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

FORM 10-K

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

For the fiscal year ended December 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)

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, 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

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

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

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

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

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

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

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

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

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

The aggregate market value of the registrant’s voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2019, was approximately $2.41 billion. As of February 25, 2020, 486,636,319 shares of the Registrant's class A common stock and 733,931 shares of class B common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company’s Proxy Statement with respect to its 2019 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the Company’s fiscal year ended December 31, 2019 are incorporated by reference into Part III of this Annual Report on Form 10-K.

COLONY CAPITAL, INC.

FORM 10-K

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FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Annual Report on Form 10-K (this "Annual 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 Annual Report reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- the market, economic and environmental conditions in the digital and communications technology, healthcare and hospitality real estate, other commercial real estate equity and debt, and investment management sectors;
- whether we will successfully execute our strategic transition to become a digital real estate and infrastructure focused company, and the impact of such transition on the Company's legacy portfolios and assets, including whether such transition will result in significant impairments to certain of our investments, including healthcare and hospitality assets;
- the impact of completed or anticipated initiatives related to our strategic shift to the digital industry, including the acquisitions of Digital Bridge Holdings, LLC and an ownership interest in Data Bridge Holdings, LLC, the sale of our light industrial platform, and the formation of certain other investment management platforms, on our company's growth and earnings profile;
- our ability to integrate and maintain consistent standards and controls, including our ability to manage our acquisitions in the digital industry effectively (such as Digital Bridge Holdings, LLC and Data Bridge Holdings, LLC);
- the impact to our business operations and financial condition of realized or anticipated compensation and administrative cost reductions in connection with corporate restructuring;
- our ability to redeploy proceeds received from the sale of our non-digital or other legacy assets within the timeframe and manner contemplated or at all;
- our business and investment strategy, including the ability of the businesses in which we have a significant investment (such as Colony Credit Real Estate, Inc. (NYSE:CLNC)) to execute their business strategies;
- whether we will enter into a definitive agreement with CLNC or a third party with respect to, among other matters, an internalization of Colony Credit Real Estate, Inc. or sale of our management agreement with CLNC and whether such potential transaction will have further impact on our goodwill;
- performance of our investments relative to our expectations and the impact on our actual return on invested equity, as well as the cash provided by these investments and available for distribution;
- our ability to grow our business by raising capital for the companies that we manage;
- our ability to deploy capital into new investments consistent with our business strategies, including the earnings profile of such new investments;
- the impact of adverse conditions affecting a specific asset class in which we have investments;
- the availability of attractive investment opportunities;
- our ability to achieve any of the anticipated benefits of certain joint ventures, including any ability for such ventures to create and/or distribute new investment products;
- our ability to satisfy and manage our capital requirements;
- our expected holding period for our assets and the impact of any changes in our expectations on the carrying value of such assets;

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

While forward-looking statements reflect our good faith beliefs, assumptions and expectations, they are not guarantees of future performance. Furthermore, we disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. Moreover, because we operate in a very competitive and rapidly changing environment, new risk factors are likely to emerge from time to time. We caution investors not to place undue reliance on these forward-looking statements and urge you to carefully review the disclosures we make concerning risks in Part I, Item 1A. “Risk Factors” and Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report. Readers of this Annual Report should also read our other periodic filings made with the Securities and Exchange Commission and other publicly filed documents for further discussion regarding such factors.

PART I

Item 1. Business.

In this Annual Report, unless specifically stated otherwise or the context indicates otherwise, the terms "Colony Capital," the "Company," "we," "our" and "us" refer to Colony Capital, Inc. and its consolidated subsidiaries. References to the “Operating Partnership,” our “Operating Company” and the “OP” refer to Colony Capital Operating Company, LLC, a Delaware limited liability company and the operating company of the Company, and its consolidated subsidiaries.

Overview

We are a global investment firm with a focus on becoming the leading digital real estate provider and funding source for the occupancy, infrastructure, equity and credit needs of the world’s mobile communications and data-driven companies. We are headquartered in Los Angeles, with key offices in Boca Raton, New York, Paris and London, and have over 400 employees across 21 locations in 13 countries.

We were organized on May 31, 2016 as a Maryland corporation, and were 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"). Refer to Note 3 to the consolidated financial statements for further details on the Merger.

We elected to be taxed as a real estate investment trust ("REIT") for U.S. federal income tax purposes. We conduct our operations as a REIT, and generally are not subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our taxable income to stockholders and maintain qualification as a REIT, although we are subject to U.S. federal income tax on income earned through our taxable subsidiaries. We also operate our business in a manner that will permit us to maintain our exemption from registration as an investment company under the 1940 Act.

We conduct substantially all of our activities and hold substantially all of our assets and liabilities through our Operating Company. At December 31, 2019, we owned 90.2% of the Operating Company, as its sole managing member.

Our Business

Our vision is to establish the Company as a leading owner, operator and investment manager of digital infrastructure and real estate. We are currently the only global REIT that owns, manages, and/or operates across all major infrastructure components of the digital ecosystem including data centers, cell towers, fiber networks and small cells.

To execute this vision, the Company combined with Digital Bridge Holdings, LLC (“DBH”) in July 2019. DBH is an investment manager dedicated to digital real estate and infrastructure, managing approximately $14 billion of assets under management (“AUM”) and approximately $7 billion of fee earning equity under management (“FEEUM”) across six separately capitalized and managed portfolio companies and the $4 billion Digital Colony Partners fund (“DCP”). As part of the DBH transaction, Marc C. Ganzi, who co-founded DBH, is slated to become the Chief Executive Officer ("CEO") of the Company following a transition period and will lead the Company’s strategic repositioning in becoming the leading platform for digital infrastructure and real estate. Thomas J. Barrack, Jr., the Company's Executive Chairman and CEO, will continue in his position as Executive Chairman. Further, the combination with DBH brings its world-class team of investment professionals and management of the DBH portfolio of high performing assets under the combined Digital Colony franchise.

At December 31, 2019, the Company has approximately $49 billion of assets under management, of which $36 billion is capital managed on behalf of third-party investors and the remainder represents investment interests on the Company's own balance sheet, managed on behalf of its stockholders. With respect to investment interests, the Company owns (a) a 20% controlling interest in Data Bridge Holdings, LLC and its wholly-owned subsidiary, DataBank Holdings, Ltd. (collectively, "DataBank"), a leading provider of enterprise-class data center, cloud, and connectivity services, (b) a 71% interest in a portfolio of 358 healthcare properties, (c) a 94% interest in a portfolio of 157 hospitality properties, (d) a 36% interest in Colony Credit Real Estate, Inc. (NYSE: CLNC), and (e) interests in various other equity and debt investments, including general partnership (“GP”) interests in funds sponsored by the Company, commercial real estate equity and debt investments and other real estate related securities. The Company also owns and operates an investment management business with $19 billion of FEEUM, including $7 billion in digital real estate investments and the remainder in traditional commercial real estate debt and equity investments.

The Company's seven reportable segments are as follows:

- *Digital Real Estate and Investment Management ("Digital")*—The Company's digital segment is composed of (i) balance sheet equity interests in digital infrastructure and real estate; and (ii) digital infrastructure and real estate investment management business. For digital investments on our balance sheet, these assets earn rental income from providing use of space and/or capacity in or on our digital assets through long-term leases, services and other agreements. In the digital investment management business, we earn management fees, generally based on the amount of assets or capital managed in investment vehicles, and have the potential to earn carried interest based on the performance of such investment vehicles subject to the achievement of minimum return hurdles.

- *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 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*—In December 2019, the Company completed the sale of the light industrial portfolio and its related management platform, which represented the vast majority of the segment. Therefore, the industrial segment will no longer constitute a reportable segment in the future. The Company continues to own the remaining bulk industrial assets which remain held for sale. As the sale represented a strategic shift that had a major effect on the Company's operations and financial results, the historical results of the industrial segment are presented as discontinued operations on the consolidated statements of operations (Note 16).
- *Hospitality*—The Company's hospitality segment 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 segment is composed of our 36% interest in CLNC, an externally managed commercial real estate credit REIT. CLNC is focused on originating, acquiring, financing and managing a diversified commercial real estate portfolio, consisting primarily of senior mortgage loans, mezzanine loans, preferred equity, debt securities and net leased properties predominantly in the United States. CLNC was formed on January 31, 2018 through contribution of the Company's interests in certain of its investment entities, and a concurrent 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 by the Company (the "Combination"). Refer to Note 6 to the consolidated financial statements for additional details on CLNC.
- *Other Equity and Debt*—This segment is composed 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 on real estate or real estate-related investments, excluding digital real estate. Non-strategic investments are composed of those investments the Company does not intend to own for the long term including commercial real estate equity and debt investments and other real estate related securities, among other holdings.
- *Other Investment Management*—This segment, which is separate from the digital investment management business that resides in the digital segment, encompasses the Company's management of private real estate credit funds and related co-investment vehicles, CLNC, a public non-traded healthcare REIT and interests in other investment management platforms, among other smaller investment funds. This segment also included the industrial investment management business prior to the sale of the light industrial portfolio in December 2019, and is presented as discontinued operations on the consolidated statements of operations. The Company earns management fees, generally based on the amount of assets or capital managed, and contractual incentive fees or potential carried interest based on the performance of the investment vehicles managed subject to the achievement of minimum return hurdles.

Digital Evolution

In December 2019, the Company completed the sale of the light industrial portfolio and its related management platform, which resulted in approximately $1.25 billion of net proceeds to the Company. In the immediate term, the industrial proceeds were allocated to: (i) accelerate the expansion into digital real estate and infrastructure, with the acquisition in December 2019 of a 20% controlling interest in DataBank for approximately $186 million, (ii) fund the remaining approximately $200 million commitment to DCP, and (iii) redeem $403 million of high cost preferred equity, which was settled in January 2020, to improve the Company's capital structure.

To execute on its digital evolution, the Company continues to operate its non-digital business units to maximize cash flows and value over time.

With respect to the healthcare and hospitality segments, the Company successfully addressed all material near-term debt maturities, allowing the respective business unit leaders to focus on improving cash flows through operational management and capital expenditures. The Company does not currently anticipate significantly shortened hold periods for its healthcare and hospitality assets solely as a result of its current strategy to focus on digital real estate and infrastructure. Holding periods will depend, in part, on prevailing economic conditions and market opportunities as they arise. In the fourth quarter of 2019, the Company continued to perform its impairment assessment of healthcare and hospitality assets in accordance with its policies and in the normal course of business, and applied its best estimate at this time based upon undiscounted future net cash flows to be generated by these assets over a long-term hold.

With respect to the other equity and debt segment, the Company has a 2020 asset sale and monetization target of $300 to $500 million with the goal to ultimately monetize the entire non-digital portfolio in the other equity and debt segment. With respect to the Company's investment in CLNC, the Company will evaluate sales of its equity interest in a responsible manner, and believes the current CLNC share price represents an excessive discount to book value. In addition, the Company is pursuing a disposition of its management contract with CLNC, but there can be no assurance that the Company will consummate any transaction. Further, with respect to the other non-digital investment management business, the Company is exploring all potential opportunities to maximize value of the credit and opportunity fund investment management business, while minimizing balance sheet capital commitments, including, but not limited to, joint ventures with third party capital providers, sales and/or realignment of operational management.

As part of the Company’s ongoing transition and rotation to an investment management and operating business focused on digital real estate and infrastructure, the Company continues to pivot away from certain of its legacy investment management business. As a result, the Company revalued its other investment management business and recorded an impairment to goodwill in the fourth quarter of 2019 of $401 million. The Company had previously recorded an impairment in the third quarter of 2019 of $387 million to its other investment management goodwill, taking into consideration the loss of future fee income as a result of the sale of its industrial business, and amendment of CLNC's management agreement to reduce the fee base to reflect CLNC's reduced book value.

While the Company has a clear vision of becoming a leading digital real estate and infrastructure investment firm, the path to achieving its digital evolution and transition from legacy business segments continue to be subject to further refinement by the Company and its board of directors. The transformation and execution thereof may continue to evolve over time as the Company adapts and responds to changing economic and market conditions, among other factors.

Corporate Governance Update

During 2019, in connection with the cooperation agreement with Blackwells Capital, a Company stockholder, we appointed three new independent directors to the Company’s board of directors with real estate and finance experience, as well as new perspectives that they bring to the board. On February 25, 2020, Justin Metz resigned as a member of the Company’s board of directors, including as a member of its risk committee and nominating and corporate governance committee, effective as of February 25, 2020. In furtherance of the previously announced process undertaken by the nominating and corporate governance committee of the Company’s board of directors, the Company has engaged a third party consultant/executive search firm to assist the Company’s board of directors, including its nominating and corporate governance committee, in evaluating Board composition, governance and refreshment matters, with a focus on identifying potential director candidates with appropriate digital experience to join our Board as we continue to execute on our digital evolution. This process is ongoing as the nominating and corporate governance committee continues to evaluate the composition of the Board and search for new director candidates.

Investment Strategy

We plan to invest in digital infrastructure and real estate assets in which we have a competitive advantage with our experience and track record in this sector, and which possess a durable cash flow profile with compelling secular growth characteristics driven by key themes such as 5G, artificial intelligence and cloud-based applications. We believe our deep understanding of commercial real estate and digital infrastructure, together with our extensive experience running mission-critical network infrastructure for some of the world's largest and most-profitable companies, will provide us with a significant advantage in identifying and executing on attractive opportunities through various economic cycles.

We believe we can achieve our business objective of delivering attractive risk-adjusted returns through our rigorous underwriting and asset management processes, which benefit from our deep operational and investment experience in commercial real estate and digital infrastructure, having invested in and run digital infrastructures businesses through multiple economic cycles. These processes allow us to implement a flexible yet disciplined investment strategy for our balance sheet and for the companies and funds we manage on behalf of third parties. Core strengths and principles of our investment strategy include:

- *People*—Established operators, investors and thought leaders with over two decades of experience in towers, data centers, fiber and small cells
- *Best-in-class assets*—Own mission-critical and hard-to-replicate network infrastructure supporting many of the largest and most-profitable companies in the world and typically with very high renewal rates and pricing; Digital Colony has already successfully constructed a portfolio of best-in-class assets within its investment management business across all components of the digital ecosystem to drive significant synergies
- Disciplined framework
  - *Four corners of asset selection*—(i) market dynamics, with a focus on stable markets with catalysts for near-term digital infrastructure investment and downside protection for asset owners, (ii) asset quality, with a focus on unique, hard-to-replicate assets and assets that provide mission critical services to customers with high switching costs, (iii) contract quality, with a focus on long-term contracts with investment grade customers and build in maximum flexibility to add additional tenants, and (iv) management or platform potential, with an emphasis on buy and build strategies with initial investments used as a platform to drive growth organically and through acquisitions
  - *Alpha creation*—Drive outperformance through human capital decisions, direct operating experience, proprietary back-office systems, differentiated merger and acquisitions program and dynamic balance sheet management
- *Operational excellence*—Emphasis on strong organic leasing growth, extensive greenfield development expertise, and the highest environmental, social and governance ("ESG") standards
- *Proprietary deal flow*—Focus on compelling proprietary investment opportunities in brownfield, greenfield and new white sheet business plans and carveouts that avoid competitive auctions, facilitating lower entry multiples
- *Products*—Provide flexible and creative solutions across the capital structure to digital real estate and infrastructure companies around the world
- *Prudent leverage*—Structuring transactions with the appropriate amount of leverage, if any, based on the risk, duration and structure of cash flows of the underlying asset

Our investment strategy is dynamic and flexible, which enables us to adapt to shifts in economic, real estate and capital market conditions and to exploit inefficiencies around the world. Consistent with this strategy, in order to capitalize on the investment opportunities that may be present in various points of an economic cycle, we may expand or change our investment strategy or target assets over time as appropriate.

Financing Strategy

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

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

Risk Management

Risk management is a significant component of our strategy to deliver consistent risk-adjusted returns to our stockholders. The risk committee of our board of directors, in consultation with our chief risk officer, internal auditor and 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 and Investment Process

In connection with executing any new investment in digital assets for our balance sheet or a managed investment vehicle, our underwriting team undertakes a comprehensive due diligence process to ensure that we understand all of the material risks involved with making such investment, in addition to related accounting, legal, financial and business issues. If the risks can be sufficiently mitigated in relation to the potential return, we will pursue the investment on behalf of our balance sheet and/or investment vehicles, subject to approval from the applicable investment committee, composed of senior executives of the Company.

Specifically, as part of our underwriting process, we evaluate and review the following data, including, but not limited to: financial data including historical and budgeted financial statements, tenant or customer quality, lease terms and structure, renewal probability, capital expenditure plans, sales pipeline, technical/energy requirements and supply, local and macroeconomic market conditions, ESG, leverage and comparable 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 digital 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.

Allocation Procedures

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

Portfolio Management

The comprehensive portfolio management process generally includes day-to-day oversight by the Company's portfolio management team, regular management meetings and quarterly asset review process. These processes are designed to enable management to evaluate and proactively identify investment-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 reviews.

We use many methods to actively manage our risk to preserve our income and capital, including, but not limited to, maintaining dialogue with tenants, operators, partners and/or borrowers and performing regular inspections of our collateral and owned properties. 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 or loan loss reserves, as applicable, based upon several factors, including missed or late contractual payments, significant declines in property operating performance and other data which may indicate a potential issue in our ability to recover our invested capital from an investment. In addition, we may utilize services of certain strategic partnerships and joint ventures with third parties with relevant expertise to assist our portfolio management.

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

Interest Rate and Foreign Currency Hedging

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

Operating and Regulatory Structure

REIT Qualification

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

Investment Company Act of 1940

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

We hold ourselves out as a real estate investment management firm. We do not propose to engage primarily in the business of investing, reinvesting or trading in securities. We are organized as a holding company that conducts its businesses primarily through wholly owned or majority owned subsidiaries. We are primarily engaged in owning and leasing real estate assets and managing investments for other entities that own real estate assets. The assets of certain of our subsidiaries may be deemed to consist primarily of investment securities, but we believe that many of these subsidiaries will qualify for an exception from the definition of investment company under Section 3(c)(5)(C) or Section 3(c)(6) of the 1940 Act. Section 3(c)(5)(C) provides an exception for entities “primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate.” Section 3(c)(6) provides an exception for entities that are primarily engaged, directly or through majority owned subsidiaries, in, among other things, the business of purchasing mortgages or other real estate interests. We intend to monitor our holdings to ensure ongoing compliance with the 40% test referred to above. In addition, we believe we are not an investment company under Section 3(a)(1)(A) of the 1940 Act because we do not and will not engage primarily, or hold ourselves out as being engaged primarily, in the business of investing, reinvesting or trading in securities. Rather, through our wholly owned and majority owned subsidiaries, we are primarily engaged in the non-investment company businesses of these subsidiaries. Continuing qualification for exemption from registration under the 1940 Act will limit our ability to make certain investments.

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

Regulation under the Investment Advisers Act of 1940

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

U.S. Healthcare Regulation—Overview

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

Healthcare Fraud and Abuse Enforcement

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

Healthcare Reform

The Patient Protection and Affordable Care Act of 2010, or ACA, impacted the healthcare marketplace by decreasing the number of uninsured individuals in the United States through the establishment of health insurance exchanges to facilitate the purchase of health insurance, expanded Medicaid eligibility, subsidized insurance premiums and included requirements and incentives for businesses to provide healthcare benefits. The ACA remains subject to continuing legislative, administrative and judicial challenge and scrutiny, and could be amended, modified or invalidated in whole or in part at any time.

In 2017, Congress enacted legislation eliminating the tax penalty for individuals who do not purchase insurance after it unsuccessfully sought to replace substantial parts of the ACA with different mechanisms for facilitating insurance coverage in the commercial and Medicaid markets. Additionally, US Department of Health and Human Services and its agency that oversees much of the ACA, the Centers for Medicare and Medicaid Services (CMS) have substantially revised a number of ACA-related regulations, which have had altered financial support for health plans, enrollment operations and individuals seeking to purchase insurance. CMS also has allowed new insurance options offering less coverage to compete in the market. These changes and other market dynamics are associated with declining enrollment and increased numbers of uninsured and under-insured individuals in recent years. Further, CMS has approved waivers permitting states to alter state Medicaid programs by, among other things, requiring individuals to meet certain requirements, like work requirements, in order to maintain eligibility for Medicaid (although some of these waivers have subsequently been challenged in court). These and other actions may impact the insurance markets and reduce the number of individuals purchasing insurance or qualifying for Medicaid and may negatively impact the operations and financial condition of our tenants, operators and managers, which in turn may adversely impact us. If the ACA is repealed or further substantially modified, or if implementation of certain aspects of the ACA are suspended, slowed, or subject to reduced funding, such actions could negatively impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us.

On December 14, 2018, a U.S. District Court in Texas ruled the ACA unconstitutional in its entirety. In December 2019, a Court of Appeals concurred, but also returned the case to the District Court for further proceedings. Appeals also are pending before the US Supreme Court. No changes are expected while the appeals are pending. Nonetheless, should this ruling be upheld in whole or in part upon appeal, it could dramatically change U.S. healthcare regulation in numerous ways and may potentially spur congressional action, making the ultimate consequences of the ruling difficult to predict. Should the ruling be upheld and implemented, the immediate effects would include reduced access to health coverage through: (1) reduced Medicaid eligibility, (2) the disestablishment of health insurance exchanges and accompanying subsidized premiums, and (3) no requirement for businesses to provide health insurance. Amendments, including certain waivers to healthcare fraud and abuse laws made by the ACA would also be void, which could change the enforcement posture of federal regulators. Current healthcare reimbursement standards, including those discussed below, are predicated on changes made by the ACA and implementation of this ruling would create significant uncertainty regarding the legality of such standards and what standards are in effect absent the ACA. The effects of this ruling could adversely affect the operations and financial condition of our tenants and operators, which in turn may adversely impact us.

In November 2020, the United States will hold federal elections for president and Congress. The outcome of those elections may create more uncertainty in 2021 and beyond. Many candidates for the Democratic nomination for president are proposing to further reform healthcare markets. Any changes could negatively impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us.

Healthcare Reimbursement

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

Skilled nursing facilities and hospitals typically receive most of their revenues from the Medicare and Medicaid programs, with the balance representing reimbursement payments from private payors, including private insurers and self-pay patients. Senior housing facilities (assisted living, independent living and memory care facilities) typically receive most of their revenues from private pay sources and a small portion of their revenue from the Medicaid program. Providers that contract with government and private payors may be subject to periodic pre- and post-payment reviews and other audits. A review or audit of a property operator’s claims could result in recoupments, denials or delay of payments in the future, each of which could have a significant negative financial impact on such property. Additionally, there can be no guarantee that a third-party payor will continue to reimburse for services at current levels or continue to be available to residents of our facilities. Rates generated at facilities will vary by payor mix, market conditions and resident acuity. Rates paid by self-pay residents are set by the facilities and are determined by local market conditions and operating costs.

- *Medicare Reimbursement*—Medicare is a significant payor source for our skilled nursing facilities and hospitals. Skilled nursing facilities are reimbursed under the Medicare Skilled Nursing Facility Prospective Payment System, while hospitals are reimbursed by Medicare under prospective payment systems that vary based upon the type of hospital, geographic location and service furnished. Under these payment systems, providers typically receive fixed fees for defined services, which create a risk that payments will not cover the costs of delivering care. In addition, CMS continues to focus on linking payment to performance relative to quality and other metrics and bundling payments for multiple items and services in a way that shifts more financial risk to providers. These changes, and a facility's ability to conform to them, could reduce payments and patient volumes for some facilities, including our tenants and operators, which may in turn adversely impact us. Furthermore, while CMS has previously tested some of these new payment principles through optional "models," CMS could adopt rules making certain detrimental payment policies mandatory. The current presidential administration could propose additional changes to the amount and manner in which healthcare providers are paid, and these changes also could have a material adverse effect on payments and patient volumes for some facilities. Lastly, Congress is contemplating substantial reforms to the Medicare program as a whole that, if enacted, could negatively impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us.

  - *Skilled Nursing Conditions for Participation*—On October 4, 2016, CMS published a final rule to make major changes to improve the care and safety of residents in long-term care facilities that participate in the Medicare and Medicaid programs. The policies in this final rule were targeted at reducing unnecessary hospital readmissions and infections, improving the quality of care, and strengthening safety measures for residents in these facilities. The regulations were effective on November 28, 2016, but CMS has been implementing the regulations using a phased approach, with Phase 1 of the regulations implemented on November 28, 2016 and Phase 2 of the regulations implemented on November 28, 2017. Phase 3 of the regulations were to be implemented on November 28, 2019, but CMS proposed substantial changes in July 2019. Those changes have not been finalized yet. In the meantime, Phase 3 has not been implemented. Failure of our tenants and operators to comply with the new regulations could have an adverse impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us.
  - *Skilled Nursing*—In August 2018, CMS adopted a revised methodology used to compensate skilled nursing facilities for therapy services, which changes the core basis of reimbursement from duration of services provided to reimbursement based on anticipated patient needs; these changes took effect on October 1, 2019. A tenant or operator of a skilled nursing facility's ability to conform to these changes could positively or negatively impact the facility's revenue, which in turn may adversely impact us.

- *Medicaid Reimbursement*—Medicaid is also a significant payor source for our skilled nursing facilities and hospitals. The federal and state governments share responsibility for financing Medicaid. Within certain federal guidelines, states have a fairly wide range of discretion to determine Medicaid eligibility and reimbursement methodology. CMS, in part as a result of the change in leadership in the executive branch, has embraced a more flexible approach to state amendments and waivers that allow states even more latitude to determine eligibility and reimbursement. Certain states are attempting to slow the rate of growth in Medicaid expenditures by freezing rates or restricting eligibility and benefits; some states have elected not to expand their Medicaid eligibility criteria pursuant to the ACA. Some states are transitioning their Medicaid programs to managed care models, which rely on networks of contracted providers to provide services at reduced negotiated rates to a higher volume of patients than they might see absent the contract. Such changes may reduce the volume of Medicaid patients at facilities that do not participate in the managed care plan's network. Facilities that do participate may not receive a sufficient increase in patient volume to offset their lowered reimbursement rates. States and the federal government are also examining ways to further align Medicaid reimbursement with quality metrics and other value-based payment models that might shift risk to or place additional compliance costs on facilities. Congress and the current presidential administration have sought to repeal and alter the ACA and substantially reform the Medicaid program. If successful, Congress may repeal the provisions of the ACA that encouraged states to expand Medicaid eligibility to more adults, including additional federal matching funds that enabled states to do so. Congress also might impose strict limits on the federal role in subsidizing the costs of state Medicaid programs. These actions, if enacted, could result in states reducing or eliminating eligibility for certain individuals and/or offsetting the cost by further reducing payments to providers of services. Congress is also considering enacting substantial reforms to Medicaid to grant states more autonomy and discretion to design Medicaid programs. These changes, if enacted, could also reduce or eliminate eligibility for certain individuals and/or allow states to further reduce payments to providers of services. In some states, our tenants and operators could experience delayed or reduced payment for services furnished to Medicaid enrollees, which in turn may adversely impact us. Additionally, in November 2019, CMS proposed new rules that would make changes to how states can structure provider taxes and supplemental payments, among other items, in their Medicaid programs. If finalized, these changes may lead states to profoundly alter how they support long-term care providers, among others, and those changes could affect the financial viability of our tenants and operators. Further, as noted above, ongoing litigation regarding the ACA and Medicaid waivers may also affect Medicaid coverage and reimbursement.

