital, Inc. (fka Colony NorthStar, Inc.), as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on August 9, 2018)
3.3	Amended and Restated Bylaws of Colony Capital, Inc. (fka Colony NorthStar, Inc.) (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on June 25, 2018)
3.4	Articles Supplementary designating Colony NorthStar, Inc.'s 7.15% Series I Cumulative Redeemable Perpetual Preferred Stock, liquidation preference $25.00 per share, par value $0.01 per share (incorporated by reference to Exhibit 3.2 to the Company's Form 8-A filed on June 5, 2017)
3.5	Articles Supplementary designating Colony NorthStar, Inc.'s 7.125% Series J Cumulative Redeemable Perpetual Preferred Stock, liquidation preference $25.00 per share, par value $0.01 per share (incorporated by reference to Exhibit 3.3 to Colony NorthStar, Inc.'s Registration Statement on Form 8-A filed on September 22, 2017)
10.1*	Second Amendment to Employment Agreement and Restrictive Covenant Agreement, dated March 1, 2019, by and among the Company and Thomas J. Barrack, Jr.
10.2	Second Amendment, dated as of January 8, 2019, among Colony Capital Operating Company, LLC, the several lenders from time to time parties thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K filed on March 1, 2019)
10.3	Employment Agreement, dated as January 14, 2019, between Colony Capital, Inc. and Mark M. Hedstrom (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 18, 2019)
10.4	Employment Agreement, dated as January 14, 2019, between Colony Capital, Inc. and Neale W. Redington (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 18, 2019)
10.5	Amended and Restated Aircraft Time Sharing Agreement, dated as of January 16, 2019, by and among Colony Capital Advisors, LLC and Thomas J. Barrack, Jr. (incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K filed on March 1, 2019)
10.6	Cooperation Agreement, dated as of February 10, 2019, by and among Colony Capital, Inc. and Blackwells Capital, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 14, 2019)
31.1*	Certification of Thomas J. Barrack Jr., Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Mark M. Hedstrom, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Thomas J. Barrack Jr., Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Mark M. Hedstrom, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101**	Financial statements from the Quarterly Report on Form 10-Q of Colony Capital, Inc. for the quarter ended March 31, 2019, 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: May 10, 2019

COLONY CAPITAL, INC.

By: /s/ Thomas J. Barrack, Jr.

Thomas J. Barrack, Jr.

Chief Executive Officer (Principal Executive Officer)

By: /s/ Mark M. Hedstrom

Mark M. Hedstrom

Chief Financial Officer (Principal Financial Officer)

By: /s/ Neale Redington

Neale Redington

Chief Accounting Officer (Principal Accounting Officer)

Exhibit 10.1

SECOND AMENDMENT TO
EMPLOYMENT AGREEMENT
AND
RESTRICTIVE COVENANT AGREEMENT

This SECOND AMENDMENT TO EMPLOYMENT AGREEMENT AND RESTRICTIVE COVENANT AGREEMENT (this "**Second Amendment**"), dated as of March 1, 2019, by and among Colony Capital, Inc., a Maryland corporation, (the "**Company**") and Thomas J. Barrack, Jr. an individual ("**Executive**"). The Company and Executive are referred to herein collectively as the "**Parties**."

RECITALS**:**

WHEREAS, Executive and the Company have entered into that certain Employment Agreement, dated as of December 23, 2014 and amended by that certain First Amendment to Employment Agreement, Lock-Up Agreement and Restrictive Covenant Agreement, dated as of June 2, 2016 (the "**Employment Agreement**");

WHEREAS, Executive and the Company have entered into that certain Restrictive Covenant Agreement, dated as of December 23, 2014 and amended by that certain First Amendment to Employment Agreement, Lock-Up Agreement and Restrictive Covenant Agreement, dated as of June 2, 2016 (the "**Restrictive Covenant Agreement**"); and

WHEREAS, the Parties desire to amend the Employment Agreement and the Restrictive Covenant Agreement upon the terms and subject to the conditions herein.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

Section 1. Defined Terms; References.

Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in each of the Employment Agreement and the Restrictive Covenant Agreement shall, after the date hereof refer to the Employment Agreement and Restrictive Covenant Agreement as amended hereby. For the avoidance of doubt, any references to "date hereof," or "date of this Agreement," in the Employment Agreement, or Restrictive Covenant Agreement, shall continue to refer to December 23, 2014.

SECTION 2. Amendments to the Agreements.

(a) Effective as of the date hereof, the Employment Agreement shall be amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double- underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages of the amended Employment Agreement attached as Annex I hereto (the "**Amended Employment Agreement**").

(b) Effective as of the date hereof, the Restrictive Covenant Agreement shall be amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double- underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages of the amended Restrictive Covenant Agreement attached as Annex II hereto (the "**Amended Restrictive Covenant Agreement**").

SECTION 3. Governing Law. This Second Amendment shall be governed by, and construed in accordance with, the laws of the State of California applicable to agreements entered into and to be performed entirely within such state.

SECTION 4. Counterparts. This Second Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Delivery of an executed counterpart of a signature page to this Second Amendment by facsimile or electronic (i.e., "pdf" or "tif") transmission shall be effective as delivery of a manually executed counterpart of this Second Amendment.

SECTION 5. Miscellaneous. The provisions of this Second Amendment are deemed incorporated into the Employment Agreement and Restrictive Covenant Agreement, as applicable, as if fully set forth therein.

[*Remainder of Page Intentionally Left Blank.*]

IN WITNESS WHEREOF, the Parties have caused this Second Amendment to be duly executed as of the date first above written.

THE COMPANY:

Colony Capital, Inc.

By: /s/ Mark M. Hedstrom
Name: Mark M. Hedstrom
Title: EVP

EXECUTIVE:

/s/ Thomas J. Barrack, Jr.
Thomas J. Barrack, Jr.

Signature Page to Second Amendment to
Employment Agreement and Restrictive Covenant Agreement

ANNEX I

AMENDED EMPLOYMENT AGREEMENT

[See Attached]

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement"), dated as of December 23, 2014, and amended by that certain First Amendment to Employment Agreement, Lock-Up Agreement and Restrictive Covenant Agreement, dated as of June 2, 2016, and that certain Second Amendment to Employment Agreement and Restrictive Covenant Agreement, dated as of March 1, 2019 (the "Second Amendment Effective Date"), is made by and between Colony ~~Financial~~Capital, Inc., a Maryland corporation (formerly known as Colony Financial, Inc. and Colony Northstar, Inc.) ("CFI"), and Thomas J. Barrack, Jr. (the "Executive"). CFI, together with its subsidiaries is hereinafter referred to as "the Company," and where the context permits, references to "the Company" shall include the Company and any successor to the Company.

WHEREAS, prior to the Contribution (defined below), certain businesses of the Company ~~are currently~~were externally managed and advised by a subsidiary of Colony Capital, LLC ("CC") pursuant to the terms of a management agreement;

WHEREAS, CFI, CC, Colony Capital Holdings, LLC, a Delaware limited liability company ("CC Holdings"), Colony Capital OP Subsidiary, LLC, a Delaware limited liability company ("NewCo"), CCH Management Partners I, LLC ("CCH"), FHB Holding LLC, a Delaware limited liability company, Richard B. Saltzman and CFI RE Masterco LLC, a Delaware limited liability company (the "OP") ~~have~~ entered into that certain Contribution and Implementation Agreement, dated as of December 23, 2014 (the "Contribution Agreement"), pursuant to which, among other things, CC Holdings, CC and CCH ~~will contribute~~contributed to the OP and the OP ~~will acquire~~acquired from CC Holdings, CC and CCH the membership interests in NewCo held by CC Holdings, CC and CCH (which constitute all of the membership interests of NewCo) (along with the other transactions contemplated thereby, the "Contribution") and the management of the Company ~~will be~~was internalized; ~~and~~

WHEREAS, CFI ~~desires to enter~~entered into this Agreement with the Executive, effective as of the closing of the Contribution (the date on which such closing ~~occurs~~occurred, the "Effective Date"), pursuant to which the Executive ~~will become~~became employed by CFI Operating Company, LLC or one of its subsidiaries (as applicable, the "Operating Entity") and ~~will continue~~continued to serve as the Executive Chairman and the Chairman of the Board of Directors of CFI (the "Board")~~.~~;

WHEREAS, NorthStar Realty Finance Corp., a Maryland corporation, CFI, NorthStar Asset Management Group, Inc., a Delaware corporation, and the other parties named therein, ~~have~~ entered into that certain Agreement and Plans of Merger, dated as of June 1, 2016, (the "Merger Agreement") pursuant to which, among other things, CFI ~~will be~~was merged into New Polaris (as defined in the Merger Agreement) (the "Merger Transaction"), with New Polaris as the surviving corporation (the "Surviving Company");

WHEREAS, the Company changed its name to "Colony Capital, Inc." on June 25, 2018.

WHEREAS, the Board appointed Executive Chief Executive Officer of CFI effective November 5, 2018.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants, terms and conditions set forth herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. EMPLOYMENT TERM. The Executive's employment under the terms and conditions of this Agreement shall commence on the Effective Date and shall expire on the ~~fifth~~third anniversary of the Second Amendment Effective Date (the "Initial Term"); provided, however, that on the ~~fifth~~third anniversary of the Second Amendment Effective Date and on each subsequent anniversary thereof, the term of this Agreement

shall automatically be extended for an additional one-year period (each a "Renewal Term") unless, not later than 180 days prior to the expiration of the Initial Term or the then-current Renewal Term, as applicable, either party provides written notice to the other party hereto that such extension shall not take effect (a "Non-Renewal Notice"). The period during which the Executive is employed by the Company during the Initial Term and any Renewal Term pursuant to this Agreement is referred to herein as the "Employment Term". Notwithstanding anything set forth in this Section 1 to the contrary, the Employment Term and the Executive's employment shall earlier terminate immediately upon the termination of the Executive's employment pursuant to Section 4 hereof.

2. POSITION; REPORTING AND DUTIES; LOCATION.

(a) Position and Reporting. During the Employment Term, the Executive shall serve as (i) the Executive Chairman of CFI and (ii) effective as of November 5, 2018 and thereafter, as the Chief Executive Officer of CFI. The Executive shall report directly to the Board during the Employment Term. At all times during the Employment Term during which the Executive is serving as a member of the Board, the Executive shall serve as the Chairman of the Board.

(b) Duties and Responsibilities.