Healthcare Licensure, CON, Certification and Accreditation

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

Health Information Privacy and Security

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

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

Competition

As an investment manager with significant balance sheet investments, we primarily compete for capital from outside investors and in our pursuit and execution of attractive investments on behalf of our balance sheet and investment funds.

The ability to source capital from outside investors will depend on our reputation, investment track record, pricing and terms for the management of capital, and market environment for capital raising, among other factors. We compete with other investment managers focused on or active in digital real estate and infrastructure including other private equity sponsors, credit and hedge fund sponsors and REITs, who may have greater financial resources, longer track records, more established relationships and more attractive fund terms, including fees.

The ability to transact on attractive investments will depend on execution reputation, capital availability, tolerance for risk, cost of capital, number of buyers and pricing, among other factors. We face competition from a variety of institutional investors, including other REITs, investment managers of private equity, infrastructure, credit, hedge and other funds, specialty finance companies, commercial and investment banks, commercial finance and insurance companies, and other financial institutions. Some of these competitors may have greater financial resources, access to lower cost of capital and access to funding sources that may not be available to the Company. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, or pay higher prices, than we can. Furthermore, some of our competitors are not subject to the operating constraints associated with REIT compliance or maintenance of an exemption from the 1940 Act.

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

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

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

Seasonality

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

Employees

At December 31, 2019, we employed over 400 full-time employees worldwide.

Available Information and Corporate Governance

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

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

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

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

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

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

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

Item 1A. Risk Factors.

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

Risks Related to Our Company

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

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

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

In addition, political uncertainty may contribute to potential risks beyond our control, such as changes in governmental policy on a variety of matters including trade, healthcare, manufacturing, development and investment, the restructuring of trade agreements, and uncertainties associated political gridlock. Any such changes in U.S. or international political conditions in the territories and countries where we or our tenants operate could adversely affect our operating results, our business and the market price of our stock.

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

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

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

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

The investment management business is intensely competitive.

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

- a number of our competitors have more personnel and greater financial, technical, marketing and other resources than we do;

- many of our competitors have raised, or are expected to raise, significant amounts of capital, and many of them have investment objectives similar to ours, which may create additional competition for investment opportunities and reduce the size and duration of pricing inefficiencies that we seek to exploit;

- some of our competitors (including strategic competitors) may have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to our managed companies, particularly our managed companies that directly use leverage or rely on debt financing of their portfolio companies to generate superior investment returns;

- some of our competitors have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments;

- our competitors may be able to achieve synergistic cost savings in respect of an investment that we cannot, which may provide them with a competitive advantage in bidding for an investment;

- there are relatively few barriers to entry impeding new funds, and the successful efforts of new entrants into our various lines of business, including major commercial and investment banks and other financial institutions, have resulted in increased competition;

- some investors may prefer to invest with an investment manager whose equity securities are not traded on a national securities exchange;

- some investors may prefer to pursue investments directly instead of investing through one of our managed companies;

- other industry participants will from time to time seek to recruit our investment professionals and other employees away from us; and

- other investment managers may offer more products and services than we do, have more diverse sources of revenue or be more adept at developing, marketing and managing new products and services than we are.

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

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

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

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

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

- limit our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;

- restrict us from making strategic acquisitions or cause us to make non-strategic divestitures;

- restrict us from paying dividends to our stockholders;

- increase our vulnerability to general economic and industry conditions; and

- require a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our borrowings, thereby reducing our ability to use cash flow to fund our operations, capital expenditures and future business opportunities.

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

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

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

We depend on the efforts, skill, reputations and business contacts of our key personnel, including our executive officers, which include our Executive Chairman and Chief Executive Officer, Thomas J. Barrack, Jr., the Chief Executive Officer of our digital realty platform and our incoming Chief Executive Officer, Marc C. Ganzi, and our President, Darren J. Tangen, in particular, and the services of the other members of our senior management team, including Mark M. Hedstrom, Ronald M. Sanders and Neale W. Redington, each of whom has entered into an employment agreement with us. For instance, the extent and nature of the experience of our executive officers and the nature of the relationships they have developed with real estate professionals, financial institutions, investors in certain of our investment vehicles and other members of the business community are critical to the success of our business.

In particular, the success of our pivot to a digital real estate and infrastructure focused strategy depends, to a significant extent, upon the continued services of DBH’s key personnel, including Mr. Ganzi, who is expected to become our Chief Executive Officer upon the later of such time as the investment period for Digital Colony Partners terminates and December 31, 2020, and Benjamin Jenkins, DBH’s co-founder and the Chairman of our digital realty platform. Although Mr. Ganzi and Mr. Jenkins received equity interests in us, and are subject to employment agreements and other agreements containing restrictions on engaging in activities that are deemed competitive to our business, there can be no assurances that they will continue employment with us. The loss of Mr. Ganzi, Mr. Jenkins or other DBH personnel could harm our digital real estate business and negatively impact our ability to execute our strategic pivot.

Changes to our management team have occurred in the past, changes to our management team are expected during 2020 with the anticipated appointment of Mr. Ganzi as our Chief Executive Officer and we cannot assure stockholders that further changes will not be made. We also cannot assure stockholders of the continued employment of these individuals with the Company. The loss of services of certain of our executive officers and key personnel dedicated to our digital business could have a material adverse effect on our business, financial condition, results of operations and ability to effectively operate our business.

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

There may be conflicts of interest between us and our incoming Chief Executive Officer and certain other senior DBH employees that could result in decisions that are not in the best interests of our stockholders.

Prior to our combination with DBH, Marc C. Ganzi and Benjamin Jenkins made personal investments in certain portfolio companies and/or related vehicles (collectively, the "DBH Portfolio Companies"), which DBH acquired along with a consortium of third party investors. In the DBH combination, we acquired the contracts to provide investment advisory and other business services to the DBH Portfolio Companies, while Mr. Ganzi and Mr. Jenkins retained their respective investments in the DBH Portfolio Companies. As a result of these personal investments and related outside business activities, Mr. Ganzi, Mr. Jenkins and certain other senior DBH employees may have control, veto rights or significant influence over, or be required to represent the interests of certain third party investors in, major decisions and other operational matters at the DBH Portfolio Companies. In addition, Mr. Ganzi, Mr. Jenkins and certain other DBH employees may be entitled to receive carried interest payments from the DBH Portfolio Companies upon the occurrence of certain events. As a result, Mr. Ganzi, the Chief Executive Officer of our digital realty platform and our incoming Chief Executive Officer, Mr. Jenkins, the Chairman of our digital realty platform, and certain other senior DBH employees, may have different objectives than us regarding the performance and management of, transactions with or investment allocations to, the DBH Portfolio Companies. The Company has attempted, and will continue to attempt, to manage and mitigate actual or potential conflicts of interest between us, on the one hand, and Mr. Ganzi, Mr. Jenkins and certain other senior DBH employees, on the other hand; however, there can be no assurances that such attempts will be effective.

In connection with our acquisition from third parties of interests in DataBank in December 2019, Mr. Ganzi and Mr. Jenkins received approximately $3 million in carried interest payments. The Company took a series of steps to mitigate the conflicts in the transaction, including, among others, receiving a fairness opinion on the Company's purchase price from a nationally recognized third party valuation firm, obtaining approval from its board of directors, entering into voting agreements with Mr. Ganzi and Mr. Jenkins which provide the Company with majority voting power over DataBank's board, and structuring the carried interest payments to Mr. Ganzi and Mr. Jenkins in OP Units (as opposed to cash) subject to multi-year lockups.

As the Company continues its strategic pivot to digital real estate and infrastructure and subject to our Code of Business Conduct and Ethics and related party transaction policies and procedures as applicable, we may continue to enter into transactions or other arrangements with the DBH Portfolio Companies in which there are actual or potential conflicts of interests between us and Mr. Ganzi, Mr. Jenkins and certain other senior employees. Despite having related party policies and procedures in place and having conflict mitigants in such transactions, such transactions may not be on terms as favorable to us as they would have been if they had been negotiated among unrelated parties. In addition, such transactions may result in future conflicts of interest if Mr. Ganzi's or Mr. Jenkins' continuing interests in the transaction (if any) are not aligned with the Company's.

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

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

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

We have been and may continue to be the subject of increased activity by activist stockholders. Responding to stockholder activism can be costly and time-consuming, disrupt our operations and divert the attention of management and our employees from executing our business plan. In February 2019, we entered into a cooperation agreement with Blackwells Capital, LLC ("Blackwells Capital"), an activist investor, pursuant to which, among other things, we appointed three new independent directors to our board of directors. In November 2019, we received a notice from Blackwells Capital of its intent to nominate a slate of five individuals to stand for election to our board of directors at our 2020 annual meeting of stockholders. Activist campaigns can create perceived uncertainties as to our future direction, strategy or leadership and may result in the loss of potential business opportunities, harm our ability to attract new investors, tenants/operators/managers and joint venture partners, cause us to incur increased legal, advisory and other expenses and cause our stock price to experience periods of volatility or stagnation. Moreover, if individuals are elected to our board of directors with a specific agenda, even though less than a majority, our ability to effectively and timely implement our current initiatives and execute on our long-term strategy may be adversely affected. We are particularly susceptible to the adverse effects of stockholder activism as we are in the process of executing on our announced strategic pivot to digital real estate and infrastructure. Furthermore, there are circumstances in which our revolving credit facility could terminate and/or accelerate and various change of control payments could arise as a result of the conclusion of a proxy fight.

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

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

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

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

We have undertaken a corporate restructuring to reduce our annual compensation and administrative expenses. The impact of the corporate restructuring on our organization may not be effective, might have unintended consequences and could negatively impact our business.

In November 2018, we undertook a corporate restructuring, which has resulted in more than $55 million, or $50 million on a cash basis, annual compensation and administrative cost savings on a run rate basis. In connection with the corporate restructuring, we also incurred $33 million of restructuring charges through December 31, 2019. To the extent we continue such corporate restructuring to further our annual compensation and administrative cost savings, we may incur additional restructuring charges.

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

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

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

- our REIT tax status not being respected under foreign laws, in which case any income or gains from foreign sources could be subject to foreign taxes and withholding taxes;
- changes in real estate and other tax rates, the tax treatment of transaction structures and other changes in operating expenses in a particular country where we have an investment;
- restrictions and limitations relating to the repatriation of profits;
- complexity and costs of staffing and managing international operations;

- the burden of complying with multiple and potentially conflicting laws;
- changes in relative interest rates;
- translation and transaction risks related to fluctuations in foreign currency and exchange rates;
- lack of uniform accounting standards (including availability of information in accordance with accounting principles generally accepted in the United States ("GAAP"));
- unexpected changes in regulatory requirements;
- the impact of different business cycles and economic instability;
- political instability and civil unrest;
- legal and logistical barriers to enforcing our contractual rights, including in perfecting our security interests, collecting accounts receivable, foreclosing on secured assets and protecting our interests as a creditor in bankruptcies in certain geographic regions;
- share ownership restrictions on foreign operations;
- compliance with U.S. laws affecting operations outside of the United States, including sanctions laws, or anti-bribery laws such as the Foreign Corrupt Practices Act (“FCPA”); and
- geographic, time zone, language and cultural differences between personnel in different areas of the world.

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

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

In addition, the United Kingdom withdrew from the European Union effective as of January 31, 2020, and is now in a period of transition until the end of 2020. The transition period maintains existing trading arrangements, with future trading arrangements to be negotiated between the United Kingdom and the European Union during this period. Until a final agreement has been reached, an exit without a trade agreement in place, which would result in the United Kingdom losing access to free trade agreements for goods and services within the European Union and with other countries, will continue to be a risk. An exit from the European Union without an agreement in place would likely result in a significant increase in tariffs on U.K. imports and exports and delays at the U.K. border, which could have a substantial adverse impact on the availability of financing, our business and our results of operations. To the extent there is a negotiated Brexit, the implementation of any agreements reached, and the changes to current operations and processes resulting therefrom, could have an adverse impact on our operations.

There can be no assurance that the United Kingdom and the European Union will succeed in negotiating a final trade agreement within the time period contemplated or at all. Regardless of whether the United Kingdom and the European Union succeed in such negotiations, the consequences for the economies of the European Union member states as a result of the United Kingdom’s withdrawal from the European Union are unknown and unpredictable. Uncertainty about global or regional economic conditions poses a risk as consumers and businesses may postpone spending in response to tighter credit, negative financial news, and declines in income or asset values, which could adversely affect the availability of financing, our business and our results of operations.

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

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

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

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

We are subject to significant competition for attractive investment opportunities from other real estate investors, some of which have greater financial resources than us, including publicly-traded REITs, non-traded REITs, insurance companies, commercial and investment banking firms, private institutional funds, hedge funds, private equity funds and other investors. Some of our competitors and potential competitors have significant advantages over us, particularly as we continue our transition to a digital focused investment strategy, including greater name recognition, longer or more favorable operating histories, pre-existing relationships with current or potential customers, significantly greater financial, marketing and other resources and more ready access to capital which allow them to respond more quickly to new or changing opportunities. We may not be able to compete successfully for investments. In addition, the number of entities and the amount of funds competing for suitable investments may increase. For example, a significant portion of the assets that were acquired in the Merger were acquired during periods of increased competition in 2014 and 2015. To the extent we paid higher prices for such investments or originated loans on less advantageous terms to us, or are required to do so in the future, due to increased competition, our returns may be lower and the value of our assets may not increase or may decrease significantly below the amount we paid for such assets. Further, as we reinvest capital, we may not realize risk adjusted returns that are as attractive as those we have realized in the past due to decreased competition for such investments or otherwise. If such events occur, we may experience lower returns on our investments.

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

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

In addition, we have and may continue to recognize impairments on the Company's equity method investments and goodwill. For example, given the prolonged period of time that the carrying value of our investment in CLNC had exceeded its market value, we determined that our investment in CLNC was other-than-temporarily impaired and recorded an impairment charge of $228 million as part of equity method loss in the second quarter of 2019. In addition, in connection with the November 2019 amendment to the Company's management agreement with CLNC as well as the refocusing of capital raising efforts towards growing the digital investment management business and following the Company's application of applicable impairment tests, the Company recognized impairments to its investment management goodwill of $387 million and $401 million in each of the third and fourth quarters of 2019, respectively. Further, as the Company continues to shift its strategy to focus on the digital industry, we have and may continue to determine to sell our non-digital related assets sooner than we would have otherwise done so, which may result in taking impairment charges on such assets.

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

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

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

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

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

The future of the reference rate used in our existing floating rate debt instruments and hedging arrangements is uncertain, which could hinder our ability to maintain effective hedges and could adversely impact our business operations and financial results.

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

In July 2017, the Chief Executive of the U.K. Financial Conduct Authority (“FCA”) announced that the FCA intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. In response to concerns regarding the reliability and robustness of commonly used reference rates, in particular LIBOR, the Financial Stability Oversight Council and Financial Stability Board called for the development of alternative interest rate benchmarks.

In April 2018, the New York Federal Reserve commenced publishing an alternative reference rate to LIBOR as calculated for the U.S. dollar (“USD-LIBOR”), the Secured Overnight Financing Rate (“SOFR”), proposed by a group of major market participants convened by the U.S. Federal Reserve with participation by SEC Staff and other regulators, the Alternative Reference Rates Committee ("ARRC"). SOFR is based on transactions in the more robust U.S. Treasury repurchase market and has been proposed as the alternative to USD-LIBOR for use in derivatives and other financial contracts that currently rely on USD-LIBOR as a reference rate. ARRC has proposed a paced market transition plan to

SOFR from USD-LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to derivatives and cash markets exposed to LIBOR. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR, whether LIBOR rates will cease to be published or supported before or after 2021 or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. At this time, no consensus exists as to what rate or rates may become accepted alternatives to USD-LIBOR, including for purposes of hedging arrangements such as those we currently have in place. Furthermore, the transition from LIBOR to one or more replacement rates could cause uncertainty in what reference rates apply to existing hedging and other arrangements. The transition from USD-LIBOR to SOFR or any other replacement rate adopted is likely to cause uncertainty related to interest rate costs. Additionally, there is some possibility that LIBOR continues to be published, but that the quantity of loans used to calculate LIBOR diminishes significantly enough to reduce the appropriateness of the rate as a reference rate. If a published USD-LIBOR is unavailable after 2021, the interest rates for our debt instruments that are indexed to USD-LIBOR will be determined using various alternative methods, any of which may result in interest obligations that are more than or do not otherwise correlate over time with the payments that would have been made on such debt if USD-LIBOR remained available.

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

We can provide no assurance regarding the future of LIBOR and when our current floating rate debt instruments and hedging arrangements will transition from LIBOR as a reference rate to SOFR (in the case of our floating rate debt instruments and hedging arrangements that determine the applicable interest rate or payment amount by reference to LIBOR-USD as a reference rate) or another reference rate. The discontinuation of a benchmark rate or other financial metric, changes in a benchmark rate or other financial metric, or changes in market perceptions of the acceptability of a benchmark rate or other financial metric, including LIBOR, could, among other things result in increased interest payments, changes to our risk exposures, or require renegotiation of previous transactions. In addition, any such discontinuation or changes, whether actual or anticipated, could result in market volatility, adverse tax or accounting effects, increased compliance, legal and operational costs, and risks associated with contract negotiations. In addition, confusion related to the transition from USD-LIBOR to SOFR or another replacement reference rate for our floating debt and hedging instruments could have an uncertain economic effect on these instruments, hinder our ability to establish effective hedges and result in a different economic value over time for these instruments than they otherwise would have had under USD-LIBOR.

Actual or threatened public health epidemics or outbreaks, such as the Coronavirus, could have a material adverse effect on our business and results of operations.

Actual or threatened public health epidemics or outbreaks, such as the Coronavirus, could have a material adverse effect on our business and results of operations. In December 2019, a novel strain of Coronavirus emerged in Wuhan, Hubei Province, China. While initially the outbreak was largely concentrated in China and caused significant disruptions to its economy, it has now spread to several other countries and infections have been reported globally. The extent to which the Coronavirus impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the Coronavirus and the actions taken to contain the Coronavirus or treat its impact, among others.

In particular, the actual and threatened spread of the Coronavirus globally could have a material adverse effect on the global economy and the regional economies in which we operate, could continue to negatively impact stock markets, including the trading price of our common stock, could adversely impact our ability to raise capital in our private funds, could cause continued interest rate volatility and movements that could make obtaining financing or refinancing our debt obligations more challenging or more expensive, could result in our operations affected by Coronavirus and any threatened areas to be subject to quarantine situations, could cause the costs incurred by our healthcare properties to comply with quarantine and related obligations to increase without corresponding offsetting revenue and could cause a reduction in travel that would have a material adverse effect on our hospitality business. Any of these developments, and others, could have a material adverse effect on our business and results of operations.

Risks Related to Ownership of Our Securities

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

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

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

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

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

In order to expand our business, we may consider offering class A common stock and securities that are convertible into our class A common stock and may issue additional common stock in connection with acquisitions or joint ventures. If we issue and sell additional shares of our class A common stock, the ownership interests of our existing stockholders will be diluted to the extent they do not participate in the offering. The number of shares of class A common stock that we may issue for cash in non-public offerings without stockholder approval will be limited by the rules of the NYSE. However, we may issue and sell shares of our class A common stock in public offerings, and there generally are exceptions that allow companies to issue a limited number of equity securities in private offerings without stockholder approval, which could dilute your ownership. In addition, we have and may continue to issue OP Units in the OP to current employees or third parties without stockholder approval. During 2019, we issued an aggregate of 22,090,587 OP Units, representing approximately 4.5% of our outstanding class A common stock, primarily in connection with our acquisition of DBH and ownership interest in an edge data center company. Subject to any applicable vesting or lock-up restrictions and pursuant to the terms and conditions of the OP agreement, a holder of OP Units may elect to redeem such OP Units for cash or, at the Company's option, shares of our class A common stock on a one-for-one basis. As a result of such OP Unit issuances and potential future issuances, your ownership will be diluted.

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

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

Risks Related to Our Organizational Structure and Business Operations

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

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

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

At the closing of the Merger, CCLLC, CCH Management Partners I, LLC, FHB Holding LLC and Richard B. Saltzman (the Company's former Chief Executive Officer), each of which we refer to as a protected member, entered into a tax protection agreement with the Company and the OP (the "TPA"). The TPA provides that each protected member is indemnified on an after-tax basis for any Section 704(c) gain, calculated as provided in the TPA, as a result of a transaction occurring during the period commencing on June 3, 2016 and ending on January 10, 2022 (i.e., the fifth anniversary of the closing of the Merger) (the "Tax Protection Period") and that is considered to be a sale of the tax goodwill, going concern value or airplane owned by the OP and contributed (directly or indirectly) by such protected members, which we refer to, collectively, as the protected property, other than on transfers to the protected members or persons or entities related to the protected members. The TPA also applies to a merger or other transaction that would convert interests in the OP held by the protected members to cash or otherwise result in a taxable disposition of such interests, but does not apply to a transaction in which the equity interests of the protected members are maintained in a manner that does not trigger gain or offers the protected members the option to roll over their investment into an equity interest that is substantially equivalent (including value, profit and loss share, distribution rights and liquidity) to the equity interests exchanged in such transaction.

If our tax indemnification obligations are triggered under these agreements, we will be required to pay damages for the resulting tax consequences to the protected members and the calculation of damages will not be based on the time value of money or the time remaining within the restricted period. Moreover, these obligations may restrict our ability to engage in a strategic transaction. As of December 31, 2019, the OP estimates that if all of its assets subject to the TPA are sold in a taxable transaction, its indemnification obligations (based on tax rates applicable for the taxable year ended December 31, 2019 and exchange values and including additional payments to compensate the protected members for additional tax liabilities resulting from the indemnification payments) could be up to $121 million.

In addition, these and related obligations may require us to maintain more or different indebtedness than we would otherwise require for our business. For example, the TPA requires that the OP maintain at least $1.05 billion of certain non-recourse liabilities during the Tax Protection Period.

The occurrence of a security breach or a deficiency in our cybersecurity has the potential to disrupt our operations, cause material harm to our financial condition, result in misappropriation of assets, compromise confidential information and/or damage our business relationships.

As an asset manager, our business is highly dependent on information technology networks and systems, including systems provided by third parties over which we have no control. We may also have limited opportunity to verify the effectiveness of systems provided by third parties or to cause third parties to implement necessary or desirable improvements for such systems. In the normal course of business, we and our service providers process proprietary, confidential, and personal information provided by our tenants, employees, and vendors. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusions, including by computer hackers, nation-state affiliated actors, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. A security breach or a significant and extended disruption to our systems and, in particular, systems provided by third parties, may result in compromise or corruption of, or unauthorized access to, proprietary, confidential, or personal information collected in the course of conducting our business; misappropriation of assets; disruption of our operations, material harm to our financial condition, cash flows, and the market price of our common shares, significant remediation expenses; and increased cybersecurity protection and insurance costs. A security breach or disruption could also interfere with our ability to comply with financial reporting requirements, loss of competitive position, regulatory actions, litigation, breach of contracts, reputational harm, damage to our stakeholder relationships, or legal liability.

These risks require continuous and likely increasing attention and other resources from us to, among other actions, identify and quantify these risks; upgrade and expand our technologies, systems, and processes to adequately address them; and provide periodic training for our employees to assist them in detecting phishing malware, and other schemes. This diverts time and resources from other activities. Although we make efforts to maintain the security and integrity of our networks and systems, and the proprietary, confidential and personal information that resides on or is transmitted through them, and we have implemented various cyber security policies, procedures capabilities to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging.

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

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

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

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

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

Subject to our intention to maintain our qualification as a REIT, there are no limitations on the number or value of particular types of investments that we may make. We are not required to meet any diversification standards, including geographic diversification standards. Therefore, our investments may become concentrated in type or geographic location. For example, while we currently have multiple business segments in a variety of asset classes and industries, we expect our portfolio over time to consist predominantly of digital real estate and infrastructure assets and investment management businesses consistent with our recently established focus on our digital and communications industries. Our lack of diversification standards, along with such strategic shift to digital assets and investments, could subject us to significant concentration risks with potentially adverse effects on our investment objectives.

Risks Related to Our Incorporation in Maryland

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

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

Certain provisions of Maryland law could inhibit changes in control.

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

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

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

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

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

Conflicts of interest may exist or could arise as a result of the relationships between us and our affiliates, on the one hand, and the OP or any member thereof, on the other. Our directors and officers have duties to our Company and our stockholders under applicable Maryland law in connection with their management of our Company. At the same time, the Company, as sole managing member of the OP, has fiduciary duties to the OP and to its members under Delaware law in connection with the management of the OP. Our duties to the OP and its members, as the sole managing member, may come into conflict with the duties of our directors and officers to our Company and our stockholders. As of the date of this report, Mr. Barrack indirectly owns approximately 4.4% in the OP and Mr. Ganzi indirectly owns approximately 1.7% in the OP. These conflicts may be resolved in a manner that is not in the best interest of our stockholders.

Risks Related to Our Investment Management Business

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

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

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

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

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

In connection with sponsoring new managed investment vehicles or securing additional capital commitments in existing investment vehicles, we will negotiate terms for such investment vehicles and commitments from investors. In addition, we have agreed and may in the future agree to re-negotiate terms in the agreements with our investment vehicles due to performance of such investment vehicles or other market conditions. The outcome of such negotiations have and could in the future result in our agreement to terms that are materially less favorable to us economically than the existing terms of our investment vehicles or vehicles advised by our competitors. In addition, we have recorded and may in the future need to record impairments in the goodwill associated with such agreement as a result of amended economic terms in such agreements. For example, in each of the third and fourth quarters of 2019, we recognized impairments to our investment management goodwill of $387 million and $401 million, respectively. See Note 7 to our consolidated financial statements for additional information regarding such impairments. Further, we may also agree to terms that could restrict our ability to sponsor competing investment vehicles, increase our obligations as the manager or require us to take on additional potential liabilities. Agreement to terms that are materially less favorable to us could result in a decrease in our profitability, which could have a material adverse effect on our business, results of operations and financial condition.

Certain of our management agreements with investment vehicles that are publicly-registered companies with the SEC are subject to limitation or termination, and any such termination could have a material adverse effect on our business, results of operations and financial condition.

The agreements under which we provide management and other services to companies that raise capital through the public markets are renewable upon mutual consent of the parties for an unlimited number of successive one-year periods. In certain instances, these agreements may generally be terminated by such managed public company immediately for cause, or upon 60 days' written notice, without cause or for good reason, and expire on an annual basis, unless otherwise renewed. Further, we anticipate that our managed retail public companies will pursue a liquidity transaction in the future and, if successful, certain liquidity transactions could result in termination or expiration of these agreements. With respect to our management agreement with CLNC, the initial term expires on January 31, 2021, which will automatically be renewed for successive one-year periods thereafter unless we or, in certain limited circumstances, CLNC, elect not to renew by providing 180 days prior written notice. There can be no assurance that these agreements will not expire or be terminated or not be renewed. Any such termination, expiration or non-renewal could have a material adverse effect on our business, results of operations, financial condition and prospects.

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

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

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

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

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

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

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

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

The organization and management of our current and future investment vehicles may create conflicts of interest.

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

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

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

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

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

In addition, in general, the DBH Portfolio Companies, including DataBank, and our Digital Colony funds have priority over us with respect to digital investment opportunities in the target asset classes and the jurisdictions in which we expect to invest. However, as a result of our acquisition of a controlling ownership interest in DataBank, we may be in a position to control whether DataBank accepts an investment allocation, which could result in conflicts of interest. Further, certain officers and senior management who make allocation decisions may have financial interests in a particular fund or managed investment vehicle, which may increase such conflicts of interest.