(i) During the Employment Term, the Executive shall devote substantially all of his business time and attention to the performance of his duties hereunder, shall faithfully serve the Company and shall have no other employment which is undisclosed to the Company or which conflicts with his duties under this Agreement; provided, that, nothing contained herein shall prohibit the Executive from (A) devoting time as he determines in good faith to be necessary or appropriate to fulfil his duties to Colony Capital Holdings, LLC and its affiliates ("CCHLLC Duties"), (B) participating in trade associations or industry organizations, (C) engaging in charitable, civic, educational or political activities, (D) delivering lectures or fulfilling speaking engagements, (E) engaging in personal investment activities and personal real estate-related activities for himself and his family or (F) accepting directorships or similar positions (together, the "Personal Activities"), in each case so long as the Personal Activities do not unreasonably interfere, individually or in the aggregate, with the performance of the Executive's duties to the Company under this Agreement. The Company hereby acknowledges and approves the current activities of the Executive as set forth on Schedule 1 hereto, each of which shall be deemed a Personal Activity. Notwithstanding the foregoing, to the extent that the Personal Activities include the Executive providing services to any for-profit company (excluding CC and CFI, and any subsidiaries or portfolio companies thereof) as a member of such company's board of directors, only two such directorships shall be permitted as a Personal Activity.

(ii) In serving in his capacity as the Chief Executive ~~Chairman~~Officer of CFI ~~during the Employment Term, the~~, Executive shall (A) have such duties and responsibilities commensurate with such position, (B) provide such other duties as are consistent with his role as Chief Executive Officer of CFI, as reasonably requested from time to time by the Board, (C) serve as the most senior executive officer of CFI and (D) have management oversight, either directly or through his direct reports, over each of the Company's principal business segments as of the Second Amendment Effective Date, including its Healthcare, Industrial, Hospitality, Other Equity and Debt and Investment Management segments. In his role as Executive Chairman, Executive (x) shall perform such duties and provide such services as are reasonably consistent with those provided by ~~the~~ Executive to CFI in his role as its Executive Chairman prior to the Effective Date and (~~B~~y) provide such other duties as are consistent with his role as Executive Chairman of CFI, as reasonably requested from time to time by the Board.

(iii) The parties acknowledge and agree that all of the compensation and benefits provided to the Executive hereunder will be in respect of services performed by the Executive for the Operating Entity.

(c) Location of Employment. The Executive's principal place of business during the Employment Term shall be at the Company's office in Los Angeles, California; provided, that, the Executive may perform his duties in such other locations in his reasonable discretion so long as he performs such duties in a manner consistent with his position and responsibilities and takes into consideration the needs of the Company; provided, further, that the Executive may be required to engage in travel during the Employment Term in the performance of his duties hereunder, including at the Board's reasonable request. In the event such travel results in Executive having to perform a significant portion of his duties at a Company location other than his principal place of business for a significant period of time, and Executive determines to relocate his principal place of residence to a city in proximity to such other Company location, on a permanent or temporary basis, the Company shall pay for all relocation and return expenses on a tax-grossed up basis, with such payments subject to approval, not to be unreasonably withheld, by the Board or a committee of directors delegated by the Board.

~~(d) Termination of Chief Executive Officer. If the employment of Richard B. Saltzman as the Chief Executive Officer of CFI terminates for any reason during the Employment Term (a "CEO Termination"), then the Board shall provide the Executive with an opportunity to present his views to the Board regarding the appointment of any other individual to serve as the Chief Executive Officer of CFI within a reasonable period of time prior to the appointment thereof, and the Board will consider the Executive's views on any such appointment.~~

3. COMPENSATION AND BENEFITS.

(a) Base Salary. During the Employment Term, the Company will pay to the Executive a base salary at the annualized rate of not less than $1,000,000 (the base salary in effect from time to time, the "Base Salary"). The Base Salary will be paid to the Executive in accordance with the Company's customary compensation practices from time to time in effect for the Company's senior executive officers. The Board (or a committee of directors delegated by the Board) will review the Base Salary from time to time, but at least annually, during the Employment Term, but may not reduce the Executive's then-existing Base Salary without the Executive's prior written consent and agreement.

(b) Annual Cash Bonus.

(i) For each calendar year during the Employment Term beginning with the calendar year in which the Effective Date occurs, the Executive shall be given an opportunity to earn an annual incentive cash bonus based on an evaluation by the Board (or a committee of directors delegated by the Board) of the Executive's performance in respect of the applicable calendar year; provided, that, the Board or such committee may determine prior to the beginning of any such calendar year to instead condition the payment of all or a portion of the cash bonus with respect to the applicable calendar year upon the achievement of performance measures determined by the Board or such committee in consultation with the Executive (as applicable, the "Annual Bonus"). The Executive's target Annual Bonus for each calendar year during the Employment Term (including the calendar year in which the Effective Date occurs) shall be no less than $4,000,000 (such amount, as increased from time to time, the "Target Bonus Amount"). If the Board (or a committee of directors delegated by the Board), establishes reasonable performance measures as provided for above, the actual Annual Bonus amount paid to the Executive in respect of any calendar year during the Employment Term shall be based on the achievement of the applicable performance measures and may be less or more than the applicable Target Bonus Amount. The Board (or a committee of directors delegated by the Board) will review the Target Bonus Amount from time to time, but at least annually, during the Employment Term, but may not reduce the Executive's then-existing Target Bonus Amount without the Executive's prior written consent and agreement. The Executive's Annual Bonus for the calendar year in which the Effective Date occurs shall not be pro-rated.

(ii) Any Annual Bonus payment that becomes payable to the Executive hereunder will be paid to him in a cash lump sum by no later than March 15 of the calendar year following the calendar year to which it relates (and no later than the date on which bonuses are paid to other senior executive officers of CFI); provided, that, except as otherwise set forth in this Agreement, the Executive is an active employee as of, and has not given or received notice of termination of employment as of, the date such payment would otherwise be made.

(c) Equity Incentives and Related Awards.

(i) For each calendar year during the Employment Term beginning with the calendar year in which the Effective Date occurs, the Executive shall be eligible to receive equity and equity-based incentive awards ("LTIP Awards"), with an annual target LTIP Award opportunity equal to 350% of Base Salary (the target amount in effect from time to time, the "Target LTIP Award"). ~~The target LTIP~~Commencing in calendar year 2019, of the annual LTIP Award, (A) at least 50% shall vest based solely on time-based vesting conditions in no more than three equal annual installments and (B) up to 50% shall vest subject to a combination of time-based and performance-based vesting conditions over a vesting period no longer than three years. The annual LTIP Awards that vest based, in part, on performance-based vesting conditions shall be structured to provide an additional opportunity equal to twice the Target LTIP Award applicable to the performance-based awards in the event that CFI exceeds the performance measures established by the Board (or committee). The Target LTIP Award for any calendar year and any applicable performance measures will be determined by the Board (or a committee of directors delegated by the Board) in consultation with the Executive. The Board (or a committee of directors delegated by the Board) will review the Target LTIP Award from time to time, but at least annually, during the Employment Term, but may not reduce the Executive's then-existing Target LTIP Award without the Executive's prior written consent and agreement.

(ii) The Executive shall (x) continue to receive allocations in respect of carried interests, incentive fees and other such remuneration in respect of funds and similar vehicles, as applicable, managed by the Company that were granted to the Executive prior to the Effective Date and (y) be eligible to be granted new allocations in respect of carried interests, incentive fees and other such remuneration in respect of funds and similar vehicles, as applicable, managed by the Company (collectively, ("Fund Incentives"). Allocations of all Fund Incentives provided to executive officers and other employees of the Company shall be made as determined by the Board of Directors (or a committee of the directors delegated by the Board) in consultation with the Executive.

(iii) In addition to the LTIP Awards referred to in Section 3(c)(i) above, prior to the 30th day following the Second Amendment Effective Date, the Company shall issue to the Executive a one-time LTIP Award (the "Performance Incentive Award") with a value of $7,000,000 (computed in the same manner as the annual LTIP Award for 2019).

(iii) The terms and conditions (including with respect to vesting) of any LTIP Awards and Fund Incentives shall be no less favorable than the terms and conditions of any LTIP Awards and Fund Incentives, as applicable, granted to the other executive officers of the Company during the same calendar year.

(d) Retirement, Welfare and Fringe Benefits. During the Employment Term, the Executive shall be eligible to participate in the retirement savings, medical, disability, life insurance, perquisite and other welfare and fringe benefit plans applicable to senior executive officers of CFI generally in accordance with the terms of such plans as are in effect from time to time. The foregoing shall not be construed to limit the ability of the Company to amend, modify or terminate any such benefit plans, policies or programs in accordance with their terms or to cease providing such benefit plans, policies or programs at any time and from time to time; provided, that subject to the last sentence of this Section 3(d), the terms and conditions imposed on Executive's participation in such plans, policies or programs and any adverse amendments,

terminations and modifications are at least as favorable to Executive as those applicable to the other senior executives. In addition (i) the Executive shall continue to receive the other fringe benefits and perquisites provided to the Executive by CC and its affiliates immediately prior to the Effective Date (the "Other Fringe Benefits") and (ii) the Company shall make available to the Executive the use of the Company's corporate jet (if any) for business purposes in accordance with the arrangements in effect immediately prior to the Effective Date.

(e) Paid Time Off. During the Employment Term, the Executive shall be eligible to participate in the paid time off policies generally applicable to CFI's senior executives as are in effect from time to time.

(f) Business Expenses. The Company shall pay or reimburse the Executive for all reasonable out-of-pocket expenses that the Executive incurs in connection with his employment during the Employment Term or his employment by CC during the 90-day period prior to the Effective Date upon presentation of expense statements or vouchers and such other information as the Company may require in accordance with the generally applicable policies and procedures of the Company applicable to CFI's senior executive officers as are in effect from time to time. No expense payment or reimbursement under this Section 3(f) shall be "grossed up" or increased to take into account any tax liability incurred by the Executive as a result of such payment or reimbursement.

(g) Insurance; Indemnification. The Executive shall be covered by such comprehensive directors' and officers' liability insurance and errors and omissions liability insurance as the Company shall have established and maintained in respect of its directors and officers generally at its expense, and the Company shall cause such insurance policies to be maintained in a manner reasonably acceptable to the Executive both during and, in accordance with the provisions of Section 4(a)(i)(D) below, after, Executive's employment with the Company. The Executive shall also be entitled to indemnification rights, benefits and related expense advances and reimbursements to the same extent as any other director or officer of CFI and to the maximum extent permitted under applicable law pursuant to an indemnification agreement at least as favourable to the Executive as the indemnification agreement between Executive and CFI on the Second Amendment Effective Date (the "Indemnification Agreement").

(h) Attorneys' Fees. The Company shall promptly pay or reimburse the Executive for reasonable attorneys' fees incurred by the Executive in connection with the review, negotiation, drafting and execution of (i) this Agreement, the Restrictive Covenants Agreement, the Lock-Up and Liquidated Damages Agreement and any related arrangements, in an aggregate amount not to exceed $100,000, subject to the Executive providing the Company with reasonable documentation of such fees within thirty (30) days following the Effective Date~~. The Company shall reimburse the Executive for such fees' within ten (10) business days following Executive's submission to the Company of the documentation evidencing the fees.~~, and (ii) the Second Amendment to Employment Agreement and Restrictive Covenant Agreement, subject to Executive providing the Company with reasonable documentation of such fees.

4. TERMINATION OF EMPLOYMENT.

(a) General Provisions.

(i) Upon any termination of Executive's employment with the Company, the Executive shall be entitled to receive the following: (A) any accrued but unpaid Base Salary and vacation (determined in accordance with Company policy) through the date of termination (paid in cash within thirty (30) days (or such shorter period required by applicable law) following the date of termination); (B) reimbursement for expenses and fees incurred by the Executive prior to the date of termination in accordance with Sections 3(f) and 3(h); (C) vested and accrued benefits, if any, to which the Executive may be entitled under the Company's employee benefit plans as of the date of termination (including continued access to health insurance coverage for the Executive and his dependents during the Executive's lifetime to be paid for in full by the Executive (including any taxes for which the Executive or the Company may incur solely as a

result of the Company providing such access)); and (D) any additional amounts or benefits due under any applicable plan, program, agreement or arrangement of the Company (including continuing "tail" indemnification and directors and officers liability insurance for actions and inactions occurring while the Executive provided services for ~~CFI~~the Company and its affiliates and continued coverage for any actions or inactions by the Executive while providing cooperation under this Agreement), including any such plan, program, agreement or arrangement relating to equity or equity-based awards (the amounts and benefits described in clauses (A) through (D) above, collectively, the "Accrued Benefits"). The Accrued Benefits shall in all events be paid in accordance with the Company's payroll procedures, expense reimbursement procedures or plan terms, as applicable.

(ii) During any notice period required under this Section 4, (A) the Executive shall remain employed by the Company and shall continue to be bound by all the terms of this Agreement and any other applicable duties and obligations to the Company, (B) the Company may direct the Executive not to report to work, and (C) the Executive shall only undertake such actions on behalf of the Company, consistent with his position, as expressly directed by the Company.

(b) Termination for Cause or by the Executive without Good Reason.

(i) The Employment Term and the Executive's employment hereunder may be terminated at any time either (A) by the Company for "Cause" (as defined and determined below), effective as set forth in Section 4(b)(iii), or (B) by the Executive without Good Reason, effective 30 days following the date on which notice of such termination is given by the Executive to the Company.

(ii) If the Executive's employment is terminated by the Company for Cause, or by the Executive without Good Reason, the Executive shall only be entitled to receive the Accrued Benefits.

(iii) For purposes of this Agreement, a termination for "Cause" shall mean a termination of the Executive's employment with the Company because of (A) the Executive's conviction of, or plea of no contest to, any felony under the laws of the United States or any state within the United States (other than a traffic-related felony) which termination shall become effective immediately as of the date the Board determines to terminate the Agreement, which action must be taken on or after the date of such conviction or plea or within 60 days thereafter; (B) the Executive's willful and gross misconduct in connection with the performance of his duties to the Company (other than by reason of his incapacity or disability), it being expressly understood that the Company's dissatisfaction with the Executive's performance shall not constitute Cause; or (C) a continuous, willful and material breach by the Executive of this Agreement after written notice of such breach has been provided to the Executive by the Board, provided, that, in no event shall any action or omission in subsections (B) or (C) constitute "Cause" unless (1) the Company gives notice to the Executive stating that the Executive will be terminated for Cause, specifying the particulars thereof in reasonable detail and the effective date of such termination (which shall be no less than ten (10) business days following the date on which such written notice is received by the Executive) (the "Cause Termination Notice"), (2) the Company provides the Executive and his counsel with an opportunity to appear before the Board to rebut or dispute the alleged reason for termination on a specified date that is at least three business days following the date on which the Cause Termination Notice is given, but prior to the stated termination date described in clause (1), (3) a majority of the Board (calculated without regard to the Executive) determines that the Executive has failed to materially cure or cease such misconduct or breach within ten (10) business days after the Cause Termination Notice is given to him and (4) in the case of subsections (B) and (C) above, the Company has suffered, or is reasonably expected to suffer, material economic or reputational harm. For purposes of the foregoing sentence, no act, or failure to act, on the Executive's part shall be considered willful unless done or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interest of the Company, and any act or omission by the Executive pursuant to the authority given pursuant to a resolution duly adopted by the Board or on the advice of counsel for the Company will be deemed made in good faith and in the best interests of the Company.

(c) Termination by the Company without Cause or by the Executive for Good Reason.

(i) The Employment Term and the Executive's employment hereunder may be terminated (A) by the Company at any time without Cause, effective four (4) business days following the date on which written notice to such effect is delivered to the Executive, or (B) by the Executive for "Good Reason" (as defined and determined below), effective as set forth in Section 4(c)(iii).

(ii) If the Executive's employment is terminated by the Company without Cause or by the Executive for Good Reason, the Company shall pay or provide to the Executive (A) the Accrued Benefits and (B) upon the Executive's execution of a separation agreement containing a general release of claims substantially in the form attached as Exhibit A hereto (the "Release"), and the expiration of the applicable revocation period with respect to such Release within 60 days following the date of termination (the date on which the Release becomes effective, the "Release Effective Date"):

(A) A lump sum cash payment equal to the product of (i) three and (ii) the sum of (1) the Base Salary in effect immediately prior to the date of termination (without regard to any reduction that gives rise to Good Reason) and (2) (x) if such termination occurs on or after the date on which the Annual Bonus, if any, is paid to the Executive in respect of the second calendar year following the calendar year in which the Effective Date occurs (the "Third Annual Bonus"), the average Annual Bonus paid in respect of each of the three calendar years prior to the date of termination or (y) if such termination occurs prior to the date on which the Third Annual Bonus, if any, is paid, the Target Bonus Amount in effect immediately prior to the date of termination (without regard to any reduction that gives rise to Good Reason), payable on the first regularly scheduled payroll date of the Company following the Release Effective Date and in no event later than the 60th day following the date of termination (the actual date of payment, the "Severance Payment Date"); provided, that, if the 60 day period referenced in Section 4(c)(ii) begins in one calendar year and ends in a subsequent calendar year, the Severance Payment Date will in all events occur in the second calendar year;

(B) A lump sum cash payment equal to the Annual Bonus, if any, that the Executive would have received in respect of the calendar year prior to the calendar year in which the termination occurs had the Executive remained an active employee of the Company, based on the achievement of the applicable performance measures, to the extent unpaid as of the termination date, payable on the date such amount would have been paid had the Executive continued in employment (the "Unpaid Bonus");

(C) A lump-sum payment equal to the product of (1) the Target Annual Bonus in effect for the calendar year in which the termination occurs, and (2) a fraction, the numerator of which shall equal the number of days during the year in which the termination date occurs that the Executive was employed by the Company and the denominator of which shall equal 365, payable on the Severance Payment Date (the "Pro-Rated Bonus");

(D) Continuation of the Company's contributions necessary to maintain the Executive'sExecutive and Executive's eligible dependents shall continue to be covered at the expense of the Company by the same or substantially equivalent coverage for the 24 calendar months immediately following the end of the calendar month in which the termination date occurs under the medical, dental and vision programs in which the Executive and Executive's eligible dependents participated immediately prior to his termination of employment (and such coverage shall include the Executive's eligible dependents); provided, that, ifthe "Group Health Benefits"). Except as may be otherwise agreed by the Executive, all such Group Health Benefits coverages shall be provided under insured plans or arrangements. If the Company determines in good faith that such contributions would cause adverse tax consequences tocontinuation of Group Health Benefits coverage (x) would adversely affect the tax status of the plan(s) pursuant to which the Group Health Benefits are provided or result in taxability of benefits or penalties on the Company or the Executive under applicable law, the Company shall (including without limitation, pursuant to Section 2716 of the Public

Health Service Act, the Patient Protection and Affordable Care Act, or Section 4980D of the Code), the Company may cease providing continuation of the Group Health Benefits coverage and instead provide the Executive with monthly cash payments during such 24-month period in an amount that, after reduction for applicable taxes (assuming the Executive pays taxes at the highest marginal rates in the applicable jurisdictions), is equal to the amount of the Company's monthly contributionscost of providing the continuing Group Health Benefits coverage referenced above. The applicable period of health benefit continuation under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") shall begin on the expiration of such 24-month period;

(E) Full vesting as of the date of termination of any and all equity or equity-based awards relating to the securities of the Company and any Fund Incentives that are outstanding and unvested immediately prior to the date of such termination; and.

(F) Continued provision of the Other Fringe Benefits (including security and kidnap insurance as in effect immediately prior to the date of such termination,) for the later to occur of (x) the scheduled expiration of the Employment Term and (y) 24 calendar months immediately following the date of such termination. In addition during the 18 calendar months immediately following the date of termination, (i) CFI shall provide Executive continued use of his office and the services of a personal assistant, in each case, commensurate with those provided prior to the date of termination and (ii) Executive shall have continued use of CFI's corporate jet (if any) for personal use, in which case Executive shall reimburse the Company for the cost of any such use on the same basis as personal use is reimbursed by Executive prior to the date of termination.

(iii) For purposes of this Agreement, "Good Reason" shall mean any action by the Company, in each case without the Executive's prior written consent, that (A) results in a material diminution in the Executive's duties, authority or responsibilities or a diminution in Executive's title or position; provided, that (x) causing the Executive to no longer report solely and directly to the Board, (y) modifying the Executive's title and (z) failing to maintain Executive on the Board shall all constitute Good Reason; (B) reduces the Base Salary, Target Annual Bonus or Target LTIP Award then in effect; (C) relocates the Executive's principal place of employment to a location more than 25 miles from the location in effect immediately prior to such relocation; or (D) constitutes a material breach by the Company of this Agreement or any other material agreement between the Executive and the Company, which such material breach shall include (i) any action by the Company that restricts the Executive's ability to perform the CCHLLC Duties or (ii) the failure of the Board to provide the Executive with the opportunity to serve as the Chief Executive Officer of CFI following a CEO Termination; provided, that, in no event shall the occurrence of any such condition constitute Good Reason unless (1) the Executive gives notice to the Company of the existence of the Executive's knowledge of the condition giving rise to Good Reason within 90 days following its initial existence, (2) the Company fails to cure such condition within 30 days following the date such notice is given and (3) the Executive terminates his employment with the Company within 30 days following the expiration of such cure period.