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

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

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

We are paid substantial fees for the services we and our subsidiaries provide to our managed companies and we are also reimbursed by the publicly-traded and retail companies we manage for certain costs and expenses we incur and pay on their behalf. Such managed companies reimburse us, subject to certain limitations and exceptions, for both direct expenses as well as indirect costs, including our personnel and employment costs. The costs and expenses that we allocate to our publicly-traded and retail companies can be substantial and may involve subjective judgment and discretion. There are conflicts of interest that arise when we make allocation determinations. These conflicts of interest, as well as the loyalties of our executives and other real estate and finance professionals to other entities and investors, could result in action or inaction that is detrimental to our business, which could harm the implementation of our business strategy and our reputation. For the year ended December 31, 2019, we allocated $17.5 million in costs to CLNC, NorthStar Realty Europe Corp. (which we sold in September 2019) and our retail companies, in the aggregate. These managed companies could dispute the amount of costs we allocate to them and the methodologies we use to determine those amounts. Any dispute or investigation regarding our allocation of costs and expenses could be distracting, expensive and harmful to our reputation as well as have other adverse effects on our company and future operating performance, including the potential that such managed companies could seek to terminate their relationship with us.

In addition, our managed companies that are publicly-traded grant, either directly or indirectly through us as manager, equity awards to certain of our employees in connection with the services that we provide to such companies as their manager. Such grants of equity awards are in the discretion and subject to the approval of the specific managed company's board of directors or compensation committee. As of the date of this report, CLNC is our only managed company that is publicly traded. During the year ended December 31, 2019, the publicly-traded companies we manage issued $21.4 million, of which $12.4 million was issued by CLNC, based on grant date fair value, in equity awards which was granted directly or indirectly to our employees. As of the date of this report, we do not expect CLNC to grant equity awards to us or our employees in 2020 and, as a result, expect to increase the equity awards issued by our Company in 2020 in order to compensate and retain our employees. In addition, we are pursuing a disposition of our management agreement with CLNC, which may include without limitation a potential transaction with CLNC to internalize its management, a sale of the management agreement to a third party or any other transaction the effect of which would be to dispose of the management agreement. If any such disposition transaction were consummated, it would result in us no longer serving as CLNC's external manager. To the extent CLNC continues, or any future publicly-traded managed companies determines, not to grant equity awards to us or our employees, either in the amounts historically granted, recommended by us or at all, or we cease to manage CLNC (as a result of a disposition transaction or otherwise) or any other publicly-traded company, we may continue to determine to increase the equity awards issued by our Company in order to compensate and retain our employees, which could hinder our ability to effectuate our cost savings initiatives and adversely impact our financial results.

Our ownership of approximately 36% of CLNC, on a fully diluted basis, subjects us to various risks, any of which could have a material adverse effect on our business and results of operations.

In connection with our contribution of the CLNY Contributed Portfolio, as of the date of this report, we own approximately 44.9 million shares of CLNC's class A common stock, which is listed on the NYSE, and approximately 3.1 million common membership units in CLNC's operating company ("CLNC OP Units"), which represent, in the aggregate, approximately 36% of CLNC's total outstanding shares on a fully diluted basis. The CLNC OP Units are redeemable for cash or class A common stock of CLNC, in CLNC's sole discretion. During 2019, CLNC's class A common stock traded between $11.18 and $17.99 per share, and closed at $13.16 per share on December 31, 2019. Given the prolonged period of time that the carrying value of our investment in CLNC had exceeded its market value, we determined that our investment in CLNC was other-than-temporarily impaired and recorded an impairment charge of $228 million in the second quarter of 2019. At December 31, 2019, the carrying value of our CLNC investment was $725 million or $15.13 per share. If CLNC's class A common stock continues to trade below our current carrying value for a prolonged period of time, an other-than-temporary impairment may be recognized in the future. Based upon the closing price of CLNC's class A common stock as of February 25, 2020, our investment in CLNC has a fair value of approximately $626 million.

Although we are the external manager to CLNC and have two representatives who are our senior executives on CLNC's board of directors, our role as manager is under the supervision and direction of CLNC's board of directors, which has a total of seven members, a majority of whom are independent. In addition, until the second annual meeting of stockholders of CLNC, which is expected to occur in 2020, we have agreed to cause our shares of CLNC's class A common stock to be voted in favor of the director nominees recommended by the CLNC board. Therefore, the value of our investment is subject to the strategies and management decisions of the CLNC board of directors as a whole, as well as the trading price of CLNC's class A common stock on the NYSE.

In addition, we are pursuing a disposition of our management agreement with CLNC, which may include without limitation a potential transaction with CLNC to internalize its management, a sale of the management agreement to a third party or any other transaction the effect of which would be to dispose of the management agreement. If any such disposition transaction were consummated, it would result in us no longer serving as CLNC's external manager. If we are no longer CLNC's manager or we no longer have any representatives on CLNC's board of directors, whether as a result of a disposition transaction or otherwise, the value of our investment would be solely dependent on the strategies and management decisions of the CLNC board of directors and, if applicable, a third party manager.

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

Risks Related to Our Digital Real Estate Business

We may not realize the anticipated benefits of the Digital Bridge Holdings LLC acquisition.

The acquisition of DBH in 2019 is expected to result in certain benefits to us, including, among others, providing us the potential to grow our revenue from investment advisory fees earned on DBH’s assets under management, leverage our and DBH’s respective platforms to drive future growth and stockholder value, and address CEO succession plans. The acquisition also led to our decision to strategically shift our focus to digital infrastructure and related, digitally-driven investment management business. There can be no assurance, however, regarding when or the extent to which we will be able to execute the strategic shift and realize these and any other benefits we expect from the transaction, which may be difficult, unpredictable and subject to delays. For example, to the extent there is a sale of all or a portion of the interests in a DBH Portfolio Company, the applicable investment advisory fee revenue we earn may be reduced or eliminated, which may adversely impact the growth of our digital investment management business. Further, even if we are the party to acquire such DBH Portfolio Company interest (as we did in the case of our December 2019 investment in DataBank), there can be no assurance that any anticipated benefits of any such acquisition will be realized. There may also be potential unknown or unforeseen liabilities or increased expenses associated with the DBH acquisition, all of which could have a material adverse effect on DBH and could prevent us from realizing the benefits of the acquisition.

The digital real estate and infrastructure industry is highly competitive and such competition may materially and adversely affect our performance and ability to execute our strategy.

The digital real estate and infrastructure business is highly competitive based on a number of factors, including brand recognition, reputation and pricing pressure on the products and services offered by the companies in which we expect to invest. A reduction in the perceived quality of services and products offered, or if our competitors offer rental, leasing or similar rates at below market rates or below the rates charged by the companies in which we invest, the performance of the companies in which we invest could be adversely impacted and, as a result, our ability to raise third party capital in our current and future digital focused private equity funds could be adversely impacted. In the event that we are unable to grow our digital real estate infrastructure platform as a result of our poor performance or lack of available funding for our investments, our business, results of operations, financial condition and prospects would be materially adversely affected.

Any failure of our physical infrastructure or services could lead to significant costs and disruptions that could harm our business reputation and could adversely affect our earnings and financial condition.

Our digital real estate business depends on providing customers with highly reliable services, including with respect to power supply, physical security and maintenance of environmental conditions. We may fail to provide such service as a result of numerous factors, including mechanical failure, power outage, human error, physical or electronic security breaches, war, terrorism, fire, earthquake, hurricane, flood and other natural disasters, sabotage and vandalism.

Problems at one or more of our data centers, towers or other digital infrastructure assets in which we expect to invest, whether or not within our control, could result in service interruptions or equipment damage. Substantially all of the customer leases associated with our digital assets include terms requiring us to meet certain service level commitments to such customers. Any failure to meet these or other commitments or any equipment damage in our data centers, including as a result of mechanical failure, power outage, human error or other reasons, could subject us to liability under our lease terms, including service level credits against customer rent payments, monetary damages, or, in certain cases of repeated failures, the right by the customer to terminate the lease. Service interruptions, equipment failures or security breaches may also expose us to additional legal liability, regulatory requirements, penalties and monetary damages and damage our brand and reputation, and could cause our customers to terminate or not renew their leases. In addition, we may be unable to attract new customers if we have a reputation for service disruptions, equipment failures or physical or electronic security breaches in our data centers or with regard to other digital infrastructure assets. Any such failures could materially adversely affect our business, financial condition and results of operations.

We do not control the operations of certain of our digital real estate assets and are therefore dependent on portfolio company management teams to successfully operate their businesses.

Our data centers are typically operated by in place management teams at the portfolio companies which hold these assets and in which we own our interests or by third party management companies. While we have or expect to have various rights as an owner of the portfolio companies, we may have limited recourse under our management agreements or investment interest documentation if we believe that the such in place management teams (who are not our employees) or third party management companies are not performing adequately. Failure by the in place management teams to adequately manage the risks associated with managing data centers could result in defaults under our borrowings and otherwise affect adversely our results of operations. Furthermore, if the portfolio companies or management companies experience any significant financial, legal, accounting or regulatory difficulties, such difficulties could have a material adverse effect on us.

The performance of our digital assets depends upon the demand for such assets.

We have determined to shift our strategy to focus on becoming a leading platform for digital real estate and infrastructure, which owns, manages, and/or operates across all major components of the digital ecosystem including data centers, cell towers, fiber networks and small cells. A reduction in the demand for these digital assets, power or connectivity will adversely impact our ability to execute our business strategy and our performance. Demand for digital assets is particularly susceptible to general economic slowdowns as well as adverse developments in the data center, Internet and data communications and broader technology industries. Any such slowdown or adverse development could lead to reduced corporate IT spending or reduced demand for data center space or towers. Reduced demand could also result from business relocations, including to metropolitan areas that we do not currently or expect to serve. Changes in industry practice or in technology could also reduce demand for the physical data center space or the tower assets we provide or expect to provide. In addition, our customers may choose to develop new data centers or expand their own existing data centers or consolidate into data centers that we do not own or operate, which could reduce demand for our newly developed data centers or result in the loss of one or more key customers. With respect to the tower assets we expect to own, demand for towers could be adversely impacted by changes in federal, state, local and foreign jurisdictions to the extent such regulations prohibiting the additions of new towers on potential communication sites. If we lose a customer or a tenant, we cannot assure you that we would be able to replace that customer at a competitive rate or at all. Mergers or consolidations of technology companies could reduce further the number of our customers/tenants and potential customers/tenants and make us more dependent on a more limited number of customers. If our customers merge with or are acquired by other entities that are not our customers, they may discontinue or reduce the use of our data centers in the future. Our financial condition, results of operations, and cash flow for distributions could be materially adversely affected as a result of any or all of these factors.

We expect certain of the leases we have with our customers to expire each year or are on a month-to-month basis, and to contain early termination provisions. If leases with our customers are not renewed on the same or more favorable terms or are terminated early by our customers, our business, financial condition and results of operations could be substantially harmed.

Customers for our data centers and towers we own or expect to own may not renew their leases upon expiration. This risk is increased to the extent our customer leases expire on an annual basis. Upon expiration, our customers may elect not to renew their leases or renew their leases at lower rates, for less space, for fewer services or for shorter terms. If we are unable to successfully renew or continue our customer leases on the same or more favorable terms or subsequently re-lease available data center space when such leases expire, our business, financial condition and results of operations could be adversely affected. In addition, certain of our leases may contain early termination provisions that allow our customers to reduce the term of their leases subject to payment of an early termination charge that is often a specified portion of the remaining rent payable on such leases. The exercise by customers of early termination options could have an adverse effect on our business, financial condition and results of operations.

The infrastructure of the data centers that we own or expect to own may become obsolete, which could materially and adversely impact our revenue and operations.

Data centers require infrastructure, such as power and cooling systems, that is difficult and costly to upgrade. If the infrastructure in our data centers becomes obsolete due to the development of new server technologies, we may need to upgrade or change the systems in our data centers in order to keep our existing tenants or attract new tenants. We may not be able to effectively or efficiently upgrade or change our data center infrastructure, and may incur substantial costs in doing so. Any inability to upgrade or change our data center infrastructure in connection with technological developments may result in the loss of tenants and adversely impact our ability to attract new tenants, all of which could materially and adversely impact our revenues and operations.

Digital real estate and infrastructure investments are subject to substantial government regulation.

Digital real estate and infrastructure investments are subject to substantial government regulation related to the acquisition and operation of such investments. Failure to comply with applicable government regulations or the inability to obtain or maintain any required government permits, licenses, concessions, leases or contracts needed to operate the digital real estate and infrastructure investments we own or expect to own, could adversely affect our ability to achieve our investment objectives. In addition, governments often have considerable discretion to implement regulations that could affect the business of digital real estate and infrastructure investments in we invest or expect to invest. Changes in existing regulations could be costly for us to comply with, and may delay or prevent the operation of our assets, all of which could adversely impact the performance of our investments.

Risks Related to Our Healthcare Business

Approximately 41% of our real estate investments are concentrated in healthcare properties, which increases the likelihood of risks related to owning healthcare real estate properties becoming more material to our business and results of operations.

Healthcare real estate properties currently represent approximately 41% of our real estate portfolio. As a result of this concentration of healthcare real estate properties, our exposure to the risks inherent in investments in the healthcare sector has also increased, making us more vulnerable to a downturn or slowdown in the healthcare sector. We cannot be certain that our tenants, operators and managers will achieve and maintain occupancy and rate levels that will enable them to satisfy their obligations to us. We also cannot assure you that future changes in government regulation will not adversely affect the healthcare industry. Any adverse changes in the regulation of the healthcare industry or the competitiveness of our tenants, operators and managers could have a more pronounced effect on us than if our investments were more diversified.

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

As of December 31, 2019, we had $2.95 billion of borrowings outstanding on our healthcare properties. Use of leverage increases our risk of loss, impacts our liquidity and restricts our ability to engage in certain activities, including our ability to implement certain strategic initiatives or dispose of certain assets. If we fail to comply with the covenants required by our borrowings or do not generate sufficient cash flow to service our borrowings, our liquidity may be materially and adversely affected. As of December 31, 2019, $205 million in aggregate principal amount of our non-recourse borrowings were in default as a result of the failure of our tenants, operators or managers to satisfy certain performance thresholds or other covenants. In particular, if certain of our tenants continue to experience operating difficulties, our ability to comply with our obligations under our borrowings may be subject to additional stress. As a result of these defaults or if we default on additional borrowings, we may be required to repay outstanding obligations, including penalties, prior to the stated maturity, be subject to cash flow sweeps or potentially have assets foreclosed upon. In addition, we may be unable to refinance borrowings when they become due on favorable terms, at similar interest rate levels, or at all, which could have a material adverse impact on our results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The ACA remains subject to continuing and increasing legislative, administrative and judicial scrutiny, including continued efforts by the current presidential administration and parties in ongoing court cases to repeal and replace the ACA in total or in part. If certain key provisions of the ACA are repealed or substantially modified, or if implementation of certain aspects of the ACA are suspended, such action could negatively impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us. Additionally, Congress and the US Department of Health and Human Services and its agency that oversees much of ACA, the Centers for Medicare and Medicaid Services, are contemplating substantial reforms to the Medicare and Medicaid programs. Refer to "Operating and Regulatory Structure—U.S. Healthcare Regulation" included in Item 1 of this Annual Report for further discussion. Some states are also considering and already implementing changes that will affect patient eligibility for Medicaid, such as work requirements. More generally, and because of the dynamic nature of the legislative and regulatory environment for healthcare products and services, and in light of the current legislative environment, existing federal deficit and budgetary concerns, we cannot predict the impact that broad-based, far-reaching legislative or regulatory changes could have on the U.S. economy, our business or that of our tenants and operators.

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

Our MOB operations depend on the competitiveness and financial viability of the hospitals on or near whose campuses our MOBs are located. The viability of these hospitals, in turn, depends on factors such as the quality and mix of healthcare services provided, competition for patients, physicians and physician groups, demographic trends in the surrounding community, market position and growth potential. A hospital's inability to remain competitive or financially viable, or to attract physicians and physician groups, could materially adversely affect our MOB operations and have a material adverse effect on us.

Risks Related to Our Hospitality Business

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

As of December 31, 2019, hotels in our hospitality segment represent approximately 33% (or 43% including the THL Hotel Portfolio in our other equity and debt segment) of our real estate portfolio. The hospitality industry is subject to changes in the travel patterns of business and leisure travelers, both of which are affected by the strength of the economy, as well as other factors. The performance of the hospitality industry has traditionally been closely linked with the performance of the general economy and, specifically, growth in gross domestic product. Changes in travel patterns of both business and leisure travelers, particularly during periods of economic contraction or low levels of economic growth, may create difficulties for the industry over the long-term and adversely affect our results. The majority of our hotels are classified as upscale extended stay and upscale select service that generally target business travelers. In periods of economic difficulties, business and leisure travelers may seek to reduce travel costs by limiting travel or seeking to reduce costs on their trips. Our results of operations and any forecast we make may be affected by, and can change based on, a variety of circumstances that affect the hospitality industry, including:

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

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

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

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

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

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

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

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

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

In addition, changes in labor laws may negatively impact us. For example, increases in minimum wage laws and the Department of Labor’s recent regulations effective as of January 1, 2020, which expand the scope of non-exempt employees under the Fair Labor Standards Act to increase the entitlement to overtime pay could significantly increase the cost of labor in the workforce, which would increase the operating costs of our hotel properties and may have a material adverse effect on us.

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

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

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

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

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

As of December 31, 2019, we had $2.67 billion of borrowings outstanding on our hotel properties. Use of leverage increases our risk of loss, impacts our liquidity and restricts our ability to engage in certain activities, including our ability to implement certain transactions or dispose of certain assets. If we fail to comply with the covenants required by our borrowings or do not generate sufficient cash flow to service our borrowings, our liquidity may be materially and adversely affected. If we default on borrowings, we may be required to repay outstanding obligations, including penalties, prior to the stated maturity, be subject to cash flow sweeps or potentially have assets foreclosed upon. In addition, we may be unable to refinance borrowings when they become due on favorable terms, at similar interest rate levels, or at all, which could have a material adverse impact on our results of operations.

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

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

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

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

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

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

Risks Related to Our Other Equity and Debt Business

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

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

- local, state, national or international economic conditions;
- real estate conditions, such as an oversupply of or a reduction in demand for real estate space in an area;
- lack of liquidity inherent in the nature of the asset;

- tenant/operator mix and the success of the tenant/operator business;
- the ability and willingness of tenants/operators/managers to maintain the financial strength and liquidity to satisfy their obligations to us and to third parties;
- reliance on tenants/operators/managers to operate their business in a sufficient manner and in compliance with their contractual arrangements with us;
- ability and cost to replace a tenant/operator/manager upon default;
- property management decisions;
- property operating costs, including insurance premiums, real estate taxes and maintenance costs;
- the perceptions of the quality, convenience, attractiveness and safety of the properties;
- branding, marketing and operational strategies;
- competition from comparable properties;
- the occupancy rate of, and the rental rates charged at, the properties;
- the ability to collect on a timely basis all rent;
- the effects of any bankruptcies or insolvencies;
- the expense of leasing, renovation or construction, including escalations in such expenses;
- changes in interest rates and in the availability, cost and terms of mortgage financing;
- unknown liens being placed on the properties;
- bad acts of third parties;
- the ability to refinance mortgage notes payable related to the real estate on favorable terms, if at all;
- changes in governmental rules, regulations and fiscal policies;
- tax implications;
- changes in laws, including environmental laws or laws that increase operating expenses or limit rents that may be charged;
- the impact of present or future environmental legislation and compliance with environmental laws, including costs of remediation and liabilities associated with environmental conditions affecting properties;
- cost of compliance with the Americans with Disabilities Act of 1990;
- adverse changes in governmental rules and fiscal policies;
- social unrest and civil disturbances;
- acts of nature, including earthquakes, hurricanes and other natural disasters;
- terrorism;
- the potential for uninsured or underinsured property losses;
- adverse changes in state and local laws, including zoning laws; and
- other factors which are beyond our control.

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

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

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

Regulatory Risks

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

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

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

It is difficult to determine the full extent of the impact on us of any new laws, regulations or initiatives that may be proposed or whether any of the proposals will become law. Any changes in the regulatory framework applicable to our business, including the changes as a result of, among others, the Dodd-Frank Wall Street Reform and Consumer

Protection Act, may impose additional costs on us, require the attention of our senior management or result in limitations on the manner in which we conduct our business. Furthermore, we may become subject to additional regulatory and compliance burdens as we expand our product offerings and investment platform, including raising additional funds. Moreover, as calls for additional regulation have increased as a result of heightened regulatory focus in the financial industry, there may be a related increase in regulatory investigations of the trading and other investment activities of alternative asset management funds, including our managed companies. Compliance with any new laws or regulations could make compliance more difficult and expensive, affect the manner in which we conduct our business and adversely affect our profitability.

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

We intend to conduct our operations so that we and our subsidiaries are not required to register as investment companies under the 1940 Act. Compliance with the 40% asset test under the 1940 Act and maintenance of applicable exemptions require that we subject our business to certain limitations on investment and activities. Continuing qualification for exemption from registration under the 1940 Act will limit our ability to make certain investments or change the relevant mix of our investments.

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

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

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

Regulation regarding climate change may adversely affect our financial condition and results of operations.

Changes in federal and state legislation and regulations on climate change could result in utility expenses and/or capital expenditures to improve the energy efficiency of our existing properties or other related aspects of our properties in order to comply with such regulations or otherwise adapt to climate change. These regulations may require unplanned capital improvements, and increased engagement to manage occupant energy use, which is a large driver of building performance. If our properties cannot meet performance standards, we could be exposed to fines for non-compliance, as well as a decrease in demand and a decline in value. As a result, our financial condition and results of operations could be adversely affected.

Risks Related to Taxation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As a result of both the requirement to distribute 90% of our REIT taxable income each year (and to pay tax on any REIT taxable income that we do not distribute) and the fact that our taxable income may well exceed our cash income due to the factors mentioned above as well as other factors, we may find it difficult to meet the REIT distribution requirements in certain circumstances while also having adequate cash resources to execute our business plan. In particular, where we experience differences in timing between the recognition of taxable income and the actual receipt of cash, the requirement to distribute a substantial portion of our taxable income could cause us to: (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt or (iv) make a taxable distribution of our shares of Common Stock as part of a distribution in which stockholders may elect to receive shares of Common Stock or (subject to a limit measured as a percentage of the total distribution) cash, in order to comply with REIT requirements. These alternatives could increase our costs, reduce our equity, and/or result in stockholders being taxed on distributions of shares of stock without receiving cash sufficient to pay the resulting taxes. Thus, compliance with the REIT distribution requirements may hinder our ability to grow, which could adversely affect the value of our Common Stock.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Proposed Regulations Under Section 162(m) Could Have a Significant Effect on Us.

On December 16, 2019, the IRS issued proposed regulations under Section 162(m) of the Internal Revenue Code (“Section 162(m)”), which denies a compensation deduction for certain employee remuneration in excess of $1 million. We, like many umbrella partnership REITs ("UPREITs"), have taken the position that Section 162(m) does not apply to payments to their employees from an “operating partnership,” based on private letter rulings issued by the IRS to several UPREITs. These proposed regulations include a provision that, if adopted in the form proposed, would cause Section 162(m) to apply to us and other UPREITs who have previously taken the position that Section 162(m) does not apply. As a result of the proposed regulations, the Company is currently evaluating arrangements under which covered employees are compensated to determine the impact of these proposed regulations on our compensation arrangements and our resulting REIT taxable income (and required distributions to shareholders).

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Information regarding our investment properties at December 31, 2019 are included in segment discussions included in "Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations" and "Item 15. Exhibits and Financial Statement Schedules—Schedule III. Real Estate and Accumulated Depreciation" of this Annual Report.

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market Information

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

On February 25, 2020, there were 2,720 holders of our class A common stock and one holder of our class B common stock (which, in each case, does not reflect the beneficial ownership of shares held in nominee name).

Distributions

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

Dividends paid to stockholders, for income tax purposes, represent distributions of ordinary income, capital gains, return of capital or a combination thereof. The following table presents the income tax treatment of dividends per share of common and preferred stock.

	Common Stock	Preferred Stock [1]									
		Series A	Series B	Series C	Series D	Series E	Series F	Series G	Series H	Series I	Series J
2019 [2]											
Ordinary income	$ 0.14	NA	$ 0.84	NA	NA	$ 0.89	NA	$ 0.76	$ 0.72	$ 0.73	$ 0.72
Capital gains	0.20	NA	1.22	NA	NA	1.30	NA	1.11	1.06	1.06	1.06
Return of capital [4]	0.10	NA	—	NA	NA	—	NA	—	—	—	—
Total	$ 0.44	NA	$ 2.06	NA	NA	$ 2.19	NA	$ 1.87	$ 1.78	$ 1.79	$ 1.78
2018 [3]											
Ordinary income	$ 0.05	NA	$ 0.97	NA	$ 0.63	$ 1.03	NA	$ 0.66	$ 0.63	$ 0.63	$ 0.63
Capital gains	0.06	NA	1.09	NA	0.71	1.16	NA	0.74	0.71	0.71	0.71
Return of capital [4]	0.22	NA	—	NA	—	—	NA	—	—	—	—
Total	$ 0.33	NA	$ 2.06	NA	$ 1.34	$ 2.19	NA	$ 1.40	$ 1.34	$ 1.34	$ 1.34
2017 [5]											
Ordinary income	$ 0.23	$ 0.28	$ 0.59	$ 0.43	$ 0.45	$ 0.47	$ 0.20	$ 0.40	$ 0.38	$ 0.23	$ 0.12
Capital gains	0.85	1.04	2.17	1.59	1.67	1.72	0.73	1.47	1.40	0.86	0.44
Total	$ 1.08	$ 1.32	$ 2.76	$ 2.02	$ 2.12	$ 2.19	$ 0.93	$ 1.87	$ 1.78	$ 1.09	$ 0.56

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(1) Upon consummation of the Merger, the Series A, B, C, D and E preferred stock of NRF and the Series A, B and C preferred stock of Colony were converted into Series A, B, C, D, E, F, G and H preferred stock of the Company, respectively. During the year ended December 31, 2017, we issued Series I and J preferred stock, as well as redeemed all of Series A, C and F preferred stock and a portion of Series B preferred stock. During the year ended December 31, 2018, we redeemed all of Series D preferred stock. In December 2019, we redeemed the remaining Series B and all of Series E preferred stock, with the redemptions settled in January 2020.

(2) Distributions on the Company's common stock and Series G, H, I and J preferred stock that were declared on November 6, 2019, payable on January 15, 2020 to common stockholders of record on December 31, 2019 and to preferred stockholders of record on January 10, 2020, are considered 2020 distributions for federal income tax purposes.

(3) Distributions on the Company's common stock and Series G, H, I and J preferred stock that were declared on November 5, 2018, payable on January 15, 2019 to common stockholders of record on December 31, 2018 and to preferred stockholders of record on January 10, 2019, are considered 2019 distributions for federal income tax purposes.

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

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

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

Issuance of OP Units—In connection with the acquisition of DataBank, we issued 612,072 OP Units in December 2019. Such OP Units were issued pursuant to the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, as a transaction not involving a public offering. Following the expiration of certain lock-up restrictions, the OP Units are redeemable by the holder for (i) cash based on the market value of an equivalent number of shares of class A common stock at the time of redemption, or (ii) at the Company's election as managing member of the Operating Company, through issuance of shares of class A common stock on a one-for-one basis. The number of OP Units issued was based upon a value of $3.0 million divided by the volume weighted average trading price of the Company's class A common stock for the 30 trading days ending December 11, 2019.

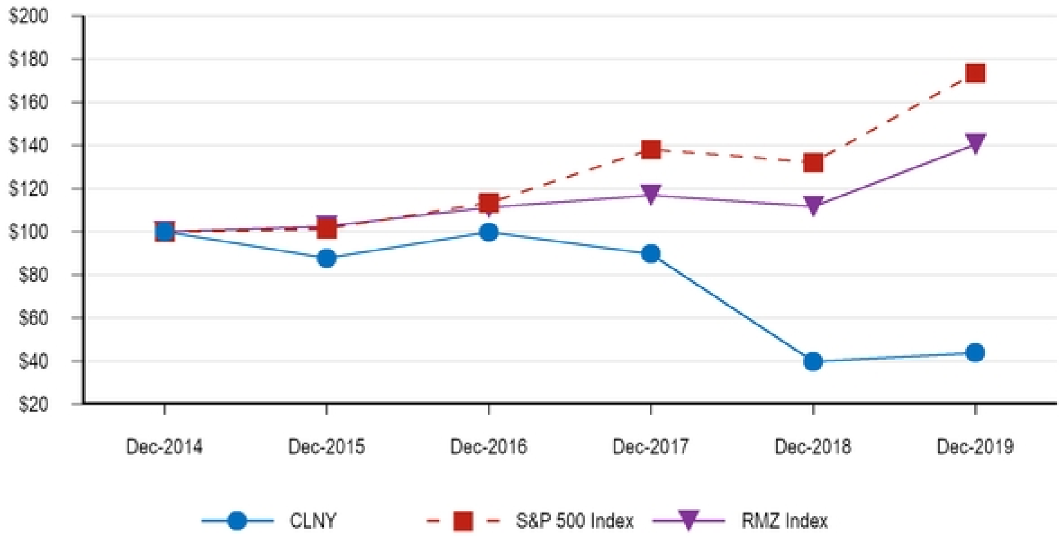
Purchases of Equity Securities by Issuer and Affiliated Purchasers

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

There were no purchases by the Company of its class A common stock in the fourth quarter of 2019. As of December 31, 2019, the maximum dollar value remaining under the May 2018 repurchase program was $246.7 million.

Stock Performance Graph

The following graph compares the cumulative total return on our class A common stock with the cumulative total returns on the Standard & Poor’s 500 Composite Stock Price Index (the “S&P 500 Index”) and the MSCI US REIT Index, comprising equity REITs ("RMZ Index") from December 31, 2014 to December 31, 2019, with stock prices prior to the closing of the Merger representing Colony share prices adjusted for the 1.4663 exchange ratio. The graph assumes an investment of $100 in our common stock and each of the indices on December 31, 2014 and the reinvestment of all dividends. The cumulative total return on our class A common stock as presented is not necessarily indicative of future performance of our class A common stock.



Item 6. Selected Financial Data.

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

The selected historical financial data below as of and for periods on or prior to January 10, 2017 represent the pre-Merger financial information of Colony on a stand-alone basis. The financial information of NSAM and NRF are incorporated into the Company effective January 11, 2017. The historical per share data for periods on or prior to January 10, 2017 have been adjusted to give effect to the exchange ratio of one share of Colony common stock for 1.4663 shares of the Company's common stock.

Additionally, for all current and prior periods presented, our industrial business is presented as discontinued operations, and all assets and liabilities of the industrial business are classified as held for sale.

Selected Annual Financial Information

(In thousands, except per share data)	Year Ended December 31,				
	2019	2018	2017	2016	2015
Statements of Operations Data:					
Total revenues	$ 2,326,354	$ 2,366,942	$ 2,549,540	$ 642,500	$ 631,831
Income (loss) from continuing operations	(1,650,712)	(534,757)	(120,061)	293,729	277,214
Income (loss) from discontinued operations	1,501,797	39,582	55,448	(2,976)	(21,178)
Net income (loss)	(148,915)	(495,175)	(64,613)	290,726	256,036
Net income (loss) attributable to Colony Capital, Inc.	(1,048,807)	(519,607)	(197,891)	115,318	149,980
Net income (loss) attributable to common stockholders	(1,152,207)	(632,709)	(333,093)	67,159	107,411
Per Share Data:					
Income (loss) from continuing operations per share					
Basic	$ (3.38)	$ (1.31)	$ (0.70)	$ 0.40	$ 0.71
Diluted	(3.38)	(1.31)	(0.70)	0.40	0.71
Income (loss) from discontinued operations per share					
Basic	0.97	0.03	0.06	(0.01)	(0.06)
Diluted	0.97	0.03	0.06	(0.01)	(0.06)
Net income (loss) attributable to common stockholders per share					
Basic	(2.41)	(1.28)	(0.64)	0.39	0.65
Diluted	(2.41)	(1.28)	(0.64)	0.39	0.65
Dividends per common share (1)	0.44	0.44	1.08	1.08	1.04
Balance Sheet Data—At Year End:					
Total assets	$ 19,832,184	$ 22,215,249	$ 24,785,650	$ 9,760,992	$ 10,039,310
Total debt (2)	9,216,852	10,039,957	11,024,715	3,715,618	4,178,803
Total liabilities	10,899,662	11,059,494	12,402,114	4,144,065	4,623,070
Total stockholders' equity	5,216,043	7,006,052	8,407,925	2,773,799	2,846,916
Total equity	8,926,415	11,146,370	12,349,392	5,616,927	5,416,240

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

(2) Includes debt presented as liabilities related to assets held for sale on the consolidated balance sheet, comprising predominantly debt financing our industrial portfolio.

Selected Quarterly Financial Information (Unaudited)

For the three months ended (In thousands, except per share data)	2019 Dec-31	2019 Sep-30	2019 Jun-30	2019 Mar-31	2018 Dec-31	2018 Sep-30	2018 Jun-30	2018 Mar-31
Statements of Operations Data:								
Total revenues	$ 552,361	$ 652,495	$ 573,439	$ 548,059	$ 556,130	$ 598,727	$ 615,488	$ 596,597
Loss from continuing operations	(483,930)	(626,192)	(484,142)	(56,448)	(419,177)	(28,656)	(50,672)	(36,252)
Income (loss) from discontinued operations	1,415,658	60,350	(504)	26,293	11,482	11,242	7,764	9,094
Net income (loss)	931,728	(565,842)	(484,646)	(30,155)	(407,695)	(17,414)	(42,908)	(27,158)
Net loss attributable to Colony Capital, Inc.	(4,263)	(527,816)	(441,752)	(74,976)	(370,077)	(42,790)	(65,413)	(41,327)
Net loss attributable to common stockholders	(26,251)	(554,953)	(468,890)	(102,113)	(397,214)	(69,975)	(92,806)	(72,714)
Per Share Data:								
Loss from continuing operations per share:								
Basic	$ (0.95)	$ (1.22)	$ (0.98)	$ (0.23)	$ (0.83)	$ (0.16)	$ (0.20)	$ (0.15)
Diluted	$ (0.95)	(1.22)	(0.98)	(0.23)	(0.83)	(0.16)	(0.20)	(0.15)
Income from discontinued operations per share:								
Basic	$ 0.89	0.06	0.00	0.02	0.01	0.01	0.01	0.01
Diluted	$ 0.89	0.06	0.00	0.02	0.01	0.01	0.01	0.01
Net loss attributable to common stockholders per share:								
Basic	$ (0.06)	(1.16)	(0.98)	(0.21)	(0.82)	(0.15)	(0.19)	(0.14)
Diluted	$ (0.06)	(1.16)	(0.98)	(0.21)	(0.82)	(0.15)	(0.19)	(0.14)
Dividends per common share	$ 0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11

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

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

Developments in 2019

During the year ended December 31, 2019 and through February 25, 2020, significant developments affecting our business and results of operations included the following:

Acquisitions, Dispositions and Fundraising

- In December 2019, completed the sale of our light industrial portfolio and the related management platform for an aggregate gross sales price of approximately $5.7 billion. The Company received aggregate net proceeds, after debt settlement, transaction and other costs, of $1.2 billion, and recorded gain on sale of real estate of approximately $1.5 billion and other gain from sale of the management platform of $9 million, subject to revision upon finalization of all closing contingencies and adjustments. $0.9 billion of the gain from sale of real estate was attributable to third party limited partners in our light industrial investment vehicles. The bulk industrial portfolio acquired in February 2019 remains held for sale.
- In July 2019, acquired DBH, co-manager of DCP and manager of six digital real estate portfolio companies including DataBank, for $329 million, in a combination of cash and OP Units as part of our strategic evolution to become the leading platform for digital infrastructure and real estate, adding $14 billion of AUM. This acquisition follows the final closing of DCP in May 2019, and also addresses our CEO succession plans.
- In July 2019, closed on our fifth global real estate credit fund (second as a public company), with total capital commitments of approximately $428 million (inclusive of our capital commitment of $121 million, which may be reduced to no less than 5% of total commitments from future third party commitments).

- In September 2019, NorthStar Realty Europe, Corp. ("NRE") sold all of its outstanding common stock for $17.01 per share and we received proceeds of approximately $96 million for our investment in NRE, recording a gain of $12 million, included in equity method earnings. The sale resulted in the termination of the NRE management agreement, for which the Company received the remaining $65 million of the $70 million lump sum incentive and termination fee.
- In December 2019, acquired a 20.4% controlling interest in DataBank, a leading private owner and manager of edge data centers in the U.S., for approximately $186 million in a combination of cash and OP Units. This acquisition represents our inaugural direct balance sheet investment in digital real estate.
- Raised an additional $129 million of third party capital for our investment in AccorInvest, a multinational European hospitality group, bringing total third party capital raised to approximately $807 million, alongside our $52 million co-investment.
- Successfully closed a $125 million senior financing and $60 million co-invest equity syndication of Alpine Energy Capital, LLC's ("Alpine") $320 million equity commitment to an energy development joint venture with California Resources Corporation (NYSE: CRC). Alpine is our upstream energy investment management platform, jointly owned in partnership with Equity Group Investments.
- In February 2020, completed the sale of our equity investment in RXR Realty, LLC for net proceeds of $179 million.

Financing and Capital Transactions

- In December 2019, applied a portion of proceeds from the sale of our light industrial business to redeem all outstanding shares of our 8.25% Series B and 8.75% Series E preferred stock for $403 million in aggregate, which redemptions were settled in January 2020. This reduction in corporate leverage will reduce annual preferred dividends by approximately $34.5 million.
- Refinanced $2.3 billion of debt principal in our healthcare segment that was scheduled to mature in 2019 and extended their maturities to 2024 (including extension options), which collectively addressed all material near term debt maturities in our healthcare segment. Our completed refinancings included $1.725 billion of mortgage debt, which was paid in full with proceeds from a new $1.515 billion secured debt, and $250 million of new equity contribution, of which $174 million was funded by us and remainder by our equity partners in the healthcare portfolio. We effectively reduced our $174 million equity contribution through our share of net proceeds of $82 million received from the subsequent sale of a portfolio of hospitals that had previously been removed from the collateral pool in connection with the refinancing.
- Refinanced an aggregate $1.1 billion of debt principal in three of our hospitality portfolios, extending their maturities to 2026 (including extension options).
- In April 2019, amended certain terms of our Credit Agreement, including a reduction of aggregate revolving commitments from $1 billion to $750 million and modification of a financial covenant and borrowing base formula.
- Repurchased 652,311 shares of our class A common stock for $3.2 million under our stock repurchase program.

Other

- Recorded an impairment charge in June 2019 of $228 million to write down our 36.4% interest in CLNC to the closing price of CLNC's common stock at June 28, 2019, as part of equity method loss.
- Remeasured our 50% interest in Digital Colony Management, LLC ("Digital Colony Manager") upon closing of the DBH acquisition and recorded a gain of $51 million, representing 50% of the fair value of the DCP fund management contract.
- Settled the $2 billion notional interest rate swap assumed through the Merger for $365 million. Total fair value change on the interest rate swap in 2019 was a loss of $239 million, recorded in other gain (loss).
- Realized carried interest upon disposition of our light industrial portfolio totaling $81 million, of which $12 million had been accrued in prior years. $69 million was recognized in 2019 as $41 million of equity method earnings and $28 million of disproportionate allocation to the Company from noncontrolling interests in investment entities, with approximately $35 million of total carried interest allocated to senior management, investment professionals and certain other employees as compensation.

- Recorded an impairment of $0.8 billion on goodwill in the other investment management segment, driven primarily by: (i) the loss of future fee income as a result of the sale of the industrial business, and amendment of CLNC's management agreement to reduce the fee base to reflect CLNC's reduced book value in the third quarter of 2019; and (ii) the Company's pivot away from certain of its legacy investment management business as it transitions to an investment management business focused on digital real estate and infrastructure beginning in the fourth quarter of 2019.
- In connection with a corporate restructuring announced in November 2018, incurred restructuring charges totaling $33 million through December 31, 2019; through February 2020, surpassed our expected $55 million, or $50 million on a cash basis, annual compensation and administrative cost savings on a run rate basis.

Results of Operations

The following table summarizes our results of operations by segment.

Results of operations associated with our industrial business are presented as discontinued operations for all current and prior periods presented (see Note 16 to the consolidated financial statements). Those results include (i) the entire industrial segment, and (ii) portions of the investment management segment associated with the industrial business, including fees and carried interest from the industrial open-end fund and related compensation expense.

(in thousands)	Total Revenues			Net Income (Loss)			Net Income (Loss) Attributable to Colony Capital, Inc.		
Year Ended December 31,	2019	2018	2017	2019	2018	2017	2019	2018	2017
Digital	$ 40,407	$ —	$ —	$ 43,786	$ 5,955	$ —	$ 40,658	$ 5,606	$ —
Healthcare	582,139	592,455	613,169	(239,888)	(283,516)	(64,767)	(179,976)	(199,277)	(51,428)
Industrial	—	—	—	1,486,691	26,749	37,497	449,050	4,246	12,537
Hospitality	828,523	849,513	815,831	(107,066)	(90,581)	(9,863)	(90,139)	(82,798)	(9,199)
CLNC	—	—	—	(241,356)	(65,366)	—	(227,548)	(61,457)	—
Other Equity and Debt	614,551	739,167	873,046	87,004	266,784	568,747	1,436	141,197	426,052
Other Investment Management	246,499	176,568	240,632	(739,208)	(132,226)	(170,168)	(643,631)	(124,024)	(182,038)
Amounts not allocated to segments	14,235	9,239	6,862	(438,878)	(222,974)	(426,059)	(398,657)	(203,100)	(393,815)
	$ 2,326,354	$ 2,366,942	$ 2,549,540	$ (148,915)	$ (495,175)	$ (64,613)	$ (1,048,807)	$ (519,607)	$ (197,891)

Selected Balance Sheet Data

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

All assets and liabilities of the industrial business are classified as held for sale for all periods presented (see Note 8 to the consolidated financial statements) and represent the bulk industrial portfolio that was acquired in 2019 and remains held for sale at December 31, 2019, and the light industrial portfolio at December 31, 2018.

(In thousands)	Real Estate, net		Loans Receivable, net		Equity and Debt Investments		Debt, net	
Year Ended December 31,	2019	2018	2019	2018	2019	2018	2019	2018
Digital	$ 846,393	$ —	$ —	$ —	$ 47,891	$ 32,354	$ 539,155	$ —
Healthcare	4,433,825	4,995,298	47,347	48,330	—	—	2,910,032	3,213,992
Hospitality	3,544,264	3,668,824	—	—	—	—	2,623,306	2,603,599
CLNC	—	—	—	—	725,443	1,037,754	—	—
Other Equity and Debt	2,036,036	2,161,888	1,505,477	1,597,214	1,396,752	1,279,494	2,061,101	2,309,347
Other Investment Management	—	—	—	13,673	139,977	176,403	—	—
Amounts not allocated to segments	—	—	—	—	3,742	3,742	850,314	848,434
Total	$ 10,860,518	$ 10,826,010	$ 1,552,824	$ 1,659,217	$ 2,313,805	$ 2,529,747	$ 8,983,908	$ 8,975,372
Industrial held for sale	$ 342,758	$ 2,924,404	$ —	$ —	$ —	$ 13,422	$ 232,944	$ 1,064,585

Consolidated Results of Operations

Comparison of Year Ended December 31, 2019 to Year Ended December 31, 2018

(In thousands)	Year Ended December 31, 2019	Year Ended December 31, 2018	Change
Revenues			
Property operating income	$ 1,856,409	$ 1,960,559	$ (104,150)
Interest income	166,771	214,588	(47,817)
Fee income	223,915	144,443	79,472
Other income	79,259	47,352	31,907
Total revenues	2,326,354	2,366,942	(40,588)
Expenses			
Property operating expense	1,090,909	1,150,656	(59,747)
Interest expense	535,538	552,838	(17,300)
Investment and servicing expense	78,258	67,113	11,145
Transaction costs	3,607	7,266	(3,659)
Placement fees	1,802	7,615	(5,813)
Depreciation and amortization	489,792	443,302	46,490
Provision for loan loss	35,880	43,034	(7,154)
Impairment loss	1,146,443	587,275	559,168
Compensation expense—cash and equity-based	214,826	213,882	944
Compensation expense—carried interest and incentive fee	16,564	7,485	9,079
Administrative expenses	90,356	92,431	(2,075)
Total expenses	3,703,975	3,172,897	531,078
Other income (loss)			
Gain on sale of real estate	62,916	159,598	(96,682)
Other gain (loss), net	(193,302)	51,706	(245,008)
Equity method losses	(140,384)	(9,601)	(130,783)
Equity method earnings—carried interest	11,682	9,525	2,157
Loss before income taxes	(1,636,709)	(594,727)	(1,041,982)
Income tax benefit (expense)	(14,003)	59,970	(73,973)
Loss from continuing operations	(1,650,712)	(534,757)	(1,115,955)
Income from discontinued operations	1,501,797	39,582	1,462,215
Net loss	(148,915)	(495,175)	346,260
Net income (loss) attributable to noncontrolling interests:			
Redeemable noncontrolling interests	2,559	(3,708)	6,267
Investment entities	990,360	67,994	922,366
Operating Company	(93,027)	(39,854)	(53,173)
Net loss attributable to Colony Capital, Inc.	(1,048,807)	(519,607)	(529,200)
Preferred stock redemption	(5,150)	(3,995)	(1,155)
Preferred stock dividends	108,550	117,097	(8,547)
Net loss attributable to common stockholders	$ (1,152,207)	$ (632,709)	(519,498)

Property Operating Income and Property Operating Expenses

(In thousands)	Year Ended December 31, 2019	2018	Change
Property operating income:			
Digital	$ 6,038	$ —	$ 6,038
Healthcare	577,669	586,855	(9,186)
Hospitality	828,259	848,760	(20,501)
Other Equity and Debt	444,443	524,944	(80,501)
	$ 1,856,409	$ 1,960,559	(104,150)
Property operating expenses:			
Digital	$ 2,197	$ —	$ 2,197
Healthcare	260,374	271,166	(10,792)
Hospitality	554,981	563,453	(8,472)
Other Equity and Debt	273,357	316,037	(42,680)
	$ 1,090,909	$ 1,150,656	(59,747)

Digital—Amounts represent 12 days of activity from our DataBank subsidiary that was acquired in December 2019.

Healthcare—Property operating income and expense decreased $9.2 million and $10.8 million, respectively, comparing the years ended December 31, 2019 and 2018, largely resulting from the effect of adopting the new lease accounting standard in 2019, specifically:

- Bad debts are recorded as a direct reduction of revenue. In 2019, we wrote off rent receivables on certain leases, including straight-line rent, that were determined to be uncollectible, with contractual rents on some leases recognized on a cash basis beginning the third quarter of 2019. Our determination of uncollectibility took into consideration past due rents and/or expected restructuring of the leases for lower rents.
- Property taxes and insurance paid directly to third parties by tenants or operators are no longer recognized on a gross basis in income and expense.

The lower property operating income in 2019 can also be attributed to a termination fee from an early lease termination in our medical office building portfolio in 2018 that was non-recurring. However, 2018 also included higher acceleration of above-market lease intangible following a lease modification, resulting in lower lease income in 2018. In our senior housing operating portfolio, resident fee income increased in 2019 driven by higher rents, offset by lower occupancy due to increased competition. However, higher rents did not fully absorb the corresponding increase in resident service costs, primarily labor costs.

Property operating expense also decreased as a result of lower property management fees in 2019 following the termination of a third party management contract in October 2018. These decreases were partially offset by higher costs in 2019 in legal and marketing, and resident services as noted above.

Hospitality—Property operating income and expense decreased $20.5 million and $8.5 million, respectively, comparing the years ended December 31, 2019 and 2018, driven by the sale of ten hotels in 2019. On a same store basis, property operating income decreased $3.3 million while property operating expenses increased $3.7 million. Property operating income was lower in 2019 due to incremental room demand resulting from non-recurring events in 2018 and more revenue displacements in 2019 in connection with hotels under renovation. The decrease was partially offset by higher ancillary income, including parking revenue and cancellation fee income. The increase in property operating expenses was primarily due to higher labor costs.

Other Equity and Debt—Property operating income and expenses decreased $80.5 million and $42.7 million, respectively, comparing the year ended December 31, 2019 to the year ended December 31, 2018. The decreases were driven by continued sales of our non-core properties, primarily properties in a portfolio of limited service hotels that were acquired through a consensual foreclosure in July 2017 ("THL Hotel Portfolio"), our European portfolio, and U.S. multi-tenant office properties, along with contribution and/or sale of real estate to CLNC in 2018. These decreases were partially offset by property operating income and expenses from a portfolio of office and industrial buildings in France that was acquired in November 2018.

Interest Income

Interest income decreased $47.8 million for the year ended December 31, 2019 compared to the same period in 2018. The decrease can be attributed to our contribution of $1.3 billion of loans to CLNC on January 31, 2018, the deconsolidation of our securitization trusts in the second quarter of 2018, and continuing repayments, payoffs and sales of our loan and securities portfolio. These decreases more than offset additional loan fundings in 2019.

Fee Income

Fee income is earned from the following sources:

	Year Ended December 31,		
(In thousands)	2019	2018	Change
Institutional funds and other investment vehicles	$ 82,188	$ 48,624	$ 33,564
Public companies (CLNC, NRE)	118,049	65,258	52,791
Non-traded REITs	19,896	29,597	(9,701)
Other	3,782	964	2,818
	$ 223,915	$ 144,443	79,472

Fee income increased $79.5 million for the year ended December 31, 2019 compared to 2018, resulting from:

- net increase of $33.6 million in fees from institutional funds and similar investment vehicles, driven by $40.0 million of fees from DBH investment vehicles and a Latin American fund of the former Abraaj Group (renamed Colony Latam), which were acquired in July 2019 and April 2019, respectively, and higher fees from our first sponsored global credit fund, partially offset by decreases in fees from legacy Colony funds that are in liquidation;
- termination payment of $64.6 million from NRE, inclusive of $21.5 million of incentive fees for fiscal year 2019 through termination, received upon sale of NRE and concurrent termination of our management agreement on September 30, 2019 compared to $5.4 million of incentive fees recognized in 2018. The increase in 2019 was partially offset by lower management fees as a result of a lower fee base and partial year of base management fees in 2019; and
- $2.8 million increase in other fees related to asset management and advisory services in 2019;

partially offset by:

- $6.8 million decrease in fee income from CLNC, which replaced fees from non-traded REITs, NorthStar I and NorthStar II beginning February 1, 2018 due to: a) acquisition and disposition fees from NorthStar I and NorthStar II up through January 31, 2018 as such fees are excluded from the CLNC fee structure, and b) overall lower fee base in 2019, in particular, in the fourth quarter of 2019 when the management agreement was amended to reduce the fee base to reflect CLNC's meaningful reduction in book value in the third quarter of 2019; and
- approximately $3.7 million decrease in fee income from NorthStar Healthcare Income, Inc. ("NorthStar Healthcare") following a decrease in its net asset value ("NAV") fee base.

Other Income

Other income increased $31.9 million to $79.3 million in the year ended December 31, 2019 compared to the same period in 2018. There were higher amounts grossed up in other income and compensation expense in 2019 totaling $26.1 million related to acceleration of CLNC and NRE equity awards upon sale of NRE and our industrial portfolio, and other cash compensation paid by NRE to our employees upon sale of NRE. In 2019, there was also higher cost reimbursement income in relation to: (i) investment due diligence activities; (ii) Digital Colony Manager, an equity method joint venture with DBH prior to its consolidation upon acquisition of DBH in July 2019; (iii) dividend income from our interest in a mutual fund beginning in 2019, and (iv) hotel management fee income from our acquisition of a distressed hotel manager in July 2019. These increases were partially offset by a decrease in collateral management fees from the legacy NRF collateralized debt obligations ("CDOs"), and lower recovery income from our loan portfolios which continue to resolve over time.

Interest Expense

(In thousands)	Year Ended December 31, 2019	2018	Change
Investment-level financing:			
Digital	$ 4,502	$ —	$ 4,502
Healthcare	192,621	194,898	(2,277)
Hospitality	169,781	153,395	16,386
Other Equity and Debt	113,762	150,032	(36,270)
Corporate-level debt	54,872	54,513	359
	$ 535,538	$ 552,838	(17,300)

The $17.3 million net decrease in interest expense for the year ended December 31, 2019 compared to the same period in 2018 can be attributed to the following:

Digital—Amount represents: (i) 12 days of interest expense on $539.2 million of debt assumed from our DataBank subsidiary that was acquired in December 2019; and (ii) interest expense related to borrowing on our corporate credit facility to partially finance the DBH acquisition in July 2019, with such debt balance having been repaid in December 2019 using proceeds from sale of the industrial business.

Healthcare—Interest expense was $2.3 million lower, driven by the effects of our various debt refinancing activities. The decrease in interest expense was primarily due to lower amortization of debt discount and lower prepayment penalties incurred in 2019. However, we also incurred higher amortization of deferred financing costs and a write-off of debt discount in 2019, which largely offset the decrease.

Hospitality—Interest expense increased $16.4 million due to additional debt obtained and higher deferred financing costs expensed resulting from a refinancing in 2019, and the impact of higher LIBOR on variable rate debt in the first half of 2019. The increase was partially offset by a write-off of debt discount to interest expense in 2018 resulting from a refinancing in 2018.

Other Equity and Debt—Interest expense decreased $36.3 million, driven by: (i) debt payoffs from continued sales and resolutions of our non-core investments, (ii) sale and deconsolidation of our securitization trusts in the second quarter of 2018, and (iii) contribution of certain assets along with their underlying debt to CLNC on January 31, 2018. These decreases were partially offset by an increase in interest expense from new debt acquired to finance the acquisition of a portfolio of office and industrial buildings in France in November 2018.

Corporate-level Debt—There was a marginal net increase in interest expense in 2019 as the effect of a higher LIBOR in the first half of 2019 on our junior subordinated debt was largely offset by a lower average outstanding balance on our corporate credit facility.

Investment and Servicing Expense

Investment and servicing costs increased $11.1 million for the year ended December 31, 2019 compared to 2018. The increase can be attributed to (i) our European investments, including a hotel franchise termination fee and settlement of a litigation claim by an asset manager; (ii) certain refinancing costs related to healthcare and hotel debt that were expensed in accordance with debt modification accounting; (iii) unconsummated deals costs, and (iv) settlement of an employee litigation claim in our THL Hotel Portfolio. These increases were partially offset by lower write-offs of receivables related to retail companies in 2019, lower management fees in our hotel portfolio due to lower revenues, lower management fees in our healthcare portfolio following the termination of a third party healthcare operator in October 2018, and elimination of costs associated with CDOs that were deconsolidated in 2018.