(d) Termination Due to Death or Disability.

(i) The Employment Term and the Executive's employment hereunder (A) may be terminated by the Company as a result of the Executive's "Disability" (as defined and determined below) and (B) shall terminate immediately as a result of the Executive's death.

(ii) If the Executive's employment is terminated by the Company as a result of the Executive's Disability or terminates as a result of the Executive's death, the Company shall provide the Executive (or his estate) with: (A) the Accrued Benefits, (B) the Unpaid Bonus, (C) a lump-sum payment equal to the Pro-Rated Bonus with respect to the calendar year in which the termination occurs, and (D) full vesting as of the date of termination of any and all equity or equity-based awards relating to the securities

of the Company and any Fund Incentives that are outstanding and unvested immediately prior to the date of such termination.

(iii) For purposes of this Agreement, "Disability" shall mean a physical or mental incapacity that substantially prevents the Executive from performing his duties hereunder and that has continued for at least 180 consecutive days. Any dispute as to whether or not the Executive is disabled within the meaning of the preceding sentence shall be resolved by a qualified, independent physician reasonably satisfactory to the Executive and the Company, and the determination of such physician shall be final and binding upon both the Executive and the Company. All fees and expenses of any such physician shall be borne solely by the Company.

(e) Non-Renewal of Agreement.

(i) If the Company gives a Non-Renewal Notice to the Executive, the Employment Term and the Executive's employment hereunder shall terminate as of the expiration of the Initial Term or then-current Renewal Term, as applicable, and the Company shall provide the Executive with all of the payments and benefits set forth in Section 4(c) hereof, subject to his execution and non-revocation of the Release by the Release Effective Date.

(ii) If the Executive gives a Non-Renewal Notice to the Company, the Employment Term and the Executive's employment hereunder shall terminate as of the expiration of the Initial Term or then-current Renewal Term, as applicable, and the Company shall provide the Executive with (w) the Accrued Benefits, (x) any Unpaid Bonus in respect of the calendar year prior to the calendar year in which the termination occurs, (y) a Pro-Rated Bonus in respect of the calendar year in which the termination occurs and (z) in the event that such Notice of Non-Renewal is given by the Executive upon his retirement from the Company on or after his attainment of age 72, full vesting as of the date of termination of any and all equity or equity-based awards relating to the securities of the Company and any Fund Incentives that are outstanding and unvested immediately prior to the date of such termination.

(f) Return of Property. Upon any termination of the Executive's employment hereunder, the Executive shall as soon as practicable following such termination deliver or cause to be delivered to the Company the tangible property owned by the Company, which is in the possession or control of the Executive. Notwithstanding the foregoing, the Executive shall be permitted to retain his calendar and his contacts and investor lists, all compensation-related plans and agreements, any documents reasonably needed for personal tax purposes and his personal notes, journals, diaries and correspondence (including personal emails). In addition, the Executive shall be able to retain his mobile phone(s) and personal computer(s) and his cell phone number(s).

(g) Resignation as Officer or Director. Unless requested otherwise by the Company, upon any termination of the Executive's employment hereunder the Executive shall resign each position (if any) that the Executive then holds as an officer or director of the Company. The Executive's execution of this Agreement shall be deemed the grant by the Executive to the officers of the Company of a limited power of attorney to sign in the Executive's name and on the Executive's behalf any such documentation as may be required to be executed solely for the limited purposes of effectuating such resignations.

(h) No Set-Off or Mitigation. The Company's obligations to make payments under this Agreement shall not be affected by any set-off, counterclaim, recoupment or other claim the Company or any of its affiliates may have against the Executive. The Executive does not need to seek other employment or take any other action to mitigate any amounts owed to the Executive under this Agreement, and those amounts shall not be reduced if the Executive does obtain other employment.

5. RESTRICTIVE COVENANTS. The Executive is entering into the Restrictive Covenant Agreement, substantially in the form attached as Exhibit B hereto (the "Restrictive Covenant Agreement"), as of the date

hereof. The Restrictive Covenant Agreement shall become effective as of the Effective Date and shall continue in effect at all applicable times following the Effective Date in accordance with the terms and conditions thereof.

6. SECTION 280G.

(a) Treatment of Payments. Notwithstanding anything in this Agreement or any other plan, arrangement or agreement to the contrary, in the event that an independent, nationally recognized, accounting firm which shall be designated by the Company with the Executive's written consent (which consent shall not be unreasonably withheld) (the "Accounting Firm") shall determine that any payment or benefit received or to be received by the Executive from the Company or any of its affiliates or from any person who effectuates a change in control or effective control of the Company or any of such person's affiliates (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement) (all such payments and benefits, the "Total Payments") would fail to be deductible under Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), or otherwise would be subject (in whole or part) to the excise tax imposed by Section 4999 of the Code (the "Excise Tax") then the Accounting Firm shall determine if the payments or benefits to be received by the Executive that are subject to Section 280G of the Code shall be reduced to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax, but such reduction shall occur if and only to the extent that the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes, and employment, Social Security and Medicare taxes on such reduced Total Payments), is greater than or equal to the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes and employment, Social Security and Medicare taxes on such Total Payments and the amount of Excise Tax (or any other excise tax) to which the Executive would be subject in respect of such unreduced Total Payments). For purposes of this Section 6(a), the above tax amounts shall be determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws which applied (or is likely to apply) to the Executive's taxable income for the tax year in which the transaction which causes the application of Section 280G of the Code occurs, or such other rate(s) as the Accounting Firm determines to be likely to apply to the Executive in the relevant tax year(s) in which any of the Total Payments is expected to be made. If the Accounting Firm determines that the Executive would not retain a larger amount on an after-tax basis if the Total Payments were so reduced, then the Executive shall retain all of the Total Payments.

(b) Ordering of Reduction. In the case of a reduction in the Total Payments pursuant to Section 6(a), the Total Payments will be reduced in the following order: (i) payments that are payable in cash that are valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced (if necessary, to zero), with amounts that are payable last reduced first; (ii) payments and benefits due in respect of any equity valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24) will next be reduced; (iii) payments that are payable in cash that are valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with amounts that are payable last reduced first, will next be reduced; (iv) payments and benefits due in respect of any equity valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24) will next be reduced; and (v) all other non-cash benefits not otherwise described in clauses (ii) or (iv) will be next reduced pro-rata.

(c) Certain Determinations. For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax: (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of Section 280G(b) of the Code will be taken into account; (ii) no portion of the Total Payments will be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the Accounting Firm, does not constitute a "parachute payment"

within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments will be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the "base amount" (as set forth in Section 280G(b)(3) of the Code) that is allocable to such reasonable compensation; and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments will be determined by the Accounting Firm in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. The Executive and the Company shall furnish such documentation and documents as may be necessary for the Accounting Firm to perform the requisite calculations and analysis under this Section 6 (and shall cooperate to the extent necessary for any of the determinations in this Section 6(c) to be made), and the Accounting Firm shall provide a written report of its determinations hereunder, including detailed supporting calculations. If the Accounting Firm determines that aggregate Total Payments should be reduced as described above, it shall promptly notify the Executive and the Company to that effect. In the absence of manifest error, all determinations by the Accounting Firm under this Section 6 shall be binding on the Executive and the Company and shall be made as soon as reasonably practicable and in no event later than fifteen (15) days following the later of the Executive's date of termination of employment or the date of the transaction which causes the application of Section 280G of the Code. The Company shall bear all costs, fees and expenses of the Accounting Firm and any legal counsel retained by the Accounting Firm.

(d) Additional Payments. If the Executive receives reduced payments and benefits by reason of this Section 6 and it is established pursuant to a determination of a court of competent jurisdiction which is not subject to review or as to which the time to appeal has expired, or pursuant to an Internal Revenue Service proceeding, that the Executive could have received a greater amount without resulting in any Excise Tax, then the Company shall thereafter pay the Executive the aggregate additional amount which could have been paid without resulting in any Excise Tax as soon as reasonably practicable following such determination.

7. CHANGE-IN-CONTROL.

(a) Equity Awards Fully Vest. On the effective date of any Change-in-Control, all equity or equity-based awards relating to the securities of the Company and any Fund Incentives held by Executive that are outstanding and unvested shall fully vest.

(b) Definition of Change-in-Control. For purposes of this Agreement, the term, "Change in Control", shall have the meaning provided for in the Colony Capital, Inc. 2014 Omnibus Stock Incentive Plan.

~~7~~8. ASSIGNMENT; ASSUMPTION OF AGREEMENT. No right, benefit or interest hereunder shall be subject to assignment, encumbrance, charge, pledge, hypothecation or setoff by the Executive in respect of any claim, debt, obligation or similar process. This Agreement may not be assigned by CFI and CFI will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business or assets of the Company to assume expressly and to agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

~~8~~9. MISCELLANEOUS PROVISIONS.

(a) No Breach of Obligation to Others. The Executive represents and warrants that his entering into this Agreement does not, and that his performance under this Agreement and consummation of the transactions contemplated hereby and thereby will not, violate the provisions of any agreement or instrument to which the Executive is a party or any decree, judgment or order to which the Executive is subject, and that this Agreement constitutes a valid and binding obligation of the Executive enforceable against the Executive in accordance with its terms.

(b) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California applicable to agreements entered into and to be performed entirely within such state.

(c) Entire Agreement. This Agreement, together with the documents referred to herein, constitutes and expresses the whole agreement of the parties hereto with reference to any of the matters or things herein provided for or herein before discussed or mentioned with reference to the Executive's employment with the Company, and it cancels and replaces any and all prior understandings, agreements and term sheets between the Executive and CFI and any of its subsidiaries or affiliates; provided, that, this Agreement shall not alter, amend or supersede (i) any Fund Incentives issued to Executive by CC in connection with his prior employment, (ii) any interest the Executive or any of his affiliates may have in any general partner of any fund or related entity managed by the Company, the terms of any of the OP Units issued pursuant to, or other rights the Executive may have under the Contribution Agreements, (iii) the Ancillary Documents (as defined in the Contribution Agreement), (iv) the Indemnification Agreement referenced in Section 3(g) of this Agreement to which the Executive or any of his affiliates is a party or beneficiary and (v) any equity grant made by CFI to the Executive prior to the Effective Date. All promises, representations, collateral agreements and understandings not expressly incorporated in this Agreement are hereby superseded by this Agreement.

(d) Notices. All notices, requests, demands and other communications required or permitted hereunder must be made in writing and will be deemed to have been duly given and effective: (a) on the date of delivery, if delivered personally; (b) on the earlier of the fourth day after mailing or the date of the return receipt acknowledgment, if mailed, postage prepaid, by certified or registered mail, return receipt requested; (c) on the date of transmission, if sent by facsimile; or (d) on the date of requested delivery if sent by a recognized overnight courier:

If to the Company: Colony ~~Financial~~Capital, Inc.
~~2450 Broadway, 6~~ 515 South Flower Street, 44th Floor
~~Santa Monica, CA 90404~~
Los Angeles, California 90071
Attention: General Counsel

If to the Executive: to the last address of the Executive
in the Company's records specifically identified for notices
under this Agreement

With a copy to: Frank Reddick
Akin Gump Strauss Hauer & Feld LLP
2029 Century Park East
Los Angeles, California 90067

With a copy to: Michael S. Katzke
Katzke & Morgenbesser LLP
1345 Avenue of the Americas, 31st Floor
New York, NY 10105

or to such other address as is provided by a party to the other from time to time.

(e) Survival. The representations, warranties and covenants of the Executive contained in this Agreement will survive any termination of the Executive's employment with the Company.

(f) Amendment; Waiver; Termination. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, modification, waiver or discharge is agreed to in writing and signed by the Executive and CFI. No waiver by either party hereto at any time of any breach by the other party hereto of compliance with any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement and the transactions contemplated herein shall terminate automatically without any further action by any party upon the termination of the Contribution Agreement.

(g) Further Assurances. The parties hereto will from time to time after the date hereof execute, acknowledge where appropriate and deliver such further instruments and take such other actions as any other party may reasonably request in order to carry out the intent and purposes of this Agreement.

(h) Severability. If any term of provision hereof is determined to be invalid or unenforceable in a final court or arbitration proceeding, (i) the remaining terms and provisions hereof shall be unimpaired and (ii) to the extent permitted by applicable law, the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

(i) Arbitration. Except as otherwise set forth in the Restrictive Covenant Agreement, any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties hereto shall be settled exclusively by arbitration in Santa Monica, California before a panel of three neutral arbitrators, each of whom shall be selected jointly by the parties, or, if the parties cannot agree on the selection of the arbitrators, as selected by the American Arbitration Association. The commercial arbitration rules of the American Arbitration Association (the "AAA Rules") shall govern any arbitration between the parties, except that the following provisions are included in the parties' agreement to arbitrate and override any contrary provisions in the AAA Rules:

(i) The agreement to arbitrate and the rights of the parties hereunder shall be governed by and construed in accordance with the laws of the State of California, without regard to conflict or choice of law rules;

(ii) The California Arbitration Act shall govern the arbitration, the agreement to arbitrate, and any proceedings to enforce, confirm, modify or vacate the award;

(iii) The arbitrators shall apply California law;

(iv) Any petition or motion to modify or vacate the award shall be filed in a Superior Court in California (the "Court");

(iv) The award shall be written, reasoned, and shall include findings of fact as to all factual issues and conclusions of law as to all legal issues;

(v) Either party may seek a de novo review by the Court of the conclusions of law included in the award and any petition or motion to enforce, confirm, modify or vacate the award; and

(vi) The arbitration shall be confidential. Judgment may be entered on the arbitrators' award in any court having jurisdiction.

The parties hereby agree that the arbitrators shall be empowered to enter an equitable decree mandating specific enforcement of the terms of this Agreement. Each party shall bear its own legal fees and out-of-pocket expenses incurred in any arbitration hereunder and the parties shall share equally all expenses

of the arbitrators; provided, that, the arbitrator shall have the same authority to award reasonable attorneys' fees to the prevailing party in any arbitration as part of the arbitrator's award as would be the case had the dispute or controversy been argued before a court with competent jurisdiction.

(j) Section 409A. The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code, to the extent subject thereto, and accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance therewith. In the event that any provision of Agreement or any other agreement or award referenced herein is mutually agreed by the parties to be in violation of Section 409A of the Code, the parties shall cooperate reasonably to attempt to amend or modify this Agreement (or other agreement or award) in order to avoid a violation of Section 409A of the Code while attempting to preserve the economic intent of the applicable provision. Notwithstanding anything contained herein to the contrary, the Executive shall not be considered to have terminated employment with the Company for purposes of any payments under this Agreement which are subject to Section 409A of the Code until the Executive would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A of the Code. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separate identified payment for purposes of Section 409A of the Code. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement or any other arrangement between the Executive and the Company during the six-month period immediately following the Executive's separation from service shall instead be paid on the first business day after the date that is six months following the Executive's separation from service (or, if earlier, the Executive's date of death). To the extent required to avoid an accelerated or additional tax under Section 409A of the Code, amounts reimbursable to the Executive under this Agreement shall be paid to the Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in kind benefits provided to the Executive) during one year may not affect amounts reimbursable or provided in any subsequent year. CFI makes no representation that any or all of the payments described in this Agreement will be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to any such payment. For purposes of this Section ~~8~~9(j), Section 409A of the Code shall include all regulations and guidance promulgated thereunder.

(k) Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

(l) Construction. The parties acknowledge that this Agreement is the result of arm's-length negotiations between sophisticated parties, each afforded representation by legal counsel. Each and every provision of this Agreement shall be construed as though both parties participated equally in the drafting of the same, and any rule of construction that a document shall be construed against the drafting party shall not be applicable to this Agreement.

(m) Counterparts. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed an original, but both such counterparts shall together constitute one and the same document.

(n) Tax Withholding. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any applicable law, regulation or ruling. Notwithstanding any other provision of this Agreement, the Company shall not be obligated to guarantee any particular tax result for the Executive with respect to any payment provided to the Executive hereunder, and the Executive shall be responsible for any taxes imposed on Executive with respect to any such payment.

(o) Cooperation. For a period of 12 months following the termination of the Executive's employment with the Company for any reason, the Executive shall provide reasonable cooperation in connection with any action or proceeding (or any appeal from any action or proceeding) which relates to events during the Executive's employment hereunder of which the Executive has knowledge. The Company shall reimburse the Executive for the Executive's reasonable travel expenses incurred in connection with the foregoing, in accordance with the Company's policies (and consistent with the Executive's travel practices during the Executive's employment with the Company) and subject to the delivery of reasonable support for such expenses. Any such requests for cooperation shall be subject to the Executive's business and personal schedule and the Executive shall not be required to cooperate against his own legal interests or the legal interests of his employer or partners or business ventures. In the event the Executive reasonably determines that he needs separate legal counsel in connection with his cooperation, the Company shall reimburse the Executive for the reasonable costs of such counsel as soon as practicable (and in any event within thirty (30) days) following its receipt of an invoice for such costs. In the event the Executive is required to cooperate for more than eight (8) hours in any 12-month period, the Executive shall be paid an hourly consulting fee in an amount mutually agreed between the Company and Executive at the time.

(p) Effectiveness. This Agreement and the transactions contemplated herein shall be conditioned upon the closing of the transactions contemplated by the Contribution Agreement. In the event that the Contribution Agreement terminates prior to the closing of the transactions contemplated thereby, this Agreement shall terminate automatically without any further action by any party and shall be void *ab initio*.

~~(q) Definition of CFI. "CFI" means, for purposes of this Agreement, (i) from the Effective Date through the day prior to the closing of the Merger Transaction, Colony Capital, Inc., and (ii) from and after the date of the closing of the Merger Transaction, the Surviving Company and its successors and assigns..~~

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

COLONY FINANCIAL, INC.

By: ______________________________

Name:
Title:

EXECUTIVE

____
Thomas J. Barrack, Jr.

[Signature Page to Barrack Employment Agreement]

Schedule 1

Current Activities

Exhibit A

Form of Release

Thomas J. Barrack, Jr. ("Executive"), a former employee of Colony Financial, Inc. ("CFI" and together with its subsidiaries, the "Employer"), hereby enters into and agrees to be bound by this General Waiver and Release of Claims (the "Release"). Executive acknowledges that he is required to execute this Release in order to be eligible for certain post-termination benefits (the "Post-Termination Benefits") as set forth in Section [4(c)(ii)] / [4(e)(i)] of his Employment Agreement with CFI, dated December 23, 2014 (the "Employment Agreement"). Unless otherwise indicated, capitalized terms used but not defined herein shall have the meanings specified in the Employment Agreement.

1. SEPARATION DATE. Executive acknowledges and agrees that his separation from Employer was effective as of _____, 20XX (the "Separation Date").

2. WAGES FULLY PAID. Executive acknowledges and agrees that he has received payment in full for all salary and other wages, including without limitation any accrued, unused vacation or other similar benefits earned through the Separation Date.

3. EXECUTIVE'S GENERAL RELEASE OF CLAIMS**.**

(a) Waiver and Release. Pursuant to Section [4(c)(ii)] / [4(e)(i)] of the Employment Agreement, and in consideration of the Post-Termination Benefits to be provided to Executive as outlined in the Employment Agreement and this Release as set forth herein, Executive, on behalf of himself and his heirs, executors, administrators and assigns, forever waives, releases and discharges Employer, its officers, directors, owners, shareholders and agents (collectively referred to herein as, the "Employer Group"), and each of its and their respective officers, directors, shareholders, members, managers, employees, agents, servants, accountants, attorneys, heirs, beneficiaries, successors and assigns (together with the Employer Group, the "Employer Released Parties"), from any and all claims, demands, causes of actions, fees, damages, liabilities and expenses (including attorneys' fees) of any kind whatsoever, whether known or unknown, that Executive has ever had or might have against the Employer Released Parties that directly or indirectly arise out of, relate to, or are connected with, Executive's services to, or employment by the Company, including, but not limited to (i) any claims under Title VII of the Civil Rights Act, as amended, the Americans with Disabilities Act, as amended, the Family and Medical Leave Act, as amended, the Fair Labor Standards Act, as amended, the Equal Pay Act, as amended, the Employee Retirement Income Security Act, as amended (with respect to unvested benefits), the Civil Rights Act of 1991, as amended, Section 1981 of Title 42 of the United States Code, the Sarbanes-Oxley Act of 2002, as amended, the Worker Adjustment and Retraining Notification Act, as amended, the Age Discrimination in Employment Act, as amended, the Uniform Services Employment and Reemployment Rights Act, as amended, the California Fair Employment and Housing Act, as amended, and the California Labor Code, as amended, and/or any other federal, state or local law (statutory, regulatory or otherwise) that may be legally waived and released and (ii) any tort and/or contract claims, including any claims of wrongful discharge, defamation, emotional distress, tortious interference with contract, invasion of privacy, nonphysical injury, personal injury or sickness or any other harm. Executive acknowledges that if the Equal Employment Opportunity Commission or any other administrative agency brings any charge or complaint on his behalf or for his benefit, this Release bars Executive from receiving, and Executive hereby waives any right to, any monetary or other individual relief related to such a charge or complaint. This Release, however, excludes (i) any claims made under state workers' compensation or unemployment laws, and/or any claims that cannot be waived by law, (ii) claims with respect to the breach of any covenant (including any payments under the Employment Agreement) to be performed by Employer

after the date of this Release, (iii) any rights to indemnification or contribution or directors & officers liability insurance under the Employment Agreement, Indemnification Agreement, any operative documents of the Company or any applicable law, (iv) any claims as a holder of Company equity awards under the Company's equity incentive plans or as a holder of Fund Incentives, and (v) any claims for vested benefits under any employee benefit plan (excluding any severance plan and including claims under the Consolidated Omnibus Budget Reconciliation Act of 1985) or any claims that may arise after the date Executive signs the Release.