Transaction Costs

Transaction costs of $3.6 million for the year ended December 31, 2019 related to our acquisitions of DBH, DataBank, the Latin American investment management business of The Abraaj Group, and a distressed hotel manager in France. Transaction costs of $7.3 million for the year ended December 31, 2018 related mainly to an investment in Spain and acquisition of the Abraaj Latin American investment management business.

Placement Fees

Placement fees of $1.8 million were incurred in the year ended December 31, 2019 in connection with raising third party capital for additional investment in AccorInvest, our open-end industrial fund in the first quarter of 2019, and our new global credit fund. Placement fees for the year ended December 31, 2018 were related primarily to fundraising for our co-investment vehicle in AccorInvest.

Depreciation and Amortization

There was a net increase of $46.5 million in depreciation and amortization comparing the years ended December 31, 2019 and 2018, mainly attributable to: (i) accelerated amortization of the NRE management contract beginning in December 2018 through closing of the NRE sale in September 2019, (ii) acquisition of a portfolio of office and industrial buildings in France in November 2018, and (iii) amortization of investment management intangible assets acquired from DBH in July 2019. These increases were mostly offset by reductions from non-core properties that were sold or transferred to held for sale.

Provision for Loan Losses

Provision for loan losses for the year ended December 31, 2019 was $35.9 million. This included two loans due to increased uncertainty over our ability to realize our investment due to a prolonged and complicated foreclosure process. Additionally, a subordinated mezzanine position secured by an underperforming regional mall was fully reserved in 2019 due to uncertainty that the collateral value would be sufficient to satisfy any portion of our loan. We had previously recorded a provision for this loan in 2018 to reflect our estimated net recoverable value when the borrower could not perform under the restructured terms of the loan agreement. We also increased the loan loss provision on a land development loan in 2019 to reflect a lower estimated fair value of the collateral.

For the year ended December 31, 2018, provision for loan losses was $43.0 million. The higher provision was driven primarily by losses from loan sales in 2018. Other provisions in 2018 related to write-downs on certain securitized loans prior to sale of our interest in the securitization trust that resulted in a deconsolidation of the trust in June 2018, losses based upon estimated collateral value, and loans in maturity default.

Of the total provision for loan losses, $10.7 million and $17.1 million for the years ended December 31, 2019 and 2018, respectively, were attributable to noncontrolling interests in investment entities.

Impairment Loss

	Year Ended December 31,		
(In thousands)	2019	2018	Change
Healthcare	$ 187,341	$ 217,524	$ (30,183)
Hospitality	50,474	72,469	(21,995)
Other Equity and Debt	110,025	79,432	30,593
Other Investment Management	797,954	217,850	580,104
Unallocated	649	—	649
	$ 1,146,443	$ 587,275	559,168

Healthcare—Impairment of $187.3 million in 2019 arose from (i) a shortfall in projected operating cash flows based upon shorter holding period assumptions or a decline in operating performance coupled with additional capital expenditures; (ii) a negotiated purchase option exercised by a tenant on three hospitals; and (iii) offers received on certain net lease properties.

Of the $217.5 million impairment recorded in the year ended December 31, 2018, $212.0 million arose based upon a shortened expected hold period on certain properties, taking into consideration our expectation at the time of our ability to refinance the related debt. Such healthcare debt was successfully refinanced in June 2019. Remaining impairment in 2018 was recorded based upon sales prices and on properties previously damaged by hurricanes.

Hospitality—In the year ended December 31, 2019, an impairment was recorded based upon projected operating cash flow shortfalls related to five hotels. These projected shortfalls were driven by shorter expected holding periods, new supply deliveries and lower demand in specific markets. An additional impairment, net of a $2.3 million reversal, was also recorded in 2019 based upon final net sale proceeds generated from certain hotel sales. Most of the hotels sold in 2019 were initially impaired in 2018 when a disposition strategy was adopted.

Other Equity and Debt—Impairment was $30.6 million higher at $110.0 million in 2019 compared to 2018. The increase was driven by higher impairments on our real estate portfolio in the United Kingdom, partially offset by a reversal of impairment on our U.S multi-tenant office properties and lower impairments on our Italian portfolio and THL Hotel Portfolio. These changes in impairment were based upon final sale proceeds and revised expected sales prices in the current market.

Other Investment Management—In the year ended December 31, 2019, $0.8 billion of impairment was taken on goodwill in the other investment management segment, driven by (i) loss of future fee income as a result of the sale of the industrial business, and amendment of CLNC's management agreement to reduce the fee base to reflect CLNC's reduced book value in the third quarter; and (ii) the Company's pivot away from certain of its legacy investment management business as it transitions to an investment management business focused on digital real estate and infrastructure beginning in the fourth quarter (see Note 7 to the consolidated financial statements). Additionally, the NorthStar Healthcare management contract was written down by $8.6 million based upon revised future net cash flows to be generated over the remaining life of the contract.

Impairment in the year ended December 31, 2018 was related to: (i) $147.4 million on management contracts of retail vehicles, primarily $139.0 million write-off of NorthStar I and NorthStar II contracts as these contracts were terminated on January 31, 2018 and replaced in part with the CLNC management contract (refer to Note 6 to the consolidated financial statements for description of the formation of CLNC), and $7.0 million on NorthStar Healthcare contract; and (ii) write-offs of retail investor relationship of $10.1 million and NorthStar trade name of $59.5 million resulting from reassessment of future retail fundraising and a change in the Company's name in June 2018, respectively.

Unallocated—Impairment was recorded on an office operating lease asset in 2019.

Of the $1.1 billion and $587.3 million of total impairment in the years ended December 31, 2019 and 2018, respectively, $111.2 million and $95.7 million were attributable to noncontrolling interests in investment entities, respectively.

Compensation Expense

The following table provides the components of compensation expense.

	Year Ended December 31,		
(In thousands)	2019	2018	Change
Cash compensation and benefits	$ 147,527	$ 165,326	$ (17,799)
Equity-based compensation	31,403	38,928	(7,525)
Incentive and carried interest compensation	16,564	7,485	9,079
	195,494	211,739	(16,245)
Compensation grossed up in income and expense			
NRE related cash compensation	3,576	—	3,576
Equity-based compensation—NRE and CLNC awards	32,320	9,628	22,692
	35,896	9,628	26,268
Total compensation expense	$ 231,390	$ 221,367	10,023

Compensation expense in the year ended December 31, 2019 included incremental compensation related to NRE, specifically:

- $26.1 million of gross up of compensation costs included in other income and compensation expense, attributed to the acceleration of NRE equity awards held by certain employees upon the sale of NRE, and other cash compensation for termination and retention benefits paid by NRE to certain employees of the Company at closing of the NRE sale;
- severance totaling $12.0 million in connection with the sale of NRE; and
- $10.8 million of incentive compensation as a result of incentive realized by the Company upon termination of our management contract concurrent with the sale of NRE, of which $8.1 million represents incremental incentive compensation compared to 2018.

On the other hand, the year ended December 31, 2018 included (i) approximately $13.0 million of incremental compensation related to the Merger, of which $9.5 million was severance costs and $3.3 million was equity-based compensation in connection with awards granted to certain NSAM executives that vested one year from closing of the Merger; (ii) $7.8 million of incremental severance costs in connection with the Company's corporate restructuring announced in November 2018; and (iii) $1.9 million of severance costs related to contribution of our broker-dealer business to a joint venture.

Excluding the above items, compensation costs decreased $11.3 million comparing the years ended December 31, 2019 and 2018 driven by cost savings resulting from a decrease in headcount following the Company's corporate restructuring, which more than offset additional compensation expense resulting from business acquisitions in 2019, primarily DBH and a distressed hotel manager in July 2019.

Administrative Expenses

Administrative expenses were $90.4 million for the year ended December 31, 2019, a $2.1 million decrease from 2018, attributable to our ongoing cost reduction initiatives, largely offset by additional expenses in connection with businesses acquired in 2019.

Gain on Sale of Real Estate

	Year Ended December 31,		
(In thousands)	2019	2018	Change
Healthcare	$ 1,384	$ —	$ 1,384
Hospitality	279	—	279
Other Equity and Debt	61,253	159,598	(98,345)
	$ 62,916	$ 159,598	(96,682)

Healthcare—Gain was recorded based upon final proceeds from the sale of a skilled nursing and a senior housing portfolio, both under net leases, that had been previously impaired.

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

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

Gain on sale of $54.3 million and $69.0 million in the years ended December 31, 2019 and 2018, respectively, were attributable to noncontrolling interests in investment entities.

Equity Method Earnings (Losses)

	Year Ended December 31,		
(In thousands)	2019	2018	Change
Digital	$ 2,647	$ 8,845	$ (6,198)
CLNC	(241,356)	(65,366)	(175,990)
Other Equity and Debt	115,927	97,416	18,511
Other Investment Management (including $11,682 and $9,525 of carried interest, respectively)	(5,920)	(40,971)	35,051
	$ (128,702)	$ (76)	(128,626)

Digital—Amounts represent net earnings from interest in our sponsored DCP fund and through July 2019, its manager, Digital Colony Manager, prior to its consolidation upon acquisition of DBH.

CLNC—In June 2019, we wrote down our investment in CLNC by $227.9 million given the prolonged period of time the carrying value of our investment in CLNC has exceeded its market value. The impairment was measured as the excess of carrying value over fair value of our investment based on CLNC's closing stock price on June 28, 2019, the last trading day of the second quarter. For the years ended December 31, 2019 and 2018, we also recorded our share of net loss of $13.5 million and $65.4 million, respectively, driven by allowance for loan losses and real estate impairments on CLNC's legacy non-strategic portfolio. Our share of net loss in 2019, subsequent to the recognition of impairment on our investment in CLNC, excludes $140.3 million representing our share of loan loss provision and impairment charges recorded by CLNC in the second half of 2019 that was applied to reduce the basis difference between the carrying value of our investment in CLNC and our proportionate share of CLNC's book value (see Note 6 to the consolidated financial statements).

Other Equity and Debt—Equity method earnings for the year ended December 31, 2019 increased $18.5 million compared to 2018, driven by fundings of acquisition, development and construction ("ADC") loans accounted for as equity method investments, new investments in 2019 and sales of investments that were incurring losses in prior year. These increases were partially offset by repayments of our preferred equity investments, sale of investments and additional write-down on a land development venture.

Other Investment Management—Equity method losses in 2019 and 2018 were driven by impairment charges of $20.9 million and $55.5 million, respectively, which charges were based upon recoverable values from sales of our interests in the investees and projected future operating cash flows of an investee. Excluding these charges, both periods would have recorded earnings from equity method investments of approximately $15.0 million and $14.5 million, respectively, which included unrealized carried interest allocation from our sponsored and/or co-sponsored investment vehicles of $11.7 million and $9.5 million, respectively.

Other Gain (Loss), Net

We recognized a loss of $193.3 million in the year ended December 31, 2019 compared to a gain of $51.7 million in 2018, resulting primarily from the following items:

- $239.3 million loss in 2019 compared to a $34.0 million gain in 2018 on a non-designated interest rate swap assumed through the Merger, which was intended to hedge future refinancing risk on certain NRF mortgage debt. The swap was terminated in 2019;
- $8.7 million of higher other-than-temporary impairment on our debt securities in 2019 resulting from uncertainty of recovery on a significant collateral in the securitization; and
- Various non-recurring gains recorded in the year ended December 31, 2018, including:
  - $9.9 million remeasurement gain in connection with the formation of CLNC, which represents the excess of fair value over carrying value of the Company's equity interest in certain investment entities contributed to CLNC, and that were retained through the Company’s interest in CLNC (refer to Note 6 to the consolidated financial statements for description of the formation of CLNC);
  - $10.9 million gain on deconsolidation of a CDO securitization trust; and
  - $10.7 million gain on sale of commercial real estate ("CRE") securities that were previously written down.

The above items which had an unfavorable impact in 2019 compared to 2018 were partially offset by:

- $51.4 million gain from remeasurement of our 50% interest in Digital Colony Manager upon closing of the DBH acquisition in July 2019 (see Note 2 to the consolidated financial statements);
- $6.6 million gain in 2019 compared to $7.4 million loss in 2018 from fair value changes, including amounts realized, on equity securities of our consolidated fund; and
- $3.1 million gain in 2019 compared to $5.1 million loss in 2018 on remeasurement of a foreign currency loan receivable in our healthcare segment.

Income Tax Benefit (Expense)

We recorded income tax expense of $14.0 million and income tax benefit of $60.0 million for the years ended December 31, 2019 and 2018, respectively. The income tax expense in 2019 arose primarily from gains recognized on the remeasurement of our preexisting interest in Digital Colony Manager upon the acquisition of DBH and from the sale of the industrial management platform. In contrast, the income tax benefit in 2018 resulted primarily from write-off of deferred tax liabilities in connection with management contract write-offs for NorthStar I and NorthStar II as the contracts were terminated on January 31, 2018 and for NorthStar/RXR New York Metro Real Estate, Inc. ("NorthStar/RXR New York Metro"), another sponsored non-traded REIT, upon termination of its offering period. The income tax benefit in 2018 was partially offset by foreign income tax expense in connection with the sale of certain European real estate.

Income from Discontinued Operations

(In thousands)	Year Ended December 31, 2019	2018	Change
Revenues			
Property operating income	$ 346,431	$ 288,367	$ 58,064
Fee income	11,646	7,378	4,268
Interest and other income	5,163	3,775	1,388
Revenues from discontinued operations	363,240	299,520	63,720
Expenses			
Property operating expense	93,440	84,162	9,278
Interest expense	91,863	42,713	49,150
Investment and servicing expense	658	436	222
Placement fees	—	234	(234)
Depreciation and amortization	106,470	129,104	(22,634)
Impairment loss	—	948	(948)
Compensation expense—cash and equity-based	29,791	11,156	18,635
Compensation expense—carried interest	35,170	4,696	30,474
Administrative expenses	6,089	4,569	1,520
Expenses from discontinued operations	363,481	278,018	85,463
Other income (loss)			
Gain on sale of real estate	1,457,892	7,633	1,450,259
Other gain, net	1,338	—	1,338
Equity method earnings, including carried interest	41,258	10,636	30,622
Income from discontinued operations before income taxes	1,500,247	39,771	1,460,476
Income tax benefit (expense)	1,550	(189)	1,739
Income from discontinued operations	1,501,797	39,582	1,462,215
Income from discontinued operations attributable to:			
Noncontrolling interests in investment entities	989,358	21,260	968,098
Noncontrolling interests in Operating Company	49,391	1,113	48,278
Income from discontinued operations attributable to Colony Capital, Inc.	$ 463,048	$ 17,209	445,839

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

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

Income from discontinued operations increased $1.5 billion comparing the years ended December 31, 2019 and 2018.

The significant increase in income was driven by the following impact from disposition of the light industrial portfolio and related management platform in December 2019:

- We realized gain on sale of real estate of approximately $1.5 billion from the light industrial portfolio and $9.4 million from the related management platform included in other gain, net. $0.9 billion of the gain from sale of real estate was attributed to noncontrolling interests in investment entities.
- Additionally, as a result of the accretion in value of the light industrial portfolio that crystallized upon sale, as general partner of our sponsored industrial funds, we realized carried interest totaling $81.2 million, of which $12.2 million had been accrued in prior years. $69.0 million of the total carried interest was recognized in 2019 as $40.6 million of equity method earnings and $28.4 million of disproportionate allocation to the Company from noncontrolling interests in investment entities. Approximately $35.2 million of carried interest was allocated to certain employees as compensation expense in 2019.

- In connection with the extinguishment of debt on the light industrial portfolio upon closing of the sale, deferred financing costs of $20.2 million was accelerated and recognized in interest expense, and interest rate swaps on variable rate debt were settled at a net loss of $8.0 million (included in other gain, net).
- The gains were also partially offset by approximately $16.8 million of additional compensation expense incurred as a result of the disposition, in the form of severance and retention payments, and acceleration of equity-based compensation.

In comparison to 2018, there was an improvement in overall operating results from our light industrial portfolio through the closing of its sale in December 2019 and our bulk industrial portfolio from our acquisition in February 2019, as discussed below:

- Property operating income and expense were $58.1 million and $9.3 million higher, respectively, resulting from continued growth in our industrial portfolio as acquisitions outpaced dispositions, in particular, the acquisition of a $1.1 billion portfolio of 50 properties in February 2019, with a net increase in total rentable square feet of 61.6 million in 2019.
- Depreciation and amortization expense decreased $22.6 million due to cessation of real estate depreciation beginning the third quarter of 2019 upon classification of the industrial business as held for sale on June 30, 2019, largely offset by additional depreciation and amortization expense resulting from continued growth in the portfolio in the first half of 2019.
- The positive property operating results were partially offset by an increase in interest expense of $28.9 million as we had obtained $952 million of additional debt to fund new acquisitions in 2019, along with additional draws on our industrial revolver, which capacity was expanded from $400 million to $600 million in 2019. As a result, we also incurred higher deferred financing costs and higher unused fees on the revolver. These increases, however, were partially offset by higher capitalization of interest on development projects in 2019.
- In connection with managing third party capital in our sponsored open-end industrial fund, fee income, calculated based on net asset value of the fund, was $4.3 million higher as a result of additional capital raised and appreciation in value of our industrial properties in 2019.

Preferred Stock Redemption

In connection with preferred stock redemptions, net loss attributable to common stockholders was reduced by $5.2 million in 2019 and $4.0 million in 2018, representing the net excess of carrying value over the redemption price of $25.00 per share. We redeemed Series B and Series E in December 2019 and Series D in May 2018. The carrying value of Series E and Series D preferred stock had reflected a premium, and Series B had reflected a discount, when the preferred shares were assumed based upon their respective trading prices at the closing of the Merger.

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

As a result of the Merger, the historical financial information presented as of any date or for any periods on or prior to the Closing Date represents the pre-Merger financial information of Colony, and the results of operations of NSAM and NRF were incorporated into the Company effective from January 11, 2017. Additionally, as a result of the formation of CLNC which closed on January 31, 2018, the historical financial information in 2018 includes one month of operating results from certain of the Company's investment entities prior to their contribution to CLNC; thereafter, 2018 reflects our share of results from our equity method investment in CLNC. Consequently, our results for 2018 are not directly comparable to 2017.

Consolidated Statements of Operations

(In thousands)	Year Ended December 31, 2018	2017	Change
Revenues			
Property operating income	$ 1,960,559	$ 1,873,055	$ 87,504
Interest income	214,588	416,234	(201,646)
Fee income	144,443	216,767	(72,324)
Other income	47,352	43,484	3,868
Total revenues	2,366,942	2,549,540	(182,598)
Expenses			
Property operating expense	1,150,656	1,046,313	104,343
Interest expense	552,838	536,256	16,582
Investment and servicing expense	67,113	67,455	(342)
Transaction costs	7,266	95,859	(88,593)
Placement fees	7,615	824	6,791
Depreciation and amortization	443,302	508,514	(65,212)
Provision for loan loss	43,034	19,741	23,293
Impairment loss	587,275	420,316	166,959
Compensation expense—cash and equity-based	213,882	338,766	(124,884)
Compensation expense—carried interest and incentive fee	7,485	—	7,485
Administrative expenses	92,431	106,279	(13,848)
Total expenses	3,172,897	3,140,323	32,574
Other income (loss)			
Gain on sale of real estate	159,598	112,758	46,840
Other gain (loss), net	51,706	(25,814)	77,520
Equity method earnings (losses)	(9,601)	283,283	(292,884)
Equity method earnings—carried interest	9,525	—	9,525
Loss from continuing operations before income taxes	(594,727)	(220,556)	(374,171)
Income tax benefit	59,970	100,495	(40,525)
Loss from continuing operations	(534,757)	(120,061)	(414,696)
Income from discontinued operations	39,582	55,448	(15,866)
Net loss	(495,175)	(64,613)	(430,562)
Net income (loss) attributable to noncontrolling interests:			
Redeemable noncontrolling interests	(3,708)	23,543	(27,251)
Investment entities	67,994	129,996	(62,002)
Operating Company	(39,854)	(20,261)	(19,593)
Net loss attributable to Colony Capital, Inc.	(519,607)	(197,891)	(321,716)
Preferred stock redemption	(3,995)	4,530	(8,525)
Preferred stock dividends	117,097	130,672	(13,575)
Net loss attributable to common stockholders	$ (632,709)	$ (333,093)	$ (299,616)

Property Operating Income and Property Operating Expenses

(In thousands)	Year Ended December 31, 2018	2017	Change
Property operating income:			
Healthcare	$ 586,855	$ 606,992	$ (20,137)
Hospitality	848,760	815,413	33,347
Other Equity and Debt	524,944	450,650	74,294
	$ 1,960,559	$ 1,873,055	87,504
Property operating expenses:			
Healthcare	$ 271,166	$ 274,528	$ (3,362)
Hospitality	563,453	537,884	25,569
Other Equity and Debt	316,037	233,901	82,136
	$ 1,150,656	$ 1,046,313	104,343

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

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

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

Interest Income

Interest income decreased $201.6 million in 2018 compared to 2017. The decrease can be attributed to our contribution of $1.3 billion of loans to CLNC on January 31, 2018 which reduced interest income by $130.7 million, $30.2 million decrease in interest income from sale and deconsolidation of our securitization trusts in the second quarter of 2018, consensual foreclosure of the THL Hotel Portfolio loan in July 2017 which had previously contributed interest income of $18.8 million, as well as decreases due to continuing loan repayments, payoffs and sales. These decreases more than offset new loan originations and additional drawdowns in 2018.

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Fee Income

Fee income was earned from the following sources:

	Year Ended December 31,		
(In thousands)	2018	2017	Change
Institutional funds	$ 48,624	$ 56,966	$ (8,342)
Non-traded REITs	29,597	88,081	(58,484)
Public company (NRE)	65,258	14,003	51,255
Broker-dealer, Townsend private funds and other clients	964	57,717	(56,753)
	$ 144,443	$ 216,767	(72,324)

Fee income decreased $72.3 million in 2018 compared to 2017, resulting from:

- sale of our investment management subsidiary, Townsend Holdings, LLC ("Townsend") in December 2017, which had contributed $55.4 million of fee income in 2017;
- $18.2 million decrease in fee income from NorthStar Healthcare following an amendment to its advisory agreement effective in 2018 that changed its management fee basis from 1% of gross assets to 1.5% of NAV and no longer provides for acquisition fees, coupled with a decrease in its annual NAV basis effective December 2018; and
- net decrease of $8.3 million in our institutional funds business as continued realization of investments by liquidating funds more than offset fees from new capital raised.

The decreases were partially offset by:

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

Other Income

Other income increased $3.9 million in 2018 compared to 2017, attributable primarily to (i) amounts grossed up in other income and equity-based compensation expense beginning in 2018 related to equity awards granted by CLNC and NRE to the Company and certain of its employees, and to a lesser extent, (ii) higher dividend income from a sponsored private fund that was consolidated in the third quarter of 2017, and (iii) higher CDO advisory fees following a deconsolidation of a CDO securitization trust, all of which were partially offset by (iv) lower recovery income from our loan portfolios which continue to resolve over time, and (v) lower cost reimbursement income from our sponsored retail companies, in particular following the Combination.

Interest Expense

	Year Ended December 31,		
(In thousands)	2018	2017	Change
Investment-level financing:			
Healthcare	$ 194,898	$ 185,256	$ 9,642
Hospitality	153,395	134,729	18,666
Other Equity and Debt	150,032	161,993	(11,961)
Corporate-level debt	54,513	54,278	235
	$ 552,838	$ 536,256	16,582

The $16.6 million net increase in interest expense in 2018 compared to 2017 can be attributed to the following:

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

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

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

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

Investment and Servicing Expense

There was a marginal $0.3 million net decrease in investment and servicing costs in 2018 compared to 2017. While higher expenses were incurred in 2018 through write-offs of cost reimbursement, organization and offering costs receivables related to certain retail companies as well as a full year of servicing and management fees in 2018 on the THL Hotel Portfolio that was foreclosed in July 2017, there was lower servicing fees on our loan portfolios due to resolutions. Additionally, 2017 included a non-employee restricted stock unit award that was fully vested in September 2017, expenses associated with the Townsend investment management business that was sold in December 2017 and the broker-dealer business that was contributed to a joint venture in April 2018, as well as fees incurred in connection with debt refinancing and restructuring.

Transaction Costs

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

Placement Fees

Placement fees were $7.6 million in 2018 and $0.8 million in the prior year. The higher fees in 2018 are attributed to the fundraising for our co-investment vehicle in AccorInvest while fees incurred in 2017 were in connection with fundraising for our distressed credit fund.

Depreciation and Amortization

The net decrease of $65.2 million in depreciation and amortization in 2018 compared to 2017 can be attributed to the following: (i) contribution of real estate to CLNC in January 2018 as well as real estate classified as held for sale or sold in 2017, mainly in our other equity and debt segment; (ii) deconsolidation of a real estate investment following a third party syndication in September 2017; and (iii) lower overall amortization on our investment management intangible assets following the sale of Townsend as well as write-off of management contracts, NorthStar trade name and customer relationships. These decreases were partially offset by (iv) higher expenses in 2018 on assets acquired through the Merger as 2017 results exclude 10 days of pre-Merger activities; and (v) acquisition of the THL Hotel Portfolio in July 2017.

Provision for Loan Losses

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

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

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

Impairment Loss

	Year Ended December 31,		
(In thousands)	2018	2017	Change
Healthcare	$ 217,524	$ 14,375	$ 203,149
Hospitality	72,469	—	72,469
Other Equity and Debt	79,432	30,867	48,565
Other Investment Management	217,850	375,074	(157,224)
	$ 587,275	$ 420,316	166,959

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

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

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

Other Investment Management—Impairment was taken on various investment management intangible assets in both years. The impairment loss in 2017 is attributed primarily to the $316.0 million write-down in goodwill in 2017. Goodwill was not further impaired in 2018. On the other hand, higher impairments were taken on management contract intangibles in 2018, specifically a $139.0 million write-off of intangible assets related to the NorthStar I and NorthStar II management contracts that were terminated on January 31, 2018 and replaced in part with the CLNC management contract (refer to Note 6 to the consolidated financial statements for description of the formation of CLNC). In 2017, the significant management contract impairment of $55.3 million resulted from an amendment to the NorthStar Healthcare advisory agreement. Other notable impairments in 2018 included write-offs of the NorthStar trade name of $59.5 million and retail investor relationship intangible of $10.1 million.

Of the $587.3 million and $420.3 million of total impairment in 2018 and 2017, respectively, $95.7 million and $23.2 million were attributable to noncontrolling interests in investment entities, respectively.

Compensation Expense

The following table provides the components of compensation expense.

(In thousands)	Year Ended December 31, 2018	2017	Change
Cash compensation and benefits	$ 140,957	$ 162,744	$ (21,787)
Carried interest and incentive fee compensation	7,485	—	7,485
Equity-based compensation	40,525	29,838	10,687
	188,967	192,582	(3,615)
Merger-related compensation expense			
Equity-based compensation for replacement awards to former NSAM executives	3,297	116,725	(113,428)
Severance and other employee transition	9,877	29,459	(19,582)
	13,174	146,184	(133,010)
Restructuring-related compensation expense			
Acceleration of equity-based compensation	4,734	—	4,734
Severance	14,492	—	14,492
	19,226	—	19,226
Total compensation expense	$ 221,367	$ 338,766	(117,399)

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

Excluding the effects of above items, compensation expense decreased $3.6 million in 2018 compared to 2017, as a result of the following:

- $21.8 million decrease in cash compensation and benefits, primarily in connection with (i) the Townsend investment management business that was sold in December 2017; and (ii) the broker-dealer business that was contributed to a joint venture in April 2018, notwithstanding severance costs incurred in 2018 in connection with the broker dealer business.

However, this decrease was largely offset by:

- $10.7 million of higher equity-based compensation in 2018 from new equity grants, which included an $8.7 million gross-up of equity-based compensation related to equity awards granted by CLNC and NRE to the Company and its employees; and
- $7.5 million of carried interest and incentive fee compensation accrued in 2018, of which $2.7 million relates to NRE incentive fees that were recognized during the fourth quarter of 2018, while the remaining amount relates to unrealized carried interest on certain of our sponsored private funds. All such amounts are generally not paid to management or other employees until the related carried interest and incentive fees are distributed by the investment vehicles to the Company.

Administrative Expenses

Administrative expenses were $92.4 million in 2018, a $13.8 million decrease from 2017, largely due to a decrease in expenses incurred in connection with integrating the operations of the combined entities following the Merger, including lower overall rent expense, lower administrative expenses related to the Townsend business that was sold in December 2017 and the broker-dealer business.

Gain on Sale of Real Estate

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

Gain on sale of $69.0 million and $23.9 million in 2018 and 2017, respectively, were attributable to noncontrolling interests in investment entities.

Equity Method Earnings (Losses)

(In thousands)	Year Ended December 31, 2018	2017	Change
Digital	$ 8,845	$ —	$ 8,845
CLNC	(65,366)	—	(65,366)
Other Equity and Debt	97,416	265,079	(167,663)
Other Investment Management (including $9,525 and $0 of carried interest, respectively)	(40,971)	18,204	(59,175)
	$ (76)	$ 283,283	(283,359)

Digital—Amounts in 2018 represent earnings from interest in our co-sponsored digital infrastructure fund and its investment manager, a joint venture with DBH.

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

Other Equity and Debt—Equity method earnings in 2017 included a $191.2 million gain from the sale of our 14% interest in Starwood Waypoint Homes. Excluding this gain, earnings from investments in unconsolidated ventures was $23.5 million higher in 2018, attributable primarily to (i) new or additional fundings made on our preferred equity and ADC loan investments, (ii) increase in fair value of our AccorInvest and digital infrastructure investments held through our sponsored or co-sponsored funds, and (iii) higher net income from our interest in NRE resulting from a significant gain on sale of real estate by NRE. These increases were partially offset by (iv) reduction in earnings resulting from the contribution of certain investments to CLNC in January 2018, and (v) net loss from our private equity fund investments compared to net gain in the prior year.

Other Investment Management—We recorded losses of $41.0 million in 2018 and earnings of $18.2 million in 2017. The losses primarily resulted from $55.5 million of impairment on investments in two third party asset managers. This was partially offset by $9.5 million of carried interest allocation from our sponsored private funds, with carried interest calculated based on fair value of underlying investments of the funds, which as of December 31, 2018, was unrealized.

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

Other Gain (Loss), Net

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

- $34.0 million gain in 2018 compared to a $13.0 million loss in 2017 on a non-designated out-of-money interest rate swap assumed through the Merger due to rising interest rates. The swap was intended to hedge future refinancing risk on certain NRF mortgage debt;
- $10.9 million gain from deconsolidation of a CDO securitization trust in 2018;
- $10.7 million gain from sale of CRE securities in 2018;
- Lower impairment on CRE debt securities of $8.2 million in 2018 compared to $33.0 million in 2017;
- $4.6 million loss upon write-off of CRE debt securities in 2017;
- $9.9 million remeasurement gain in connection with the formation of CLNC, which represents the excess of fair value over carrying value of the Company's equity interest in certain investment entities contributed to CLNC, and that were retained through the Company's interest in CLNC (refer to Note 6 to the consolidated financial statements for description of the formation of CLNC); and
- $4.0 million gain from sale of loans in 2018.

The above factors were partially offset by:

- Lower unrealized fair value gain recorded on the contingent consideration liability in connection with Colony's management internalization of $1.7 million in 2018 compared to $20.6 million in 2017, with the liability settled in 2018 (refer to Note 12 of the consolidated financial statements); and

- $5.1 million loss in 2018 compared to $6.8 million gain in 2017 on remeasurement of a foreign currency loan receivable in our healthcare segment.

Income Tax Benefit

We recorded income tax benefit of $60.0 million in 2018 and $100.5 million in 2017.

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

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

Income from Discontinued Operations

	Year Ended December 31,		
(In thousands)	**2018**	**2017**	**Change**
Revenues			
Property operating income	$ 288,367	$ 284,051	$ 4,316
Fee income	7,378	4,022	3,356
Interest and other income	3,775	4,742	(967)
Revenues from discontinued operations	299,520	292,815	6,705
Expenses			
Property operating expense	84,162	87,726	(3,564)
Interest expense	42,713	47,594	(4,881)
Investment and servicing expense	436	542	(106)
Placement fees	234	1,650	(1,416)
Depreciation and amortization	129,104	109,265	19,839
Impairment loss	948	44	904
Compensation expense—cash and equity-based	11,156	8,119	3,037
Compensation expense—carried interest	4,696	—	4,696
Administrative expenses	4,569	4,703	(134)
Expenses from discontinued operations	278,018	259,643	18,375
Other income			
Gain on sale of real estate	7,633	22,504	(14,871)
Equity method earnings, including carried interest	10,636	1,868	8,768
Income from discontinued operations before income taxes	39,771	57,544	(17,773)
Income tax expense	(189)	(2,096)	1,907
Income from discontinued operations	$ 39,582	$ 55,448	(15,866)

Discontinued operations in 2018 and 2017 represent predominantly the results of operations of the industrial segment and its associated management platform, which includes property operations, fee income, equity method earnings from the Company's general partner interest in the industrial open-end fund, and related compensation expense.

Discontinued operations also consisted of: (i) a manufactured housing portfolio acquired through the Merger in January 2017, which generated $12.6 million of net income in the approximately two month period prior to its sale in March 2017; and (ii) certain properties acquired through consensual foreclosure of the THL Hotel Portfolio in July 2017, which were fully disposed in the second quarter of 2018, and generated immaterial results in both years.

Income from discontinued operations decreased $15.9 million comparing 2018 to 2017, attributed primarily to the following:

- There was a net increase in property operating income of $4.3 million as the growth in our industrial portfolio contributed $46.4 million increase in income, largely offset by decreases in income following the sale of our manufactured housing portfolio, which contributed $33.9 million of income in 2017, and sale of properties in our THL Hotel Portfolio. Property operating expenses decreased $3.6 million as the corresponding increase in expenses in our industrial portfolio of $15.8 million was more than offset by decreases in expenses from our manufactured housing portfolio of $12.4 million and from our THL Hotel Portfolio. In 2018, our industrial portfolio recorded a net addition of 31 buildings and approximately 5.2 million rentable square feet.

- Depreciation and amortization expense increased $19.8 million, attributable entirely to our industrial portfolio as no depreciation was recorded on our manufactured housing portfolio and THL Hotel Portfolio.
- Interest expense decreased $4.9 million as 2017 included $9.0 million of interest expense on debt financing our manufactured housing portfolio, which was partially offset by a $4.1 million net increase in interest expense in 2018 associated with our industrial portfolio. In 2018, there was additional debt obtained to fund new industrial acquisitions, and higher unused fees on our industrial line of credit following an increase in capacity. However, these increases were partially offset by additional interest expense incurred in 2017 through accelerated amortization of deferred financing costs when we refinanced our variable rate industrial acquisition debt.
- Impairment in both years relate to industrial properties sold or held for sale.
- Gain on sale of real estate was higher in 2017 as it included the sale of two industrial portfolios totaling 26 buildings in the Chicago and Atlanta markets as we continued to recycle capital within the industrial portfolio.
- Interest and other income was lower as 2017 included income generated from our manufactured housing portfolio, partially offset by higher property management income in our industrial portfolio in 2018 as we internalized property management in certain markets.
- Cash and equity-based compensation and administrative expenses presented as discontinued operations relate to the management and operations of our industrial portfolio. Compensation was higher in 2018, reflecting the impact of growth in the portfolio and internalization of property management in certain markets.
- In connection with our sponsored industrial open-end fund, we incurred higher placement fees in 2017 as we were actively fundraising following the first close of the fund in September 2016. Fee income, calculated based on net asset value of the fund, was $3.4 million higher in 2018 as a result of additional capital raised and appreciation in value of our industrial properties. Similarly, the increase in NAV of the fund resulted in carried interest allocated to us as general partner of the fund, which is reflected in higher equity method earnings recorded in 2018, and correspondingly in carried interest compensation accrued, which represents a portion of carried interest allocated to management and certain employees.
- There was higher income tax expense in 2017, attributable to taxable industrial real estate sale transactions.

Preferred Stock Redemption

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

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

Segments

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

Digital Real Estate and Investment Management ("Digital")

Our digital segment is composed of (i) balance sheet interests in digital real estate; and (ii) digital real estate investment management business, which as of December 31, 2019, is represented by the following:

- A 20.4% controlling interest in DataBank, acquired in December 2019. DataBank is a leading provider of enterprise-class data centers, connectivity and managed services. At December 31, 2019, DataBank owns eight data centers and have leasehold interests in 12 data centers, operating in nine U.S. markets. This is our inaugural direct balance sheet investment in digital real estate and represents our first step in investing in the edge/colocation data center sector, which will support future growth opportunities through potential add-on acquisitions and greenfield edge data center developments.

- DCP, our first sponsored digital real estate and infrastructure fund which had its final closing in May 2019. DCP commitments total approximately $4.06 billion, including our $250 million commitment, of which we have funded $53 million through December 31, 2019.
- DBH investment management business, acquired in July 2019, which currently manages DCP and six digital real estate portfolio companies, including DataBank. At December 31, 2019, our digital real estate FEEUM totaled $7 billion. Investment management products may include investment vehicles for co-investment partnerships and other managed assets, and digital credit and liquid securities products in the future.

Digital is a new segment for the Company, which, although not a material part of our operations in 2019, is where we expect substantial growth to take place, both in terms of the balance sheet and investment management through (a) further investment of capital into digital real estate and infrastructure assets and GP co-investments and (b) net inflows of third-party capital into digital-related investment strategies sponsored by the Company.

For digital real estate investments on our balance sheet, we earn rental and service income from providing use of space and/or capacity in our digital assets through long-term contracts and related service orders. In the digital investment management business, we earn management fees, generally based on the amount of assets or capital managed in investment vehicles, and have the potential to earn carried interest based on the performance of such investment vehicles subject to the achievement of minimum return hurdles.

Selected Balance Sheet Data

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

(In thousands)	December 31, 2019	December 31, 2018
Real estate held for investment	$ 846,393	$ —
Intangible assets, excluding goodwill	384,595	—
Equity investments	47,891	32,354
Secured debt	539,155	—

Our digital real estate investments and associated debt financing at December 31, 2019 reside with our DataBank subsidiary, in which we have a controlling 20.4% interest. Equity investments in our digital segment represent our interest in DCP and through July 2019, its manager, Digital Colony Manager, prior to its consolidation upon acquisition of DBH.

Performance

Results of operations of our digital segment were as follows.

	Year Ended December 31,	
(In thousands)	2019	2018
Total revenues	$ 40,407	$ —
Net income	43,786	5,955
Net income attributable to Colony Capital, Inc.	40,658	5,606

Revenues from our digital segment in 2019 represent predominantly fee income from DBH, acquired in July 2019, and 12 days of property operating income from DataBank, acquired in December 2019. Additionally, our digital segment generated equity method earnings from our interest in DCP and through July 2019, in Digital Colony Manager. In 2019, net income included a $51.4 million gain from remeasurement of our 50% interest in Digital Colony Manager upon closing of the DBH acquisition in July 2019.

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

In 2019, we raised an additional $59 million in DCP, bringing total commitments to approximately $4.06 billion (including our $250 million commitment). Our acquisition of DBH brought approximately $14 billion of AUM and approximately $7 billion of FEEUM across six separately capitalized portfolio companies and $4 billion from DCP, which we previously co-managed with DBH. Subsequent to the fourth quarter of 2019, DCP invested and committed to three digital real estate and infrastructure investments and is now 73% committed (pro forma for completion of DCP's acquisition of Zayo Group Holdings, Inc. (NYSE: ZAYO), a provider of bandwidth infrastructure services in the United States and Europe).

Healthcare

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

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

Portfolio Overview

Our healthcare portfolio is located across 32 states domestically and in the United Kingdom (13% of our portfolio based upon NOI for the fourth quarter of 2019).

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

(In thousands)	December 31, 2019	December 31, 2018
Real estate		
Held for investment	$ 4,433,825	$ 4,995,298
Held for sale	57,664	—
Debt	2,910,032	3,213,992

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

	Number of Properties[2]	Capacity	Average Occupancy[1]	Average Remaining Lease Term (Years)
December 31, 2019				
Senior housing—operating	83	6,388 units	86.5%	N/A
Medical office buildings	106	3.8 million sq. ft.	82.2%	4.8
Net lease—senior housing	71	4,039 units	80.7%	11.5
Net lease—skilled nursing facilities	89	10,601 beds	82.7%	5.8
Net lease—hospitals	9	456 beds	58.0%	5.5
Total	358			
December 31, 2018				
Senior housing—operating	83	6,388 units	86.8%	N/A
Medical office buildings	106	3.8 million sq. ft.	82.3%	4.5
Net lease—senior housing	81	4,231 units	82.1%	11.7
Net lease—skilled nursing facilities	98	11,829 beds	82.4%	5.9
Net lease—hospitals	12	872 beds	58.1%	9.7
Total	380			

(1) Occupancy represents the 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 percentages are presented as follows: (i) as of the last day of the quarter for medical office buildings; (ii) average for the quarter for senior housing—operating; and (iii) average of the prior quarter for net lease properties as our operators report on a quarter lag.

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

Revenue mix for the twelve months ended September 30, 2019 (as our operators report on a quarter lag) for properties held as of December 31, 2019 was as follows:

Payor Sources	Revenue Mix % [1]
Private Pay	59%
Medicaid	29%
Medicare	12%
Total	100%

(1) Excludes two operating partners who do not track or report payor source data. Revenue mix % is weighted based upon net operating income ("NOI") for the fourth quarter of 2019 for properties held as of December 31, 2019.

Acquisitions

In October 2019, we acquired a net leased senior housing property in the United Kingdom for $12.4 million, which was funded through a development facility with the operator of the property, pursuant to which the Company had financed the development of the property subject to a purchase option. The purchase price was equivalent to the outstanding principal balance of our development loan.

Held for Sale and Dispositions

We sold the following properties in 2019 in our effort to monetize non-core assets in our healthcare segment:

- a portfolio of net lease skilled nursing facilities totaling 1,228 beds;
- a net lease senior housing with 292 units, including two land parcels; and
- three hospitals totaling 416 beds.

We received total gross proceeds of $254.3 million from these sales and paid off $89.8 million of outstanding debt on the skilled nursing facilities and senior housing. The portfolio of hospitals sold had previously been removed from the collateral pool upon refinancing of our $1.725 billion healthcare mortgage debt in June 2019, as discussed below, and our share of net proceeds received from these sales of $82.3 million therefore effectively reduced our $174 million funding for the refinancing.

At December 31, 2019, real estate properties with aggregate carrying value of $57.7 million were held for sale, comprising two portfolios of net lease skilled nursing facilities totaling 909 beds and a land parcel, which were encumbered with $50.9 million of debt.

Financing

At December 31, 2019, our healthcare portfolio was financed by $2.95 billion of outstanding debt principal, of which $0.4 billion was fixed and $2.55 billion was variable rate debt, bearing a combined weighted average interest rate of 5.13%.

In 2019, we refinanced an aggregate $2.3 billion of debt principal, extending their maturities through 2024 (including extension options), which collectively addressed all material near term healthcare debt maturities. Previous default due to debt and/or lease coverage ratios on two of the refinanced debt have been cured.

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

Performance

Results of operations of our healthcare segment were as follows:

	Year Ended December 31,		
(In thousands)	**2019**	**2018**	**2017**
Total revenues	$ 582,139	$ 592,455	$ 613,169
Net loss	(239,888)	(283,516)	(64,767)
Net loss attributable to Colony Capital, Inc.	(179,976)	(199,277)	(51,428)

Operating results at the property level are discussed under NOI below. Results summarized above include the impact of interest expense from mortgage financing, impairment charges and depreciation and amortization expense on our healthcare portfolio.

The net losses in 2019 and 2018 were driven by $187.3 million and $217.5 million of real estate impairment losses, respectively, driven mostly by shortened hold period assumptions on our properties, in particular in 2018, when we considered our ability to refinance related mortgage debt with upcoming maturities. Such debt was successfully refinanced in 2019, as discussed above. Other impairment factors include, but are not limited to, shortfalls in offer prices relative to carrying value or declining operating performance.

Net Operating Income

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

(In thousands)	Year Ended December 31, 2019	2018	2017
Total revenues	$ 582,139	$ 592,455	$ 613,169
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease asset	(20,179)	(15,225)	(34,229)
Interest income	(31)	—	—
Other income	(336)	—	—
Property operating expenses [(1)]	(260,374)	(271,166)	(274,528)
NOI—Healthcare	$ 301,219	$ 306,064	$ 304,412

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

	Year Ended December 31,			Change 2019 vs. 2018		Change 2018 vs. 2017	
($ in thousands)	2019	2018	2017	$	%	$	%
Senior housing—operating	$ 65,077	$ 66,343	$ 70,224	$ (1,266)	(1.9)%	$ (3,881)	(5.5)%
Medical office buildings	52,681	56,288	53,550	(3,607)	(6.4)%	2,738	5.1 %
Net lease—senior housing	60,859	60,627	56,732	232	0.4 %	3,895	6.9 %
Net lease—skilled nursing facilities	102,527	103,225	103,051	(698)	(0.7)%	174	0.2 %
Net lease—hospitals	20,075	19,581	20,855	494	2.5 %	(1,274)	(6.1)%
NOI—Healthcare	$ 301,219	$ 306,064	$ 304,412	(4,845)	(1.6)%	1,652	0.5 %

2019 vs. 2018—NOI decreased $4.8 million in 2019, largely due to a termination fee received from an early lease termination in our medical office building portfolio in 2018. Additionally, NOI on our senior housing operating portfolio decreased as higher resident service costs, primarily labor costs, were not fully absorbed through higher rents as occupancy declined due to increased competition. We also incurred higher property level legal and marketing costs in our healthcare portfolio in 2019, partially offset by lower property management fees following the termination of a third party management contract in October 2018.

2018 vs. 2017—NOI was not directly comparable as 2017 excluded 10 days of activities pre-Merger. After giving effect to the 10-day pre-Merger period in 2017, NOI in 2018 recorded a decrease of $6.6 million as a result of sales of our non-core healthcare properties, lower contractual rents and rental concessions granted in 2018, all of which were partially offset by a termination fee received from an early lease termination in our medical office building portfolio in 2018.

Industrial

Driven by a significant appreciation in value, in December 2019, we sold our light industrial portfolio and the related management platform for an aggregate gross sales price of approximately $5.7 billion. We received aggregate net proceeds, after debt settlement, transaction and other costs, of $1.2 billion, including $35.0 million held in escrow. We recorded a gain on sale of real estate of approximately $1.5 billion and other gain from sale of the management platform of $9.4 million. The escrowed funds will be released to us upon finalization of tenant reimbursements for the fiscal year 2019. $0.9 billion of the gain from sale of real estate was attributed to third party limited partners in our light industrial investment vehicles, representing noncontrolling interests in investment entities. Our bulk industrial portfolio acquired in February 2019 remains held for sale.

As previously discussed, the operating results of the industrial business are presented as discontinued operations in the consolidated statements of operations, and the related assets and liabilities are presented as assets and liabilities held for sale on the consolidated balance sheets effective June 2019.

Light Industrial

Prior to the sale, our industrial segment was primarily composed of light industrial assets throughout the U.S. 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. We had pursued accretive asset acquisitions and had captured the benefits of scale as one of the few institutional investors primarily focused on the fragmented light industrial sector, as evidenced by the accretion in value that was realized upon disposition of the portfolio.

Our investment in the light industrial portfolio had been made alongside third party limited partners through joint ventures, composed of sponsored and managed partnerships, including an industrial open-end fund. We also had a wholly owned industrial operating platform which provided vertical integration from acquisitions and development to asset management and property management. The platform was sold alongside the portfolio.

Prior to the sale, our portfolio activities in 2019 included:

- disposition of 39 non core buildings totaling 2.5 million rentable square feet; and
- recycling of capital into additional acquisitions of 84 buildings totaling 10.4 million rentable square feet and six land parcels for co-development with operating partners for an aggregate cost of $44.1 million, financed through $0.7 billion of debt.

At the time of sale, we had owned 33.6% of our light industrial platform through our $749.2 million capital contributions, with total third party capital of $1.66 billion, including $141.7 million of capital raised in the first quarter of 2019.

Our light industrial portfolio had totaled 450 buildings with 57.4 million rentable square feet and six parcels of land under development, financed by $2.1 billion of debt. The sale also included our commitments to acquire three buildings that were under construction. Outstanding debt of $0.3 billion was assumed by the buyer and remaining $1.9 billion repaid with proceeds from the sale at the time of closing.

Bulk Industrial

Bulk industrial buildings are warehouses generally greater than 500,000 square feet.

In February 2019, we acquired six bulk industrial buildings totaling 4.2 million square feet for $373.2 million, financed by a $235.0 million first mortgage debt.

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

The bulk industrial portfolio is held for sale with total real estate carrying value of $342.8 million, financed by debt with carrying value of $232.9 million as of December 31, 2019.

Performance

The following table summarizes the results of operations of our light industrial portfolio through the closing of the sale on December 10, 2019 and our bulk industrial portfolio from our February 2019 acquisition:

	Year Ended December 31,		
(In thousands)	**2019**	**2018**	**2017**
Total revenues	$ 351,594	$ 290,956	$ 243,172
Net income	1,486,691	26,749	37,497
Net income attributable to Colony Capital, Inc.	449,050	4,246	12,537

Operating results at the property level are discussed under NOI below. The significant increase in net income in 2019 reflects the approximately $1.5 billion gain from sale of the light industrial portfolio, of which our share of gain was approximately $0.5 billion.

Net Operating Income

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

	Year Ended December 31,				
	2019			2018	2017
(In thousands)	Light Industrial	Bulk Industrial	Total	Light Industrial	Light Industrial
Total revenues	$ 334,498	$ 17,096	$ 351,594	$ 290,956	$ 243,172
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease asset	(13,340)	(1,672)	(15,012)	(11,076)	(6,665)
Interest income	(1,001)	(24)	(1,025)	(779)	(391)
Other income	—	—	—	—	(121)
Property operating expenses	(89,009)	(4,431)	(93,440)	(83,003)	(67,196)
Transaction, investment and servicing costs	—	—	—	—	(101)
Compensation and administrative expense [1]	(4,087)	—	(4,087)	(2,112)	(1,753)
NOI—Industrial	$ 227,061	$ 10,969	$ 238,030	$ 193,986	$ 166,945

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

The increase in total NOI from 2017 through 2019 reflected the continued growth of our industrial segment prior to the sale of our light industrial portfolio in December 2019, with net increase in total rentable square feet of 61.6 million in 2019 and 5.2 million in 2018. In the light portfolio, although average occupancy had decreased year over year due mainly to vacancy in newly acquired value-add properties, the overall increase in revenues from new acquisitions more than offset corresponding increase in property operating expenses, resulting in higher NOI over the three year period. Additionally, in 2019, the six buildings under the bulk portfolio contributed $11.0 million of NOI.

Hospitality

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

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

Portfolio Overview

Our hotel portfolio is located across 26 states in the U.S., with concentrations in California (17.7%), Texas (11.2%) and Florida (9.9%), based upon NOI before FF&E Reserve for the fourth quarter of 2019.

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

(In thousands)	December 31, 2019	December 31, 2018
Real estate		
Held for investment	$ 3,544,264	$ 3,668,824
Held for sale	16,155	69,699
Debt	2,623,306	2,603,599

A majority of our portfolio is affiliated with top hotel brands. Composition of our hotel portfolio by brand at December 31, 2019, based upon the number of rooms, is as follows:

Brands	% by Rooms
Marriott	78%
Hilton	16%
Hyatt	4%
Intercontinental	2%
Total	100%

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

Type	December 31, Number of Hotel Properties	December 31, Number of Rooms	Year Ended December 31, Average Occupancy	Year Ended December 31, ADR [1]	Year Ended December 31, RevPAR [2]
2019					
Select service	87	11,737	71.9%	$ 125	$ 90
Extended stay	66	7,936	78.8%	133	105
Full service	4	966	72.3%	161	116
Total	157	20,639	74.5%	130	97
2018					
Select service	97	13,194	72.6%	$ 124	$ 90
Extended stay	66	7,936	79.5%	133	106
Full service	4	962	71.7%	163	117
Total	167	22,092	75.0%	129	97
2017					
Select service	97	13,193	71.5%	$ 123	$ 88
Extended stay	66	7,936	78.7%	133	105
Full service	4	962	71.9%	159	114
Total	167	22,091	74.1%	128	95

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

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

Held for Sale and Dispositions

In 2019, we sold ten properties in our select service hotel portfolio totaling 1,458 rooms for aggregate gross sales proceeds of $81.3 million in our effort to monetize non-core assets.

At December 31, 2019, one 120-room select service hotel with a carrying value of $16.2 million was held for sale, financed with $15.0 million of debt.

Financing

At December 31, 2019, our hotel portfolio was financed by $2.67 billion of predominantly variable rate debt, bearing a weighted average interest rate of 4.87%.

In February 2019 and November 2019, we refinanced an aggregate $1.1 billion of debt principal in three portfolios, extending their maturities between March 2024 and November 2026 (including extension options).

Performance

Results of operations of our hospitality segment were as follows:

(In thousands)	Year Ended December 31, 2019	2018	2017
Total revenues	$ 828,523	$ 849,513	$ 815,831
Net loss	(107,066)	(90,581)	(9,863)
Net loss attributable to Colony Capital, Inc.	(90,139)	(82,798)	(9,199)

Operating results at the property level are discussed under NOI before FF&E Reserve below. Results summarized above include the impact of interest expense from mortgage financing, impairment charges and depreciation and amortization expense on our hotel portfolio.

The higher net loss recorded in our hospitality segment in 2019 and 2018 were driven largely by real estate impairments of $50.5 million and $72.5 million, respectively, which arose mostly from shortened hold periods on certain properties. Additionally, higher financing costs were incurred in 2019 as a result of additional debt obtained through a refinancing, and as discussed below, there was a decline in hotel operating results comparing 2019 to 2018.

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

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

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Total revenues	$ 828,523	$ 849,513	$ 815,831
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease asset	1,253	(25)	(74)
Other income	(2)	(556)	—
Property operating expenses [1]	(554,981)	(563,453)	(537,884)
NOI before FF&E Reserve—Hospitality	$ 274,793	$ 285,479	$ 277,873

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

	Year Ended December 31,			Change 2019 vs. 2018		Change 2018 vs. 2017	
($ in thousands)	2019	2018	2017	$	%	$	%
Select service	$ 148,465	$ 153,849	$ 149,311	$ (5,384)	(3.5)%	$ 4,538	3.0%
Extended stay	113,319	116,920	116,597	(3,601)	(3.1)%	323	0.3%
Full service	13,009	14,710	11,965	(1,701)	(11.6)%	2,745	22.9%
NOI before FF&E Reserve—Hospitality	$ 274,793	$ 285,479	$ 277,873	$ (10,686)	(3.7)%	$ 7,606	2.7%

2019 vs. 2018—NOI before FF&E Reserve decreased $10.7 million, driven by the sale of ten hotels in 2019. Excluding the impact of the sales, hotel revenues were lower in 2019 due to incremental room demand resulting from non-recurring events in 2018 and more revenue displacements in 2019 in connection with hotels under renovation. This decrease, however, was partially offset by higher ancillary income in 2019, including parking revenues and cancellation fee income. Additionally, higher labor costs in 2019 also contributed to the decrease in NOI before FF&E Reserve.