(b) Waiver of Unknown Claims; Section 1542. Executive intends to fully waive and release all claims against Employer; therefore, he expressly understands and hereby agrees that this Release is intended to cover, and does cover, not only all known injuries, losses or damages, but any injuries, losses or damages that he does not now know about or anticipate, but that might later develop or be discovered, including the effects and consequences of those injuries, losses or damages. Executive expressly waives the benefits of and right to relief under California Civil Code Section 1542 ("Section 1542"), or any similar statute or comparable common law doctrine in any jurisdiction. Section 1542 provides:

> Section 1542. (General Release-Claims Extinguished) A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Executive understands and acknowledges the significance and consequences of this specific waiver of Section 1542 and, having had the opportunity to consult with legal counsel, hereby knowingly and voluntarily waives and relinquishes any rights and/or benefits which he may have thereunder. Without limiting the generality of the foregoing, Executive acknowledges that by accepting the benefits and payments offered in exchange for this Release, he assumes and waives the risks that the facts and the law may be other than he believes and that, after signing this Release, he may discover losses or claims that are released under this Release, but that are presently unknown to him, and he understands and agrees that this Release shall apply to any such losses or claims.

(c) Acknowledgement of ADEA Waiver. Without in any way limiting the scope of the foregoing general release of claims, Executive acknowledges that he is waiving and releasing any rights he may have under the Age Discrimination in Employment Act of 1967 (the "ADEA") and that such waiver and release is knowing and voluntary. This waiver and release does not govern any rights or claims that might arise under the ADEA after the date this Release is signed by Executive. Executive acknowledges that: (i) the consideration given for this Release is in addition to anything of value to which Executive otherwise would be entitled to receive; (ii) he has been advised in writing to consult with an attorney of his choice prior to signing this Release; (iii) he has been provided a full and ample opportunity to review this Release, including a period of at least twenty-one (21) days within which to consider it (which will not be lengthened by any revisions or modifications); (iv) he has read and fully understands this Release and has had the opportunity to discuss it with an attorney of his choice; (v) to the extent that Executive takes less than twenty-one (21) days to consider this Release prior to execution, he acknowledges that he had sufficient time to consider this Release with counsel and that he expressly, voluntarily and knowingly waives any additional time; and (vi) Executive is aware of his right to revoke this Release at any time within the seven (7)-day period following the date on which he executes this Release. Executive further understands that he shall relinquish any right he has to Post-Termination Benefits described in the Employment Agreement if he exercises his right to revoke this Release. Notice of revocation must be made in writing and must be received by [Name, Title], no later than 5:00 p.m. Pacific Time on the seventh (7th) calendar day immediately after the day on which Executive executes this Release.

4. NO CLAIMS BY EXECUTIVE. Executive affirms and warrants that he has not filed, initiated or caused to be filed or initiated any claim, charge, suit, complaint, grievance, action or cause of action against Employer or any of the other Employer Released Parties.

5. NO ASSIGNMENT OF CLAIMS. Executive affirms and warrants that he has made no assignment of any right or interest in any claim which he may have against any of the Employer Released Parties.

6. ADVICE OF COUNSEL. Executive acknowledges: (a) that he has been advised to consult with an attorney regarding this Release; (b) that he has, in fact, consulted with an attorney regarding this Release; (c) that he has carefully read and understands all of the provisions of this Release; and (d) that he is knowingly and voluntarily executing this Release in consideration of the Post-Termination Benefits provided under the Employment Agreement.

[remainder of page intentionally left blank]

By his signature, Thomas J. Barrack, Jr. hereby knowingly and voluntarily executes this Release as of the date indicated below.

____
Thomas J. Barrack, Jr.

Dated: _________________

[Signature Page to Barrack Release]

Exhibit B

Form of Restrictive Covenant Agreement

~~[To Come]~~

ANNEX II

AMENDED RESTRICTIVE COVENANT AGREEMENT

[See Attached]

RESTRICTIVE COVENANT AGREEMENT

THIS RESTRICTIVE COVENANT AGREEMENT (this "Agreement"), dated as of December 23, 2014, and effective as of the Effective Date (as defined below), and amended by that certain First Amendment to Employment Agreement, Lock-Up Agreement and Restrictive Covenant Agreement, dated as of June 2, 2016, and that certain Second Amendment to Employment Agreement and Restrictive Covenant Agreement, dated as of March 1, 2019 (the "Second Amendment Effective Date"), is made by and between Colony ~~Financial~~Capital, Inc., a Maryland corporation (formerly known as Colony Financial, Inc. and Colony Northstar, Inc.) ("CFI"), and Thomas J. Barrack, Jr. ("Barrack"). CFI, together with its ~~Subsidiaries (which, following the Effective Date, shall include NewCo and its Subsidiaries)~~subsidiaries is hereinafter referred to as "the Company," and where the context permits, references to "the Company" shall include the Company and any successor to the Company. ~~Any capitalized term that is used but not otherwise defined in this Agreement shall have the meaning set forth in~~

WHEREAS, prior to the Contribution ~~Agreement (as~~(defined below).~~**WHEREAS**~~, certain businesses of the Company ~~are currently~~were externally managed and advised by a subsidiary of Colony Capital, LLC ("CC") pursuant to the terms of a management agreement;

WHEREAS, CFI, CC, Colony Capital Holdings, LLC, a Delaware limited liability company ("CC Holdings"), Colony Capital OP Subsidiary, LLC, a Delaware limited liability company ("NewCo"), CCH Management Partners I, LLC ("CCH"), FHB Holding LLC, a Delaware limited liability company, Richard B. Saltzman and CFI RE Masterco, LLC, a Delaware limited liability company (the "OP") ~~have~~ entered into that certain Contribution and Implementation Agreement, dated as of December 23, 2014 (the "Contribution Agreement"), pursuant to which, among other things, CC Holdings, CC and CCH ~~will contribute~~contributed to the OP and the OP ~~will acquire~~acquired from CC Holdings, CC and CCH the membership interests in NewCo held by CC Holdings, CC and CCH (which ~~constitute~~constituted all of the membership interests of NewCo) (along with the other transactions contemplated thereby, the "Contribution") and the management of the Company will be internalized;

WHEREAS, Barrack, CC, CFI and the OP ~~have~~ entered into that certain Lock-Up and Liquidated Damages Agreement, dated as of December 23, 2014 (the "Lock-Up Agreement"), which sets forth certain restrictions on the transfer of the CC New Units (as defined in the Lock-Up Agreement) ~~to be~~ issued by CFI to CC in connection with the Contribution;

WHEREAS, effective as of the closing of the Contribution (the date on which such closing ~~occurs~~occurred, the "Effective Date"), Barrack ~~will become~~became employed by the Company and ~~will serve~~served as the Executive Chairman and Chairman of the Board of Directors of CFI in accordance with terms of the Employment Agreement by and between CFI and Barrack, dated as of the date hereof (the "Employment Agreement");

WHEREAS, Barrack (i) is a substantial beneficial holder of equity interests in CC and its Affiliates, (ii) has been actively involved in the management of the business of CC and has thereby acquired significant experience, skill, and confidential and proprietary information relating to the business and operation of CC and (iii) in the course of his participation in the business of CC, has also developed on behalf of CC significant goodwill that is now a significant part of the value of CC;

WHEREAS, the Company desires to protect its investment in the assets, businesses and goodwill of CC to be acquired as part of the Contribution and, accordingly, as a material condition to its willingness

to enter into the Contribution Agreement and consummate the Contribution, has required that Barrack agree to limit certain activities by Barrack (as contemplated hereby) that would compete with or otherwise harm such assets, businesses or goodwill;

WHEREAS, as part of the consideration and inducement to CFI to enter into the Contribution Agreement and acquire such assets, businesses and goodwill, Barrack is willing to agree to enter into this Agreement and abide by such restrictions;

WHEREAS, the parties intend this Agreement to be in compliance with California Business and Professions Code Section 16601 ("BPC Section 16601") to the extent that it is applicable, and further intend for it to be fully enforceable under any applicable Law; and

WHEREAS, NorthStar Realty Finance Corp., a Maryland corporation, CFI, NorthStar Asset Management Group, Inc., a Delaware corporation, and the other parties named therein, ~~have~~ entered into that certain Agreement and Plans of Merger, dated as of June 1, 2016, (the "Merger Agreement") pursuant to which, among other things, CFI ~~will be~~was merged into New Polaris (as defined in the Merger Agreement) (the "Merger Transaction"), with New Polaris as the surviving corporation (the "Surviving Company");

WHEREAS, the Company changed its name to "Colony Capital, Inc." on June 22, 2018.

WHEREAS, the Board appointed Barrack Chief Executive Officer of CFI effective November 5, 2018.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants, terms and conditions set forth herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms. For purposes of this Agreement, the following terms have the respective meanings set forth below:

(a) "Business" means (x) the business of acquiring, originating and managing real estate-related debt and equity investments; provided, that, for purposes of clarification, the Business shall not include debt or equity investments in operating companies primarily engaged in businesses outside of the real estate or hospitality industries even though such businesses may own or lease real property and (y) any alternative asset management business (other than CC) in which more than 25% of the total capital committed is third party capital from passive investors (which term shall exclude natural persons who are partners or employees of the business and are actively engaged in the management of the business) that advises, manages or invests the assets of funds or related investment vehicles or separate accounts.