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

Colony Credit Real Estate, Inc.

At December 31, 2019, we have a 36.4% interest (on a fully diluted basis) in CLNC with a carrying value of $725.4 million.

As part of CLNC's strategic plan, in the third quarter of 2019, CLNC bifurcated its assets into a core portfolio and a legacy, non-strategic portfolio, which will allow CLNC to focus on the divestment of its legacy, non-strategic portfolio and to redeploy the proceeds into and grow its core portfolio. In conjunction with its focus on its core portfolio, CLNC meaningfully reduced the book value of its legacy, non-strategic assets to better reflect its market value and reset its annualized dividend from $1.74 per share to $1.20 per share.

In June 2019, in connection with the preparation and review of the financial statements, we wrote down our investment in CLNC by $227.9 million due to the prolonged period of time the carrying value of our investment in CLNC had exceeded its market value. The impairment was measured based on CLNC's closing stock price of $15.50 per share on June 28, 2019, the last trading day of the second quarter, recorded as part of equity method loss.

Additionally, we recorded net losses of $13.5 million in 2019 and $65.4 million in 2018, resulting from loan loss provision and real estate impairments recorded by CLNC. Our share of net loss in 2019, subsequent to the recognition of impairment on our investment in CLNC, excludes $140.3 million representing our share of loan loss provision and impairment charges recorded by CLNC in the second half of 2019 that was applied to reduce the basis difference between the carrying value of our investment in CLNC and our proportionate share of CLNC's book value (see Note 6 to the consolidated financial statements).

At December 31, 2019, the Company's investment in CLNC was approximately $94.6 million in excess of its fair value of $630.8 million based upon the closing stock price of $13.16 per share on December 31, 2019. The Company believes that the current carrying value of its investment in CLNC is recoverable in the near term and determined that its investment in CLNC as of December 31, 2019 was not other-than-temporarily impaired. If CLNC's common stock continues to trade below the Company's carrying value for a further prolonged period of time, additional other-than-temporary impairment may be recognized in the future.

Other Equity and Debt

This segment is composed 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 on real estate or real estate-related investments, excluding digital real estate. Non-strategic investments are composed of those investments the Company does not intend to own for the long term including commercial real estate equity and debt investments and other real estate related securities, among other holdings. The Company has a 2020 asset sale and monetization target of $300 to $500 million with the goal to ultimately monetize the entire non-digital portfolio in the other equity and debt segment.

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

	Year Ended December 31,		
(In thousands)	**2019**	**2018**	**2017**
Total revenues	$ 614,551	$ 739,167	$ 873,046
Net income	87,004	266,784	568,747
Net income attributable to Colony Capital, Inc.	1,436	141,197	426,052

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

(In thousands)	**December 31, 2019**	**December 31, 2018**
Real estate		
Held for investment	$ 2,036,036	$ 2,161,888
Held for sale	353,724	651,303
Equity and debt investments		
NRE (sold in September 2019)	—	87,696
Limited partnership interests in our sponsored and co-sponsored funds	63,102	62,187
Other equity investments [1]	1,276,059	1,026,870
N-Star CDO bonds	54,859	64,127
CMBS of consolidated fund	2,732	32,706
Loans receivable	1,505,477	1,597,214
Debt [2]	2,061,101	2,309,347

(1) Significant investments include acquisition, development and construction loans ($543.3 million) and preferred equity investments ($138.4 million).

(2) Includes debt carrying value of $200.6 million related to real estate held for sale.

Significant activities in our other equity and debt segment in the year ended December 31, 2019 were as follows:

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

Other Investment Management

This segment, which is separate from the digital investment management business that resides in the digital segment, encompasses the Company's management of private real estate credit funds and related co-investment vehicles, CLNC, a public non-traded healthcare REIT and interests in other investment management platforms, among other smaller investment funds. This segment also included the industrial investment management business prior to the sale of the light industrial portfolio in December 2019, and is presented as discontinued operations on the consolidated statements of operations. The Company earns management fees, generally based on the amount of assets or capital managed, and contractual incentive fees or potential carried interest based on the performance of the investment vehicles managed subject to the achievement of minimum return hurdles.

Significant Developments in the Other Investment Management Segment in 2019

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

NRE—In September 2019, NRE sold all of its outstanding common stock to a third party. Concurrent with the sale, the NRE management agreement was terminated, resulting in a termination payment by NRE of approximately $64.6 million, inclusive of $21.5 million of incentive fees for fiscal year 2019 through termination. Including the 2018 incentive fees of $5 million, we received total contractual termination payment of $70 million from NRE. Fifty percent of the incentive fees received was allocated as compensation expense. The termination also resulted in an accelerated amortization of the remaining balance of the NRE management contract intangible asset of approximately $53.7 million.

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

Colony Industrial—In December 2019, we completed the sale of our light industrial portfolio and related management platform. The sale did not include our in-place management contracts as the buyer acquired the entire equity interest in our light industrial portfolio, including all ownership interests held through third party capital that we previously managed. As a result, all of the gain from sale accrued to our industrial segment; however, our investment management segment, through sponsorship of the industrial funds, benefited from a realization of carried interest resulting from accretion in value of the portfolio. We realized carried interest totaling $81.2 million, of which $12.2 million had been accrued in prior years. $69.0 million was recognized in 2019 as $40.6 million of equity method earnings and $28.4 million of disproportionate allocation to the Company from noncontrolling interests in investment entities, with approximately $35.2 million allocated as compensation expense.

Non-Digital Investment Management Business—As part of the Company’s ongoing transition and rotation to an investment management and operating business focused on digital real estate and infrastructure, the Company continues to pivot away from certain of its legacy investment management business. In addition, the Company is pursuing a disposition of its management contract with CLNC, but there can be no assurance that the Company will consummate any transaction. Further, with respect to the other non-digital investment management business, the Company is exploring all potential opportunities to maximize value of the credit and opportunity fund investment management business, while minimizing balance sheet capital commitments, including, but not limited to, joint ventures with third party capital providers, sales and/or realignment of operational management.

Performance

Results of operations of our other investment management segment were as follows.

	Year Ended December 31,		
(In thousands)	**2019**	**2018**	**2017**
Total revenues [(1)]	$ 246,499	$ 176,568	$ 240,632
Net loss	(739,208)	(132,226)	(170,168)
Net loss attributable to Colony Capital, Inc.	(643,631)	(124,024)	(182,038)

(1) Includes cost reimbursement income from CLNC, NRE (prior to its sale) and retail companies of $17.5 million, $15.4 million and $19.5 million for the years ended December 31, 2019, 2018 and 2017, respectively, which are recorded gross as income and expense in the results of operations.

Net loss in all three years were driven by impairment charges on our investment management intangible assets, and to a lesser extent, our equity method investments. Excluding these impairment charges, the other investment management segment would have recorded net income in all three years. These impairment charges were as follows:

2019—Additional impairments of $788.0 million on goodwill and $8.6 million on the NorthStar Healthcare management contract, and $20.9 million on an equity method investment. The goodwill impairment was driven by the following factors:

- loss of future fee income as a result of the sale of the industrial business, and amendment of CLNC's management agreement to reduce the fee base to reflect CLNC's reduced book value in the third quarter; and
- the Company's pivot away from certain of its legacy investment management business as it transitions to an investment management business focused on digital real estate and infrastructure beginning in the fourth quarter.

Net loss in 2019 was partially offset by the realization of carried interest from the sale of our light industrial platform totaling $33.8 million, net of compensation expense as discussed above.

2018—Impairments totaled $273.3 million, composed of (i) $147.4 million on management contracts of retail vehicles, primarily $139.0 million write-off of NorthStar I and NorthStar II contracts as these contracts were terminated on January 31, 2018 and replaced in part with the CLNC management contract, and $7.0 million on NorthStar Healthcare contract; (ii) write-offs of retail investor relationship of $10.1 million and NorthStar trade name of $59.5 million resulting from reassessment of future retail fundraising and a change in the Company's name in June 2018, respectively; and (iii) $55.5 million on investments in two third-party asset managers.

2017—Impairments totaled $375.1 million, primarily $316.0 million on goodwill as the anticipated benefits from NSAM's retail platform did not materialize, and $55.3 million on the NorthStar Healthcare management contract following an amendment to the contract.

Balance Sheet

Equity investments on the balance sheet of our other investment management segment totaling $140.0 million at December 31, 2019 and $189.8 million at December 31, 2018 generally consist of our general partner and co-general partner interests in non-digital investment vehicles we sponsor or co-sponsor, and included unrealized carried interest allocation of $21.9 million and $21.7 million, respectively, as well as interests in other real estate asset managers.

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

In 2019, we raised $542 million of third party capital in our other investment management segment, driven primarily by capital raises for our global credit fund, our open-end industrial fund prior to the sale of our light industrial portfolio in December 2019, and our co-investment vehicle in AccorInvest.

Below is a summary of our third party AUM and FEEUM in connection with (i) our digital investment management business residing in the digital segment; and (ii) our other investment management segment, aggregating to $36.3 billion AUM and $19.4 billion FEEUM for the Company as a whole.

Type	Products	Description	AUM [1] (In billions) December 31, 2019	AUM [1] (In billions) December 31, 2018	FEEUM [2] (In billions) December 31, 2019	FEEUM [2] (In billions) December 31, 2018
Digital segment						
Other Investment Vehicles	Digital real estate and infrastructure	Earns base management fees and service fees; potential for carried interest from DCP	$ 13.5	$ 1.9	$ 6.8	$ 1.9
Other Real Estate Investment Management segment						
Institutional funds	Credit funds, opportunistic funds, value-add funds, Colony industrial open end fund (portfolio liquidated in December 2019, pending distribution of final net proceeds) and other co-investment vehicles	Earns base and asset management fees from all managed funds; potential for carried interest on sponsored funds	8.5	9.5	5.6	6.4
Retail Companies	NorthStar Healthcare CC Real Estate Income Fund [3]	Earns base management fees and potential for carried interest	3.4	3.5	1.2	1.4
Public companies	NorthStar Realty Europe Corp.	NYSE-listed European equity REIT (sold in September 2019)	—	1.7	—	1.0
	Colony Credit Real Estate, Inc.[4]	NYSE-listed credit REIT Earns base management fees and potential for incentive fees	3.5	3.5	2.2	3.1
Non-wholly owned real estate investment management platform	Joint venture investments in co-sponsored investment vehicles and third party asset managers	Earns share of earnings from equity method investments. Others include investments in RXR Realty (27% interest in a real estate investor, developer and asset manager), AHI (43% interest in a healthcare asset manager and sponsor of non-traded vehicles) and Alpine (49% interest in energy investment management platform)	7.4	8.3	3.6	3.8
Subtotal - Other Investment Management segment			**22.8**	**26.5**	**12.6**	**15.7**
Total Company			**$ 36.3**	**$ 28.4**	**$ 19.4**	**$ 17.6**

[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.

Third party FEEUM in our other real estate investment management segment was $12.6 billion at December 31, 2019 and $15.7 billion at December 31, 2018. The decrease in FEEUM was driven by the loss of third party capital previously managed through our industrial open-end fund following the sale of our light industrial portfolio, and to a lesser extent, the sale of NRE and reduction in book value of CLNC. These decreases were partially offset by fee bearing capital from our acquisition of Colony Latam in April 2019.

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.

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Net loss attributable to common stockholders	$ (1,152,207)	$ (632,709)	$ (333,093)
Adjustments for FFO attributable to common interests in Operating Company and common stockholders:			
Net loss attributable to noncontrolling common interests in Operating Company	(93,027)	(39,854)	(20,261)
Real estate depreciation and amortization	548,766	581,264	560,922
Impairment of real estate	351,395	382,290	49,933
Gain on sales of real estate	(1,524,290)	(190,376)	(134,979)
Less: Adjustments attributable to noncontrolling interests in investment entities[(1)]	719,225	(202,405)	(148,329)
FFO attributable to common interests in Operating Company and common stockholders	$ (1,150,138)	$ (101,790)	$ (25,807)

[(1)] For the years ended December 31, 2019, 2018 and 2017, adjustments attributable to noncontrolling interests in investment entities include $170.0 million, $180.7 million and $162.7 million of real estate depreciation and amortization, $111.2 million, $96.2 million and $23.4 million of impairment of real estate, offset by $1.0 billion, $74.5 million and $37.8 million of gain on sales of real estate, respectively.

Net Operating Income

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

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

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

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

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

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

	Healthcare		Industrial		Hospitality [1]	
(In thousands)	2019	2018	2019	2018	2019	2018
Net income (loss)	$ (239,888)	$ (283,516)	$ 1,486,691	$ 26,749	$ (107,066)	$ (90,581)
Adjustments:						
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease asset	(20,179)	(15,225)	(15,012)	(11,076)	1,253	(25)
Interest income	(31)	—	(1,025)	(779)	—	—
Other income	(336)	—	—	—	(2)	(556)
Interest expense	192,621	194,898	91,863	42,713	169,781	153,395
Transaction, investment and servicing costs	16,351	9,017	658	307	7,811	8,410
Depreciation and amortization	161,115	164,389	106,470	129,104	145,424	144,528
Provision for loan losses	—	213	—	—	—	—
Impairment loss	187,341	217,524	—	948	50,474	72,469
Compensation and administrative expense	8,973	8,970	31,793	13,613	7,841	7,665
Gain on sale of real estate	(1,384)	—	(1,457,892)	(7,633)	(279)	—
Other gain (loss), net	(2,752)	4,803	(1,338)	—	(1,342)	49
Income tax (benefit) expense	(612)	4,991	(4,178)	40	898	(9,875)
NOI / NOI before FF&E Reserve	$ 301,219	$ 306,064	$ 238,030	$ 193,986	$ 274,793	$ 285,479

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

Liquidity and Capital Resources

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 digital assets for our balance sheet and third party capital and related ongoing commitments;
- principal and interest payments on our debt;
- our operations, including compensation, administrative and overhead costs;
- capital expenditures for our traditional commercial real estate and digital real estate investments;
- distributions to our common and preferred stockholders;
- acquisitions of common stock under our common stock repurchase program and potentially other corporate securities; and
- income tax liabilities of taxable REIT subsidiaries and of the Company subject to limitations as a REIT.

Our current primary sources of liquidity are:

- cash on hand;
- our credit facilities;
- cash flow generated from our investments, both from operations and return of capital;
- fees received from our investment management business, including incentive payments and carried interest;
- proceeds from full or partial realization of investments and/or businesses;
- investment-level financing;

- proceeds from public or private equity and debt offerings; and
- third party capital commitments of sponsored investment vehicles.

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

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

Liquidity Needs

Commitments

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

Dividends

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

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

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

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

			Quarterly Cash Distributions	
Description	Dividend Rate Per Annum	Shares Outstanding December 31, 2019 (in thousands)	Total (In thousands)	Per Share
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
		41,350	18,516	
Series B (redemption pending settlement)	8.25%	6,114	3,153	0.5156250
Series E (redemption pending settlement)	8.75%	10,000	5,469	0.5468750
		57,464	$ 27,138	

Notices of redemption for remaining outstanding shares of Series B and all outstanding shares of Series E preferred stock were issued in December 2019, which redemptions were settled in January 2020.

Common Stock Repurchases

During the year ended December 31, 2019, we repurchased 652,311 shares of our class A common stock at an aggregate cost of approximately $3.2 million or a weighted average price of $4.84 per share pursuant to a $300 million share repurchase program authorized by our board of directors in May 2018 and extended in May 2019 for an additional one year term. As of February 25, 2020, $246.7 million remained outstanding under the May 2018 stock repurchase program.

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 on our investments.

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

Asset Monetization

We periodically monetize our investments through asset sales that are opportunistic in nature or to recycle capital from non-core assets.

In December 2019, we sold our light industrial portfolio, including its associated management platform, for an aggregate gross sales price of $5.7 billion and received aggregate net proceeds, after debt settlement, transaction and other costs, of $1.2 billion. We have applied a portion of the proceeds into the acquisition of DataBank which closed in December 2019, payoff of the outstanding balance on our corporate credit facility that was used to finance our acquisition of DBH, and redemption of our Series B and Series E preferred stock which were settled in January 2020. We continue to seek opportunities to redeploy the proceeds into new digital investments, including general partner co-investments, permanent balance sheet investments and warehouse investments for future vehicles, as well as for our capital structure enhancement and other uses.

Investment-Level Financing

We have various forms of investment-level financing, as described in Note 10 to the consolidated financial statements.

Our ability to raise and access third party capital in our sponsored investment vehicles allows 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 10 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 February 25, 2020, 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 December 31, 2019, we were in compliance with the financial covenants.

Convertible and Exchangeable Senior Notes

Convertible and exchangeable senior notes issued by us and that remain outstanding are described in Note 10 to the consolidated financial statements.

Public Offerings

We may offer and sell various types of securities under our 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 2019 and 2018.

Cash Flows

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

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Net cash provided by (used in):			
Operating activities	$ 170,868	$ 506,965	582,546
Investing activities	4,198,938	(268,213)	1,666,387
Financing activities	(3,779,586)	(788,404)	(1,364,381)

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 $170.9 million, $507.0 million and $582.5 million in the years ended December 31, 2019, 2018 and 2017, respectively.

Significant operating cash activities noted in these periods included the following:

- In 2019, (i) receipt of $64.6 million of incentive and termination fee from NRE upon termination of our management agreement concurrent with the sale of NRE, (ii) receipt of carried interest, net of carried interest compensation, realized upon disposition of our light industrial portfolio of $35.2 million, and (iii) payment of $365.1 million for settlement of the $2.0 billion notional forward starting interest rate swap assumed through the Merger; and
- In 2017, payment of Merger-related costs, primarily $66.8 million of success-based fees to investment bankers.

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

Investing Activities

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

Our investing activities generated net cash inflows in 2019 and 2017, and net cash outflows in 2018.

2019—We recorded a net cash inflow of $4.2 billion from investing activities. There were significant cash activities generated by our real estate investments with the receipt of $6.1 billion of proceeds from real estate sales, which were offset by payments of $1.9 billion for real estate acquisitions during the year. In particular, we had acquired a large 50 building portfolio in our industrial segment for $1.1 billion in February 2019 and in December 2019, we received proceeds from the sale of our entire light industrial portfolio of $5.1 billion, net of $0.3 billion of debt assumed by the buyer, closing costs and other prorations. Net cash inflows were also generated from our equity and debt investments totaling $311.3 million, which included $96.0 million of proceeds from sale of our interest in NRE. On the other hand, cash paid for business acquisitions, specifically $181.2 million for DBH and $182.7 million for DataBank partially offset the net cash inflows in 2019.

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

2017—Investing activities generated significant net cash inflows of $1.7 billion resulting from our initiative to monetize non-core investments during the year. This included net proceeds of $500.5 million from sale of our interest in Starwood Waypoint Homes, $454.6 million from sale of the Townsend investment management business, sale of various non-core real estate investments totaling $1.6 billion, of which $664.4 million was from the sale of our manufactured housing portfolio acquired in the Merger. Our loan and securities portfolio also generated net cash inflow of $435.7 million, with receipts aggregating $1.4 billion, primarily from loan repayments, exceeding cash outlays totaling $983.3 million, which included $590.5 million for the acquisition of a distressed loan portfolio in Ireland. These cash inflows were partially offset by real estate acquisitions and capital expenditures of $1.3 billion, as well as net cash outflow of $297.5 million for additional contributions and/or new equity investments, net of distributions received from these investments. Additionally, although the Merger was completed in an all-stock exchange in 2017, we assumed certain liabilities of NSAM and NRF which arose as a result of the Merger and were settled shortly after the Closing Date. These amounts included approximately $226.1 million which was paid to former NSAM stockholders, representing a one-time special dividend, and approximately $78.9 million in payroll taxes representing shares that were canceled and remitted to taxing authorities on behalf of employees whose equity-based compensation was accelerated and fully vested upon closing of the Merger. Cash and restricted cash assumed of $437.4 million is presented net of these payments as an investing cash inflow in the consolidated statement of cash flows in 2017.

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 outflows in all three years.

2019—Net cash used in financing activities was $3.8 billion. Debt repayments exceeded borrowings by $1.2 billion, driven by financing activities in our industrial segment. In particular, we repaid $1.2 billion of debt upon disposition of our light industrial portfolio in December 2019, of which $952.0 million had been borrowed during the year. Distributions to noncontrolling interests exceeded contributions by $2.3 billion, with distributions of net proceeds to noncontrolling interests of $2.3 billion from the sale of our light industrial portfolio. Compared to prior years, common stock repurchase activity was significantly reduced at 0.7 million shares for $10.7 million and dividend payments were lower at $322.7 million 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.

2018—Net cash used in financing activities was $788.4 million. Repurchases of 54.8 million shares of common stock and redemption of our Series D preferred stock totaling $543.1 million were funded through our investing and operating activities, unlike in 2017 when they were funded through the issuance of new securities. Dividend payments to common stockholders of $310.5 million, however, was lower than in 2017, following additional common stock repurchases and a reduction in dividend rates in 2018, while dividend payment to preferred stockholders was $120.7 million. Our debt financing activities also generated net cash outlay of $273.6 million as repayments exceeded borrowings. These cash outlays were partially offset by net cash inflow of $501.0 million from noncontrolling interests as contributions exceeded distributions.

2017—Net cash used in financing activities was $1.36 billion. Common stock repurchases and preferred stock redemptions totaling $936.0 million were largely funded by proceeds totaling $638.1 million from the issuance of our new Series I and Series J preferred stock. Dividend payments to common and preferred stockholders were $612.3 million and our debt financing activities resulted in net cash outlay of $629.2 million as repayments exceeded borrowings. These cash outlays were partially offset by net cash inflow of $202.8 million from noncontrolling interests as contributions exceeded distributions, including $330 million contribution from sale of a minority interest in our healthcare platform.

Contractual Obligations, Commitments and Contingencies

The following table sets forth our known contractual obligations, commitments and contingencies on an undiscounted basis at December 31, 2019 and the future periods in which we expect to settle such obligations, commitments and contingencies. Amounts in the table do not reflect repayments or draws on our line of credit or new financing obtained subsequent to December 31, 2019 and exclude obligations that are not fixed and determinable such as amounts due under our derivative contracts.

(In thousands)	Payments Due by Period Total	2020	2021-2022	2023-2024	2025 and Thereafter
Corporate credit facility [1]	$ 5,410	$ 2,669	$ 2,741	$ —	$ —
Convertible and exchangeable senior notes [2]	674,047	26,754	424,240	203,962	19,091
Secured debt [3]	9,951,741	795,333	3,256,096	4,000,126	1,900,186
Junior subordinated notes	502,100	13,591	27,108	27,145	434,256
Lease obligations—investment properties [4]	296,466	17,295	33,862	34,114	211,195
Lease obligations—corporate offices [5]	67,552	10,314	17,809	16,092	23,337
	11,497,316	$ 865,956	$ 3,761,856	$ 4,281,439	$ 2,588,065
Deferred consideration—DBH	32,500				
Contingent consideration—THL Hotel Portfolio	9,330				
Lending commitments [6]	128,017				
Investment commitments [7]	401,630				
Total	$ 12,068,793				

(1) There were no borrowings outstanding at December 31, 2019. Amounts represent the unused commitment fee of 0.35% per annum through the extended maturity date of January 2022. Future obligations under the credit facility could differ materially if we borrow on the credit facility in the future. See *"—Liquidity and Capital Resources."*

(2) The convertible and exchangeable senior notes mature on their respective due dates, unless redeemed, repurchased or exchanged in accordance with their terms prior to such date. Amounts reflect future principal and interest payments through contractual maturity dates of the respective notes. See Note 10 to the consolidated financial statements.

(3) Amounts include minimum required principal payments or principal curtailment based upon cash flows from collateral loans after payment of certain loan servicing fees and monthly interest, as well as fixed or variable rate interest obligations and unused commitment fee on investment level credit facilities, through initial maturity dates of the respective secured debt or extended maturity dates if extension criteria are met and the extension option is at the Company's discretion. Financing on certain loan portfolios are based on the Company's expectation of cash flows from underlying loan collateral as principal repayments on the loan financing depend upon net cash flows from collateral assets and ratio of outstanding principal to collateral. Interest on variable rate debt was determined based on the applicable index at December 31, 2019. Includes investment-level debt with total principal of $515.6 million financing assets held for sale at December 31, 2019. See Note 10 to the consolidated financial statements.

(4) We assumed noncancelable leases on powered shell spaces for data enters and operating ground leases as lessee or sublessee in connection with certain properties acquired. The amounts represent fixed lease payments on real estate held for investment only, excluding any contingent or other variable lease payments, and factor in lease renewal or termination options only if it is reasonably certain that such options would be exercised. Certain lease payments under ground leases are recoverable from tenants.

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

(6) Future lending commitments may be subject to certain conditions that borrowers must meet to qualify for such fundings. Commitment amount assumes future draw requests meet the terms to qualify for such fundings. Amount presented reflects only our share of investment commitments, excluding commitments attributable to noncontrolling interests. Potential future commitments that we have approved but are not yet legally binding at December 31, 2019 are not included. See Note 5 to the consolidated financial statements.

(7) Amounts are in connection with our investments in unconsolidated ventures, including ADC arrangements accounted for as equity method investments, property acquisitions as well as commitments to third party-sponsored funds and Company-sponsored funds that are not consolidated. Potential future commitments that we have approved but are not yet legally binding at December 31, 2019 are not included. See Notes 4 and 6 to the consolidated financial statements.

Guarantees and Off-Balance Sheet Arrangements

In connection with financing arrangements for certain unconsolidated ventures, we provided customary non-recourse carve-out guarantees. We believe that the likelihood of making any payments under the guarantees is remote and no liability has been recorded at December 31, 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. The Company has similar provisions related to its 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 these franchisors.

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

Critical Accounting Policies and Estimates

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

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

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

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

Impairments

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

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

See Note 12 to the consolidated financial statements for a discussion of real estate impairment.

Loan Receivable—On a periodic basis, the Company analyzes the extent and effect of any credit migration from underwriting and the initial investment review associated with the performance of a loan and/or value of its underlying collateral, financial and operating capability of the borrower or sponsor, as well as amount and status of any senior loan, where applicable. Specifically, operating results of collateral properties and any cash reserves are analyzed and used to assess whether cash from operations are sufficient to cover debt service requirements currently and into the future, ability of the borrower to refinance the loan, liquidation value of collateral properties, financial wherewithal of any loan guarantors as well as the borrower's competency in managing and operating the collateral properties. Such analysis is performed at least quarterly, or more often as needed when impairment indicators are present. The Company does not utilize a statistical credit rating system to monitor and assess the credit risk and investment quality of its acquired or originated loans. Given the diversity of the Company's portfolio, management believes there is no consistent method of assigning a numerical rating to a particular loan that captures all of the various credit metrics and their relative importance. Therefore, the Company evaluates impairment and allowance for loan losses on an individual loan basis.

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

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

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

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

Investments that are other-than-temporarily impaired are written down to their estimated fair value. Impairment loss is recorded in equity method earnings for equity method investments and in other gain (loss) for investments under the measurement alternative.