(b) "Company Materials" means all Materials that Barrack makes or conceives, or has made or conceived, solely or jointly, during the period of Barrack's retention by or employment with the Company, whether or not patentable or registerable under copyright, trademark or similar statutes, which (i) are related to the current or demonstrably (by expenditure of material resources or material time spent by senior management) anticipated business or activities of the Company (which includes any fund managed by the Company during or prior to the period of Barrack's retention by or employment with the Company); and (ii) are otherwise developed by Barrack through the use of the Company's confidential information, equipment, software, or other facilities or resources at a time during which Barrack has been a consultant, or employee (temporary or otherwise) of the Company. Notwithstanding the foregoing, Company Materials shall not include any Materials conceived or made, solely or jointly, by Barrack in connection with the performance of Permitted Activities.

(c) "Confidential Information" means information that is not generally known to the public and that is or was used, developed or obtained by Barrack (in his capacity as a member or employee of CC) or CC; provided, however, Confidential Information will not include any information that is generally available to the public or within the industry prior to the date Barrack proposes to disclose or use such information. For the avoidance of doubt, "Confidential Information" does not include (x) information concerning non-proprietary business or investment practices, methods or relationships customarily employed or entered into by comparable business enterprises, (y) the identity of investors and their investment practices, methods and relationships, financing sources or capital market intermediaries and (z) information that is used, developed or obtained by Barrack in connection with the performance of Permitted Activities.

(d) "Inventions" means any inventions, improvements, developments, ideas or discoveries whether patentable or unpatentable, that meets any one of the following criteria: (i) relates at the time of conception or reduction to practice to: (A) the business, projects or products of the Company, or to the utilization thereof; or (B) the actual or demonstrably anticipated research or development of the Company; (ii) results from any work performed directly or indirectly by Barrack for the Company; or (iii) results, at least in part, from Barrack's use of the Company's time, equipment, supplies, facilities or trade secret information; provided, however, that Inventions shall not include (x) any Invention which qualifies fully under the provisions of California Labor Code Section 2870 (a copy of which is attached as Exhibit 1), including any idea or invention which is developed entirely on Barrack's own time without using the Company's equipment, supplies, facilities or trade secret information, and which is not related to the business (either actual or demonstrably anticipated), and which does not result from work performed for the Company and (y) inventions, improvements, developments, ideas or discoveries conceived or reduced to practice by Barrack exclusively in connection with the performance of Permitted Activities.

(e) "Materials" means all articles, reports, documents, memoranda, notes, other works of authorship, data, databases, discoveries, designs, developments, ideas, creative works, improvements, inventions, know-how, processes, computer programs, software, source code, techniques and useful ideas of any description whatsoever (or portions thereof).

(f) "Permitted Activities" means each of the activities described in Section 2 hereof.

(g) "Person" means any individual, company, limited liability company, limited or general partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

(h) "Restricted Period" means the period commencing on the Effective Date and ending on the first anniversary of the termination of Barrack's employment with the Company; provided that the Restricted Period shall immediately cease if such termination of employment is either by the Company without Cause (including due to Non-Renewal by the Company) ~~or~~, by Barrack for Good Reason or by either the Company or by Barrack following a Change in Control (in each case, such capitalized ~~term~~terms used herein as defined in the Employment Agreement).

(i) "Restricted Territory" means (i) any of Austria, Belgium, China, Czech Republic, Denmark, England, Finland, France, Germany, Hungary, Ireland, Italy, Japan, Monaco, Netherlands, Norway, Poland, Portugal, Scotland, South Korea, Spain, Sweden, Switzerland, the United States, (ii) any state in the United States and/or other country listed in clause (i), and (iii) any other jurisdiction in which the Company or its subsidiaries engages in Business in any material respect.

2. Permitted Activities. Notwithstanding anything set forth herein to the contrary, nothing contained herein shall prohibit Barrack from:

(a) engaging in the Personal Activities (as defined in the Employment Agreement);

(b) owning, directly or indirectly, solely as an investment, securities of any such Person which are traded on any national securities exchange or NASDAQ if Barrack (A) is not a controlling person of, or a member of a group which controls, such Person; and (B) does not, directly or indirectly, own five percent (5%) or more of any class of securities of such Person;

(c) managing any capital accounts, or exercising any of the rights and obligations of the general partner, of the upper-tier general partners with respect to the Subject Funds, or any CC Retained Assets or CC Retained Liabilities of CC Parties following the Effective Date;

(d) taking any actions with respect to (x) investments made (or legally committed to be made) on or prior to the date hereof (including investments in Colony AH Member LLC and its subsidiaries, SONIFI Solutions, Inc., and Miramax FilmsLH-COL Participants, LLC or any other Affiliate of CC that is organized to acquire or invest in Lending Home Corporation and FYH-Bar Holdings, LLC or any other Affiliate of CC that holds an investment in Adaptive Studios), (y) follow-on investments to the investments described in clause (x) that are not real estate-related or the sourcing of investments for the investments described in clause (x) that are not real estate-related or (z) investments made to refinance or restructure the investments described in clauses (x) and (y) that are not real estate-related;

(e) making passive investments in private equity funds, mutual funds, hedge funds and other managed accounts (provided that such funds or accounts do not have a primary investment strategy, as set forth in the applicable fund's or account's published statement of its primary investment strategy, of investments in real estate-related debt and equity investments);

(f) making any passive investment (or group of related passive investments) of less than $20 million in private equity funds, mutual funds, hedge funds and other managed accounts that have a primary investment strategy, as set forth in the applicable fund's or account's published statement of its primary investment strategy, of investments in real estate-related debt and equity investments; or

(g) making investments in private companies that are (x) not engaged in the real estate or hospitality industries, (y) do not predominantly make investments in real estate-related debt and equity instruments and (z) do not make investments similar to those made by CFI and the OP equal to the lesser of (x) 5% of the outstanding equity securities of such private company and (y) $30 million per company or group of affiliated companies operating as part of one business.

3. Non-Competition. Barrack shall not, during the Restricted Period, directly or indirectly, in any manner within the Restricted Territory: (i) engage in the Business (other than through the Company and its Affiliates); (ii) render any services as an employee, officer, director or consultant to any Person (other than the Company) engaged in the Business; or (iii) make an investment in a Person engaged in the Business as a partner, shareholder, principal, member or other owner of equity interests (or securities convertible into or exercisable for, equity interests); provided, however, nothing contained in this Agreement shall restrict Barrack from (x) engaging in any activity that he determines in good faith is in furtherance of the interests of the Company in the performance of his duties for the Company and/or (y) engaging in any Permitted Activity. In addition, nothing herein shall prohibit Barrack from providing services to an entity engaged in the Business if Barrack's services are solely limited to a unit, division, or subsidiary of such entity which does not engage in the Business and Barrack does not provide services directly or indirectly to, or with respect to, the Business.

4. Non-Solicitation. Except as necessary, appropriate or desirable to perform his duties to the Company during his employment, Barrack shall not during the Restricted Period, without CFI's prior written consent, (i) directly or indirectly, on his own behalf or for any other Person, knowingly (A) solicit or induce any (x) officer or director or (y) employee or independent contractor of the Company who is a natural person that provides consulting or advisory services with respect to sourcing or consummating financings or investments, in either case, to terminate his or her relationship with the Company, or (B) hire any such individual whom Barrack knows left the employment of the Company during the previous 12 months or (ii) directly or indirectly, on his own behalf or for any other Person, solicit or induce any investors to terminate (or diminish in any material respect) his, her or its relationship with the Company. For the avoidance of doubt, identification or doing business with or co-investing with any limited partners, investors, financing sources or capital markets intermediaries with regard to activity that is not prohibited by Section 3 above shall not be deemed to be a breach of this Section 4 or otherwise. Barrack shall not be in violation of this Section 4 by reason of providing a personal reference for any officer, director or employee of the Company or soliciting individuals for employment through a general advertisement not targeted specifically to officers, directors or employees of the Company. This Section 4 shall not prohibit Barrack from (x) soliciting or hiring any of the Persons listed on Exhibit 2 attached hereto or (y) engaging the services of Jonathan Grunzweig and Mark Hedstrom during their employment with CFI solely in connection with Permitted Activities engaged in by Barrack; provided, however, that with respect to clause (y), such employees will only provide services in connection with Permitted Activities consistent with services provided prior to the Effective Date. In addition, except as otherwise provided in this Section 4, during the Restricted Period, in the event that Barrack engages the services of any Business Employee in connection with any business of CC following the Effective Date or in connection with the Permitted Activities engaged in by Barrack, Barrack shall pay a reasonable fee (based on such Business Employee's then current compensation and cost of providing benefits, relative to the amount of such Business Employee's business time spent performing such services to Barrack) to the Company for the services of such Business Employee.

5. Confidential Information. At all times on and following the Effective Date, Barrack shall not disclose or use for his benefit or the benefit of others, except in connection with the business and affairs of the Company or any of its affiliates, any Confidential Information except to the extent that (i) such disclosure or use is related to, necessary, appropriate or desirable in connection with Barrack's performance of his duties to the Company or (ii) is related to any good faith dispute between Barrack and the Company or any of its affiliates or otherwise in connection with any action by Barrack to enforce his rights or defend his actions under this Agreement, the Contribution Agreement, the Lock-Up Agreement, the Employment Agreement or any other agreement with the Company or any of its affiliates. Nothing contained herein shall preclude Barrack from disclosing Confidential Information to his immediate family and personal legal and financial advisor(s), provided that Barrack informs such family member(s) and/or advisor(s) that the information is confidential in nature and receives reasonable assurances that the family member(s) and/or advisor(s) shall not disclose such information except as required by Law or by any Authority with apparent jurisdiction over such Person. Nothing in this Agreement shall be construed to prevent Barrack from complying with applicable Law, or disclosing information pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not in Barrack's reasonable judgment exceed the extent of disclosure required by such Law. Barrack shall, to the extent legally permitted, promptly provide written notice of any such order to an authorized officer of the Company after receiving such order and reasonably cooperate with any efforts of the Company to seek a protective order or other measure to protect the confidentiality of such information.

6. Mutual Non-Disparagement.

(a) At all times on and following the Effective Date, Barrack shall refrain from making any disparaging statements about the Company or any of its present or (to the extent such Persons serve in such capacity during Barrack's employment with the Company) future officers, directors, and, in their capacity as such, employees, to any third Persons, including, without limitation, to any press or other media, except (i) to the extent required by Law or legal process, by any Authority with apparent jurisdiction or applicable securities considerations, (ii) related to any good faith litigation or similar proceeding between Barrack and the Company or any of such officers or directors or otherwise in connection with any good faith litigation or similar proceeding or other efforts by Barrack to enforce his rights or defend his actions under this Agreement, the Contribution Agreement, the Lock-Up Agreement, the Employment Agreement or any other agreement with the Company or any of such officers or directors or (iii) for the making of any critical remarks about any such Person in connection with any analyses made or opinions expressed in the ordinary course of his duties to the Company during his employment therewith.

(b) At all times on and following the Effective Date, the senior executive officers of the Company shall not make, or cause to be made by the Company, any disparaging or negative statements about Barrack to any third Persons, including, without limitation, to any press or other media, except (i) to the extent required by Law or legal process, by any Authority with apparent jurisdiction or applicable securities considerations, (ii) related to any good faith litigation or similar proceeding between Barrack and the Company or otherwise in connection with any good faith litigation or similar proceeding by Barrack to enforce his rights or defend his actions under this Agreement, the Contribution Agreement, the Lock-Up Agreement, the Employment Agreement or any other agreement with the Company or (iii) for the making of any critical remarks about Barrack in connection with any analyses made or opinions expressed in the ordinary course of their respective duties to the Company during their employment therewith.

7. Intellectual Property.

(a) Barrack agrees that all Company Materials shall be deemed "work made for hire" by the Company as the "author" and owner to the extent permitted by United States copyright Law. To the extent (if any) that some or all of the Company Materials do not constitute "work made for hire," Barrack hereby irrevocably assigns to the Company for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, all right, title and interest in and to such Company Materials (including without limitation any and all copyright rights, patent rights and trademark rights and goodwill associated therewith). The provisions of this paragraph will apply to all Company Materials which are or have been conceived or developed by Barrack, solely or jointly, whether or not further development or reduction to practice may take place after the termination of Barrack's employment or retention by the Company.

(b) Barrack further agrees that he will execute and deliver to CFI any and all further documents or instruments and do any and all further acts which the Company reasonably requests in order to perfect, confirm, defend, police and enforce the Company's intellectual property rights, and hereby grants to the officers of the Company an irrevocable power of attorney, coupled with interest, to such end. Barrack shall be promptly reimbursed by the Company for all costs and expenditures incurred in connection with any cooperation referenced in this Section 7(b).

8. Injunctive Relief; Other Remedies. The parties agree that the remedy at Law for any breach of this Agreement is and will be inadequate, and in the event of a breach or threatened breach by Barrack of the provisions of Sections 3, 4, 5, 6, or 7 of this Agreement, the Company shall be entitled to an injunction restraining Barrack from the conduct which would constitute a breach of this Agreement. Subject to the

limitations provided for in the proviso to this sentence, nothing herein contained shall be construed as prohibiting the Company from pursuing any other remedies available to it or them for such breach or threatened breach, including, without limitation, specific performance and/or the recovery of damages from Barrack; provided that the recovery of damages in respect of a breach of any of the obligations set forth in Section 3 hereof shall be limited as provided for in the Lock-Up Agreement.

9. Reasonableness and Enforceability of Covenants.

(a) The recitals to this Agreement are incorporated herein by this reference. The parties hereto acknowledge and agree with such recitals, and further agree that the value of the consideration paid by CFI in connection with the Contribution is substantial and that preservation of the confidential and proprietary information, goodwill, stable workforce, and client and customer relations of the Company is a material part of the consideration being provided in connection with the Contribution.

(b) The parties expressly agree that the character, duration and geographical scope of this Agreement are reasonable in light of the circumstances as they exist on the date upon which this Agreement has been executed, including, but not limited to, Barrack's material economic interest in the Contribution, Barrack's importance within the business to be contributed in the Contribution, and Barrack's position of confidence and trust as a stockholder of CFI.

(c) Barrack acknowledges that, (i) in connection with the Contribution, the Company will be vested with the goodwill of, and will directly or indirectly carry on, the business of CC; (ii) the restrictive covenants and the other agreements contained herein (collectively, the "Restrictive Covenants") are an essential part of this Agreement and the contemplated Contribution; (iii) the contemplated Contribution is designed and intended to qualify as a sale (or other disposition) by Barrack within the meaning of BPC Section 16601 and (iv) the covenants contained in this Agreement are intended to be and would be enforceable under BPC Section 16601. Barrack and the Company agree not to challenge the enforceability of the covenants (and the limitations and qualifications included as part thereof) contained in this Agreement.

(d) Barrack agrees to be bound by the Restrictive Covenants and the other agreements contained in this Agreement to the maximum extent permitted by Law, it being the intent and spirit of the parties that the Restrictive Covenants and the other agreements contained herein shall be valid and enforceable in all respects, and, subject to the terms and conditions of, and limitations and qualifications included in, this Agreement.

10. Acknowledgements. Barrack acknowledges that (i) his work for the Company will continue to give him access to the confidential affairs and proprietary information of the Company; (ii) the agreements and covenants of Barrack contained in this Agreement are essential to the business and goodwill of the Company; and (iii) CFI would not have entered into the Contribution Agreement or the Employment Agreement but for the covenants and agreements set forth herein.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California applicable to agreements entered into and to be performed entirely within such state.

12. Notices. All notices, requests, demands and other communications required or permitted hereunder must be made in writing and will be deemed to have been duly given and effective: (a) on the date of delivery, if delivered personally; (b) on the earlier of the fourth day after mailing or the date of the return receipt acknowledgment, if mailed, postage prepaid, by certified or registered mail, return receipt requested; (c) on

the date of transmission, if sent by facsimile; or (d) on the date of requested delivery if sent by a recognized overnight courier:

If to the Company:	Colony Financial, Inc. 2450 Broadway, 6th Floor Santa Monica, CA 90404 Attention: General Counsel
If to the Executive:	to the last address of Barrack in the Company's records specifically identified for notices under this Agreement
With a copy to:	Akin Gump Strauss Hauer & Feld LLP 2029 Century Park East Los Angeles, California 90067 Attention: Hushmand Sohaili
	Katzke & Morgenbesser LLP 1345 Avenue of the Americas, 31st Floor New York, NY 10105 Attention: Michael S. Katzke

or to such other address as is provided by a party to the other from time to time.

13. Survival. The representations, warranties and covenants of Barrack and the Company contained in this Agreement will survive any termination of Barrack's employment with the Company through the end of the Restricted Period.

14. Amendment; Waiver; Termination. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, modification, waiver or discharge is agreed to in writing and signed by Barrack and CFI. No waiver by either party hereto at any time of any breach by the other party hereto of compliance with any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement and the transactions contemplated herein shall terminate automatically without any further action by any party upon the termination of the Contribution Agreement.

15. Severability. Barrack acknowledges and agrees that (i) he has had an opportunity to seek advice of counsel in connection with this Agreement and (ii) the Restrictive Covenants are reasonable in geographic and temporal scope and in all other respects. If any term or provision of this Agreement is determined to be invalid or unenforceable in a final court or arbitration proceeding, (A) the remaining terms and provisions hereof shall be unimpaired and (B) to the extent permitted by applicable Law, the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

16. Arbitration. Except as otherwise set forth in Section 8, any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties hereto shall be settled exclusively by arbitration in Santa Monica, California before a panel of three neutral arbitrators, each of whom shall be selected jointly by the parties, or, if the parties cannot agree on the selection of the arbitrators, as selected by the American Arbitration Association. The commercial arbitration rules of the American Arbitration Association (the "AAA Rules") shall govern any arbitration between the parties, except that the following provisions are included in the parties' agreement to arbitrate and override any contrary provisions in the AAA Rules:

(a) The agreement to arbitrate and the rights of the parties hereunder shall be governed by and construed in accordance with the laws of the State of California, without regard to conflict or choice of law rules;

(b) The California Arbitration Act shall govern the arbitration, the agreement to arbitrate, and any proceedings to enforce, confirm, modify or vacate the award;

(c) The arbitrators shall apply California law;

(d) Any petition or motion to modify or vacate the award shall be filed in a Superior Court in California (the "Court");

(e) The award shall be written, reasoned, and shall include findings of fact as to all factual issues and conclusions of law as to all legal issues;

(f) Either party may seek a de novo review by the Court of the conclusions of law included in the award and any petition or motion to enforce, confirm, modify or vacate the award; and

(g) The arbitration shall be confidential. Judgment may be entered on the arbitrators' award in any court having jurisdiction.

The parties hereby agree that the arbitrators shall be empowered to enter an equitable decree mandating specific enforcement of the terms of this Agreement. Each party shall bear its own legal fees and out-of-pocket expenses incurred in any arbitration hereunder and the parties shall share equally all expenses of the arbitrators; provided, that, the arbitrator shall have the same authority to award reasonable attorneys' fees to the prevailing party in any arbitration as part of the arbitrator's award as would be the case had the dispute or controversy been argued before a court with competent jurisdiction.

~~17. Definition of CFI. "CFI" means, for purposes of this Agreement, (i) from the Effective Date through the day prior to the closing of the Merger Transaction, Colony Capital, Inc., and (ii) from and after the date of the closing of the Merger Transaction, the Surviving Company and its successors and assigns.~~

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

COLONY FINANCIAL, INC.

By: ______________________________

Name:
Title:

BARRACK

____
Thomas J. Barrack, Jr.

[Signature Page to Barrack Restrictive Covenant Agreement]

Exhibit 1

California Labor Code Section 2870

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an
invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

Exhibit 2

Permitted Individuals

1. Teddy Elkins
2. Kyle Forsythe
3. Jonathan Grunzweig
4. Mark Hedstrom
5. Any members of Barrack's immediate family
6. Any individual serving as a personal assistant to Barrack at any time on or prior to the date of such solicitation or hiring

Exhibit 31.1

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

I, Thomas J. Barrack, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Colony Capital, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2019

/s/ Thomas J. Barrack, Jr.

Thomas J. Barrack, Jr.
Chief Executive Officer

Exhibit 31.2

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

I, Mark M. Hedstrom, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Colony Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2019

/s/ Mark M. Hedstrom

Mark M. Hedstrom
Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Colony Capital, Inc. (the “Company”) on Form 10-Q for the three months ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas J. Barrack, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2019

/s/ Thomas J. Barrack, Jr.

Thomas J. Barrack, Jr.
Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C §1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Colony Capital, Inc. (the “Company”) on Form 10-Q for the three months ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark M. Hedstrom, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2019

/s/ Mark M. Hedstrom

Mark M. Hedstrom
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C §1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.