See Note 6 to the consolidated financial statements for a discussion of impairment to equity method investments. There was no impairment recorded on equity investments under the measurement alternative.

Debt Securities—The Company performs an assessment, at least quarterly, to determine whether a decline in fair value below amortized cost of AFS debt securities is other than temporary. Other-than-temporary impairment exists when either (i) the holder has the intent to sell the impaired security, (ii) it is more likely than not the holder will be required to sell the security, or (iii) the holder does not expect to recover the entire amortized cost of the security. For beneficial interests in debt securities that are not of high credit quality or that can be contractually settled such that the Company would not recover substantially all of its recorded investment, OTTI also exists when there has been an adverse change in cash flows expected to be collected from the last measurement date.

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

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

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

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

See Note 7 to the consolidated financial statements for a discussion of our impairment assessment of investment management intangible assets and goodwill.

Principles of Consolidation—Variable Interest Entity

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

A VIE is an entity that 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.

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

See Note 13 to the consolidated financial statements for a discussion of our consolidation assessment of VIEs.

Business Combinations and Asset Acquisitions

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

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

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

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

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

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

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

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

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

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

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

Fair Value Measurement

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

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

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

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

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

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

See Note 12 to the consolidated financial statements for further description of fair value measurements, in particular Level 3 fair values.

Revenues

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

Property operating income includes the following:

Lease Income

Lease income is composed of rental income, and variable lease income for tenant reimbursements, and resident fee income from healthcare properties. The nonlease components of tenant reimbursements for net leases and ancillary services within resident fee income are combined with their respective lease components and accounted for as a single component under the lease standard.

The Company evaluates collectability of lease payments based upon the creditworthiness of the lessee and recognizes lease income only to the extent collection of all amounts due 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 income that has not been collected is subject to reversal. If collection is subsequently determined to be probable, lease income and corresponding receivable would be reestablished to an amount that would have been recognized if collection had always been deemed to be probable.

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

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

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

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

Hotel Operating Income

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

Fee Income

Fee income consists of:

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

Equity Method Earnings

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

Income Taxes

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

See Note 21 to the consolidated financial statements for further description of deferred income taxes and realizability of net deferred tax assets.

Recent Accounting Updates

The impact of accounting standards adopted in 2019 and the potential impact of accounting standards to be adopted in the future are described in Note 2 to our consolidated financial statements in Item 15 of this Annual Report.

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

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

Credit Risk

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

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

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

Interest Rate and Credit Curve Spread Risk

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

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

We have financing arrangements with various financial institutions bearing variable rate interest indexed primarily to 1 and 3-month LIBOR and 1 and 3-month Euribor. We limit our exposure to interest rate increases for our debt primarily through the use of interest rate caps. At December 31, 2019, we did not have any outstanding interest rate swap positions. The interest rate sensitivity table below illustrates the hypothetical impact of changes in the index rates in 1% increments on our interest expense in a one year period, assuming no changes in our debt principal as it stood at December 31, 2019, and taking into account the effects of interest rate caps and contractual floors on indices. The maximum decrease in the interest rates is assumed to be the actual applicable indices at December 31, 2019, all of which were under 2% at December 31, 2019.

($ in thousands)	+2.00%	+1.00%	-1.00%	Maximum Decrease in Applicable Index
Increase (decrease) in interest expense	$ 145,784	$ 81,529	$ (73,103)	$ (126,799)
Amount attributable to noncontrolling interests in investment entities	43,846	23,904	(19,697)	(33,565)
Amount attributable to Operating Company	$ 101,938	$ 57,625	$ (53,406)	$ (93,234)

Foreign Currency Risk

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

At December 31, 2019, we had approximately €517.9 million and £275.5 million or a total of $0.9 billion, in net investments in our European subsidiaries. A 1% change in these foreign currency rates would result in a $9.1 million increase or decrease in translation gain or loss included in other comprehensive income in connection with our investment in our European subsidiaries, and a $0.3 million gain or loss in earnings in connection with the foreign denominated loan receivable held by a U.S subsidiary.

A summary of the foreign exchange contracts in place at December 31, 2019, including notional amounts and key terms, is included in Note 11 to the consolidated financial statements. The maturity dates of these instruments approximate the projected dates of related cash flows for specific investments. Termination or maturity of currency hedging instruments may result in an obligation for payment to or from the counterparty to the hedging agreement. We are exposed to credit loss in the event of non-performance by counterparties for these contracts. To manage this risk, we select major international banks and financial institutions as counterparties and perform a quarterly review of the financial health and stability of our trading counterparties. Based on our review at December 31, 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 8. Financial Statements.

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

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

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

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

We acquired DataBank on December 20, 2019. Management is currently evaluating the policies, processes, systems and operations for DataBank. For the year ended December 31, 2019, we implemented certain controls and procedures relative to the acquisition of DataBank including financial reviews, policies and procedures, disclosure controls and procedures and organization integration. We believe these controls and procedures mitigate the risk of weaknesses in internal control over financial reporting. As of and for the year ended December 31, 2019, DataBank represented 8.7% and 0.3% of total assets and total revenues, respectively.

Management's Annual Report on Internal Control over Financial Reporting

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

Management evaluated the effectiveness of our internal control over financial reporting using the criteria set forth in the *Internal Control—* Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As permitted by the SEC, management has elected to exclude DataBank from its assessment of the effectiveness of our internal control over financial reporting. DataBank represents $1.7 billion of assets, $0.8 billion of liabilities and $6.0 million of revenues as of and for the year ended December 31, 2019. Based on our evaluation, except as it relates to DataBank, our management concluded that our internal control over financial reporting was effective as of December 31, 2019. We are in the process of integrating DataBank into our internal control over financial reporting.

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited Colony Capital, Inc.'s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control−Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Colony Capital, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

As indicated in the accompanying Management's Annual Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Databank Holdings, Ltd. (Databank), which is included in the 2019 consolidated financial statements of the Company and constituted $1.7 billion and $0.8 billion of assets and liabilities, respectively, as of December 31, 2019 and $6.0 million of revenues for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Databank.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and schedules, and our report dated March 2, 2020, expressed an unqualified opinion thereon.

Basis for Opinion

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Ernst & Young LLP

Los Angeles, California
March 2, 2020

Item 9B. Other Information.

Management and Board Changes

On February 25, 2020, Justin Metz resigned as a member of the Company's board of directors, including as a member of its risk committee and nominating and corporate governance committee, effective as of February 25, 2020. Mr. Metz's decision was not a result of any disagreement with the Company on any matter relating to its operations, polices or practices. In furtherance of the previously announced process undertaken by the nominating and corporate governance committee of the Company's board of directors, the Company has engaged a third party consultant/executive search firm to assist the Company's board of directors, including its nominating and corporate governance committee, in evaluating Board composition, governance and refreshment matters, with a focus on identifying potential director candidates with appropriate digital experience to join our Board as we continue to execute on our digital evolution. This process is ongoing as the nominating and corporate governance committee continues to evaluate the composition of the Board and search for new director candidates.

In addition, on February 26, 2020, the Company entered into a Separation and Release Agreement (the "Separation Agreement") with Kevin Traenkle in connection with Mr. Traenkle's previously announced resignation as the Company's Chief Investment Officer, effective as of February 29, 2020 (the "Separation Date").

Pursuant to the Separation Agreement, and provided that Mr. Traenkle executes a supplemental release of claims, attached as an annex to the Separation Agreement (the "Supplemental Release"), within 21 days following the Separation Date and does not revoke the Supplemental Release within seven days of such execution, Mr. Traenkle will receive the benefits and payments provided for in his employment agreement, as amended (as described in the Company's definitive proxy statement on Schedule 14A filed with the Securities and Exchange Commission on March 28, 2019) consisting of (i) a lump sum cash payment equal to two times the sum of his base salary and average annual bonus with respect to the three prior calendar years, (ii) a pro-rated target bonus for the year of termination, (iii) his cash bonus for 2019 in the amount of $1,870,341, paid on February 27, 2020 (the same date as the payment of cash bonuses for all of the Company's employees), (iv) continued medical, dental and vision benefits at active employee rates for 24 months following the Separation Date, and (v) full vesting of all equity-based awards of the Company and CLNC, carried interests and other like compensation that he holds to the extent unvested on the Separation Date. In addition, under the Separation Agreement, Mr. Traenkle received an additional lump sum payment of $833,333.

Mr. Traenkle's receipt of the foregoing benefits is conditioned upon his execution of the Supplemental Release (and not revoking such release within the applicable revocation period), which contains a general release of claims by Mr. Traenkle against the Company.

In connection with his separation from the Company, Mr. Traenkle also resigned as CLNC's Chief Executive Officer and President effective as of the Separation Date. Mr. Traenkle is expected to continue to serve as a non-management member of CLNC's board of directors while the Company pursues a disposition of its management agreement with CLNC.

Material U.S. Federal Income Tax Considerations

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

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

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

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

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

YOU SHOULD CONSULT YOUR TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES TO YOU OF THE OWNERSHIP AND SALE OF OUR STOCK AND OF ITS INTENDED ELECTION TO BE TAXED AS A REIT. SPECIFICALLY, YOU SHOULD CONSULT YOUR TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF SUCH OWNERSHIP, SALE AND ELECTION, AND REGARDING POTENTIAL CHANGES IN APPLICABLE TAX LAWS.

Taxation of Colony Capital

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

Qualification and taxation as a REIT depends on our ability to meet on a continuing basis, through actual operating results, distribution levels, and diversity of ownership by holders of our securities and asset ownership, and various other qualification requirements imposed upon REITs by the Code. In addition, our ability to qualify as a REIT may depend in part upon the operating results, organizational structure and entity classification for U.S. federal income tax purposes of certain entities in which we invest. Our ability to qualify as a REIT also requires that we satisfy certain asset tests, some of which depend upon the fair market values of assets that we own directly or indirectly. Such values may not be susceptible to a precise determination, whether for past, current, or future periods, and based upon the types of assets that we own and intend to own, such values can vary rapidly, significantly and unpredictably.

Accordingly, no assurance can be given that the actual results of our operations for any taxable year will satisfy such requirements for qualification and taxation as a REIT. Similarly, the income we earn from our assets may not be earned when or in the proportions anticipated. For example, we may encounter situations in which a relatively small investment generates a higher than expected return in a particular year (or vice versa). A discussion of the tax consequences of the failure to qualify as a REIT and certain alternatives is included below in the section entitled "—Failure to Qualify."

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

Tax Reform Legislation Enacted December 22, 2017

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

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

Taxation of REITs in General

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

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

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

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

- the Company will pay U.S. federal income tax on any taxable income, including net capital gain, that it does not distribute to stockholders during, or within a specified time period after, the calendar year in which the income is earned.
- for our taxable year ended December 31, 2017, the Company may be subject to the “alternative minimum tax” on any items of tax preference that it does not distribute or allocate to stockholders.
- the Company will pay income tax at the highest corporate rate on:
- net income from the sale or other disposition of property acquired through foreclosure, or foreclosure property, that it holds primarily for sale to customers in the ordinary course of business; and
- other non-qualifying income from foreclosure property.
- the Company will pay a 100% tax on net income earned from sales or other dispositions of property, other than foreclosure property, by an entity other than a taxable REIT subsidiary, which we refer to as a TRS, if such property is held primarily for sale to customers in the ordinary course of business.
- if the Company fails to satisfy one or both of the 75% gross income test or the 95% gross income test, as described below in the section entitled “—Requirements for Qualification—Gross Income Tests,” and nonetheless continues to qualify as a REIT because it meets other requirements, it will pay a 100% tax on: the greater of the amount by which it fails the 75% gross income test or the 95% gross income test, multiplied, in either case, by a fraction intended to reflect its profitability.
- if the Company fails any of the asset tests (other than a de minimis failure of the 5% asset test or the 10% vote or value test, as described below in the section entitled “—Requirements for Qualification—Asset Tests”), as long as the failure was due to reasonable cause and not to willful neglect, the Company files a description of each asset that caused such failure with the IRS, and the Company disposes of the assets or otherwise complies with the asset tests within six months after the last day of the quarter in which it identifies such failure, it will pay a tax equal to the greater of $50,000 or the highest U.S. federal income tax rate then applicable to U.S. corporations (currently 21%) on the net income from the non-qualifying assets during the period in which it failed to satisfy the asset tests in order to remain qualified as a REIT.
- if the Company fails to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, and such failure is due to reasonable cause and not to willful neglect, it will be required to pay a penalty of $50,000 for each such failure in order to remain qualified as a REIT.
- if the Company fails to distribute during a calendar year at least the sum of: (i) 85% of its REIT ordinary income for the year; (ii) 95% of its REIT capital gain net income for the year; and (iii) any undistributed taxable income required to be distributed from earlier periods, the Company will pay a 4% nondeductible excise tax on the excess of the required distribution over the amount it actually distributed, plus any retained amounts on which income tax has been paid at the corporate level.
- the Company may elect to retain and pay income tax on its net long-term capital gain. In that case, to the extent that the Company made a timely designation of such gain, a U.S. stockholder would be taxed on its proportionate share of the Company’s undistributed long-term capital gain and would receive a credit or refund for its proportionate share of the tax the Company paid.
- the Company will be subject to a 100% excise tax on transactions with a TRS that are not conducted on an arm’s-length basis.
- if the Company acquires any asset from a non-REIT C corporation in a merger or other transaction in which the Company acquires a basis in the asset that is determined by reference either to the non-REIT C corporation’s basis in the asset or to another asset, the Company will pay tax at the highest regular corporate rate applicable if it recognizes gain on the sale or disposition of the asset during the five-year period after it acquires the asset, provided no election is made for the transaction to be taxable on a current basis. This tax will generally apply to gain recognized with respect to assets that the Company holds as of the effective date of its REIT election (January 1, 2017) if such gain is recognized during the five-year period following such effective date or it may apply if the Company were to engage in (or, potentially, become a successor to an entity that had engaged in) a tax-free spin-off transaction under Section 355 of the Code within 5 years of such effective date. The amount of gain on which the Company would pay tax in the foregoing circumstances is the lesser of:

- the amount of gain that the Company recognizes at the time of the sale or disposition (or would have recognized if, at the time of a spin-off transaction described above, the Company had disposed of the applicable asset); and
- the amount of gain that the Company would have recognized if it had sold the asset at the time the Company acquired it, assuming that the non-REIT C corporation will not elect in lieu of this treatment an immediate tax when the asset is acquired.
- the Company may be required to pay monetary penalties to the IRS in certain circumstances, including if it fails to meet recordkeeping requirements intended to monitor its compliance with rules relating to the composition of a REIT's stockholders, as described below in the section entitled "—Requirements for Qualification—Recordkeeping Requirements."
- the earnings of the Company's lower-tier entities that are subchapter C corporations, excluding any qualified REIT subsidiaries, which we refer to as QRSs, but including domestic TRSs, are subject to U.S. federal corporate income tax.
- if the Company owns a residual interest in a real estate mortgage investment conduit, which we refer to as a REMIC, it will be taxable at the highest corporate rate on the portion of any excess inclusion income that it derives from the REMIC residual interests equal to the percentage of our stock that is held in record name by "disqualified organizations." Although the law is unclear, IRS guidance indicates that similar rules may apply to a REIT that owns an equity interest in a taxable mortgage pool. To the extent that the Company owns a REMIC residual interest or a taxable mortgage pool through a TRS, it will not be subject to this tax. For a discussion of "excess inclusion income," refer below to the section entitled "—Requirements for Qualification—Taxable Mortgage Pools." A "disqualified organization" includes:
    - the United States;
    - any state or political subdivision of the United States;
    - any foreign government;
    - any international organization;
    - any agency or instrumentality of any of the foregoing;
    - any other tax-exempt organization, other than a farmer's cooperative described in Section 521 of the Code, that is exempt both from income taxation and from taxation under the unrelated business taxable income provisions of the Code; and
    - any rural electrical or telephone cooperative.

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

Requirements for Qualification

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

1. It is managed by one or more trustees or directors.
2. Its beneficial ownership is evidenced by transferable shares or by transferable certificates of beneficial interest.
3. It would be taxable as a domestic corporation but for the REIT provisions of the U.S. federal income tax laws.
4. It is neither a financial institution nor an insurance company subject to special provisions of the U.S. federal income tax laws.
5. At least 100 persons are beneficial owners of its shares or ownership certificates.
6. Not more than 50% in value of its outstanding shares or ownership certificates is owned, directly or indirectly, by five or fewer individuals, which the Code defines to include certain entities, during the last half of any taxable year.

7. It elects to be a REIT, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status.
8. It meets certain other qualification tests, described below, regarding the nature of its income and assets and the amount of its distributions to stockholders.
9. It uses a calendar year for U.S. federal income tax purposes.

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

Relief from Violations; Reasonable Cause

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

Effect of Subsidiary Entities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Gross Income Tests

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

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

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

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

Rents from Real Property

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Interest

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

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

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

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

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

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

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

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

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

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

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

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

Dividends; Subpart F Income

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

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

Fee Income

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

Hedging Transactions

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

COD Income

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

Foreign Currency Gain

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

Prohibited Transactions

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

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

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

Foreclosure Property

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

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

- for which the REIT makes a proper election to treat the property as foreclosure property.

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

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

The Company may acquire properties as a result of foreclosure or otherwise reducing the property to ownership when default has occurred or is imminent and may make foreclosure property elections with respect to some or all of those properties if such election is available (which may not be the case with respect to acquired “distressed loans”).

Cash/Income Differences/Phantom Income

Due to the nature of the assets in which the Company invests, the Company may be required to recognize taxable income from those assets in advance of its receipt of cash flow on or proceeds from disposition of such assets, and may be required to report taxable income in early periods that exceeds the economic income ultimately realized on such assets.

The Company may acquire debt instruments in the secondary market for less than their face amount. The amount of such discount generally will be treated as “market discount” for U.S. federal income tax purposes. The Company may elect to include in taxable income accrued market discount as it accrues rather than as it is realized for economic purposes, resulting in phantom income. Principal payments on certain loans are made monthly, and consequently accrued market discount may have to be included in income each month as if the debt instrument were assured of ultimately being collected in full. If the Company collects less on the debt instrument than its purchase price plus the market discount it had previously reported as income, it may not be able to benefit from any offsetting loss deductions.

The Company may acquire mortgage-backed securities that have been issued with original issue discount. In general, the Company will be required to accrue original issue discount based on the constant yield to maturity of the mortgage-backed security, and to treat it as taxable income in accordance with applicable U.S. federal income tax rules even though smaller or no cash payments are received on such debt instrument. As in the case of the market discount discussed in the preceding paragraph, the constant yield in question will be determined and the Company will be taxed based on the assumption that all future payments due on the mortgage-backed security in question will be made. If all payments on the mortgage-backed securities are not made, the Company may not be able to benefit from any offsetting loss deductions.

In addition, pursuant to its investment strategy, the Company may acquire distressed debt instruments and subsequently modify such instruments by agreement with the borrower. If the amendments to the outstanding debt are “significant modifications” under the applicable Treasury Regulations, the modified debt may be considered to have been reissued to the Company in a debt-for-debt exchange with the borrower. In that event, the Company may be required to recognize income to the extent the principal amount of the modified debt exceeds its adjusted tax basis in the unmodified debt, and would hold the modified loan with a cost basis equal to its principal amount for U.S. federal tax purposes. To the extent that such modifications are made with respect to a debt instrument held by a TRS treated as a dealer, as described above, such a TRS would be required at the end of each taxable year, including the taxable year in which such modification was made, to mark the modified debt instrument to its fair market value as if the debt instrument were sold. In that case, the TRS generally would recognize a loss at the end of the taxable year in which the modifications were made to the extent the fair market value of such debt instrument were less than its principal amount after the modification.

In addition, in the event that any debt instruments or mortgage-backed securities acquired by the Company are delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular debt instrument are not made when due, the Company may nonetheless be required to continue to recognize the unpaid interest as taxable income. Similarly, the Company may be required to accrue interest income with respect to subordinate mortgage-backed securities at the stated rate regardless of whether corresponding cash payments are received.

The Company may also be required under the terms of indebtedness that it incurs to private lenders or otherwise to use cash received from interest payments to make principal payments on that indebtedness, with the effect of recognizing income but not having a corresponding amount of cash available for distribution to holders of its securities.

Due to each of these potential timing differences between income recognition or expense deduction and cash receipts or disbursements, there is a significant risk that the Company may have substantial taxable income in excess of cash available for distribution. In that event, the Company may need to borrow funds or take other action to satisfy the REIT distribution requirements for the taxable year in which this “phantom income” is recognized. Refer below to the section entitled “—Distribution Requirements.”

Failure to Satisfy the Gross Income Tests

If the Company fails to satisfy one or both of the gross income tests for any taxable year, it nevertheless may qualify as a REIT for that year if it qualifies for relief under certain provisions of the U.S. federal income tax laws. Those relief provisions are available if:

- the Company’s failure to meet those tests is due to reasonable cause and not to willful neglect; and
- following such failure for any taxable year, the Company files a schedule of the sources of its income with the IRS.

The Company cannot predict, however, whether in all circumstances it would qualify for the relief provisions. In addition, as discussed above in the section entitled “—Taxation of Colony Capital,” even if the relief provisions apply, the Company would incur a 100% tax on the gross income attributable to the greater of the amount by which it fails the 75% or 95% gross income test, in each case, multiplied by a fraction intended to reflect its profitability.

Asset Tests

To qualify as a REIT, the Company also must satisfy the following asset tests at the end of each quarter of each taxable year. First, at least 75% of the value of its total assets must consist of:

- cash or cash items, including certain receivables and money market funds;
- government securities;
- interests in real property, including leaseholds, options to acquire real property and leaseholds, and personal property to the extent such personal property is leased in connection with real property and rents attributable to such personal property are treated as “rents from real property”;
- interests in mortgage loans secured by real property;
- stock in other REITs and debt instruments issued by “publicly offered REITs”;
- investments in stock or debt instruments during the one-year period following the Company’s receipt of new capital that it raises through equity offerings or public offerings of debt with at least a five-year term; and
- regular or residual interests in a REMIC. However, if less than 95% of the assets of a REMIC consist of assets that are qualifying real estate-related assets under the U.S. federal income tax laws, determined as if the Company held such assets, the Company will be treated as holding directly its proportionate share of the assets of such REMIC.

Second, of the Company’s investments not included in the 75% asset class, the value of its interest in any one issuer’s securities may not exceed 5% of the value of its total assets, which we refer to as the 5% asset test.

Third, of the Company’s investments not included in the 75% asset class, it may not own more than 10% of the voting power or value of any one issuer’s outstanding securities, which we refer to as the 10% vote or value test.

Fourth, no more than 20% (25% for our taxable year ended December 31, 2017) of the value of the Company’s total assets may consist of the securities of one or more TRSs.

Fifth, no more than 25% of the value of the Company’s total assets may consist of securities that are not qualifying assets for purposes of the 75% asset test described above, which we refer to as the 25% securities test.

Sixth, no more than 25% of the value of the Company's total assets may consist of debt instruments issued by "publicly offered REITs" to the extent such debt instruments are not secured by real property or interests in real property.

For purposes of the 5% asset test, the 10% vote or value test and the 25% securities test, the term "securities" does not include stock in another REIT, debt of a "publicly offered REIT," equity or debt securities of a QRS or, in the case of the 5% asset test and 10% vote or value test, TRS debt or equity, mortgage loans or mortgage-backed securities that constitute real estate assets, or equity interests in a partnership. The term "securities," however, generally includes debt securities issued by a partnership or another REIT (other than a "publicly offered REIT"), except, for purposes of the 10% value test, the term "securities" does not include:

- "Straight debt" securities, which is defined as a written unconditional promise to pay on demand or on a specified date a sum certain in money if: (i) the debt is not convertible, directly or indirectly, into equity; and (ii) the interest rate and interest payment dates are not contingent on profits, the borrower's discretion, or similar factors. "Straight debt" securities do not include any securities issued by a partnership or a corporation in which the Company or any TRS in which the Company owns more than 50% of the voting power or value of the shares hold non-"straight debt" securities that have an aggregate value of more than 1% of the issuer's outstanding securities. However, "straight debt" securities include debt subject to the following contingencies:
- a contingency relating to the time of payment of interest or principal, as long as either: (i) there is no change to the effective yield of the debt obligation, other than a change to the annual yield that does not exceed the greater of 0.25% or 5% of the annual yield; or (ii) neither the aggregate issue price nor the aggregate face amount of the issuer's debt obligations held by the Company exceeds $1 million and no more than 12 months of unaccrued interest on the debt obligations can be required to be prepaid; and
- a contingency relating to the time or amount of payment upon a default or prepayment of a debt obligation, as long as the contingency is consistent with customary commercial practice;
- Any loan to an individual or an estate;
- Any "section 467 rental agreement" other than an agreement with a related party tenant;
- Any obligation to pay "rents from real property";
- Certain securities issued by governmental entities;
- Any security issued by a REIT;
- Any debt instrument issued by an entity treated as a partnership for U.S. federal income tax purposes in which the Company is a partner to the extent of its proportionate interest in the equity and debt securities of the partnership; and
- Any debt instrument issued by an entity treated as a partnership for U.S. federal income tax purposes not described in the preceding bullet points if at least 75% of the partnership's gross income, excluding income from prohibited transactions, is qualifying income for purposes of the 75% gross income test described above in the section entitled "—Gross Income Tests."

For purposes of the 10% value test, the Company's proportionate share of the assets of a partnership is its proportionate interest in any securities issued by the partnership, without regard to the securities described in the last two bullet points above.

The Company's holdings of securities and other assets have complied, and will continue to comply, with the foregoing asset tests, and the Company intends to monitor its compliance on an ongoing basis. However, independent appraisals have not been obtained to support the Company's conclusions as to the value of its assets or the value of any particular security or securities. Moreover, values of some assets, including instruments issued in collateralized debt obligation transactions, may not be susceptible to a precise determination, and values are subject to change in the future.

Furthermore, the proper classification of an instrument as debt or equity for U.S. federal income tax purposes may be uncertain in some circumstances, which could affect the application of the asset tests. Accordingly, there can be no assurance that the IRS will not contend that the Company's interests in its subsidiaries or in the securities of other issuers will not cause a violation of the asset tests.

As described above, Revenue Procedure 2003-65 provides a safe harbor pursuant to which certain mezzanine loans secured by a first priority security interest in ownership interests in a partnership or limited liability company will be treated as qualifying assets for purposes of the 75% asset test (and therefore, are not subject to the 5% asset test and the 10% vote or value test). Refer to the section entitled "—Gross Income Tests." The Company expects that some of its mezzanine loans may not qualify for that safe harbor. To the extent that the Company determines that a mezzanine loan likely would not qualify for the safe harbor and also would not be excluded from the definition of securities for purposes of the 10% vote or value test or could cause the Company not to satisfy the 75% or 5% assets tests, it would hold that mezzanine loan through a taxable REIT subsidiary.

The Company owns stock in several REITS and expects to invest in the stock of other entities that intend to qualify as REITs in the future. The Company believes that any stock that it has acquired or will acquire in other REITs has been, or will be, qualifying assets for purposes of the 75% asset test. If a REIT in which the Company owns stock fails to qualify as a REIT in any year, however, the stock in such REIT will not be a qualifying asset for purposes of the 75% asset test. Instead, the Company would be subject to the 5% asset test, the 10% vote or value test and the 25% securities test described above with respect to its investment in such a disqualified REIT. Consequently, if a REIT in which the Company owns stock fails to qualify as a REIT, the Company could fail one or more of the asset tests described above. To the extent the Company invests in other REITs, it intends to do so in a manner that will enable it to continue to satisfy the REIT asset tests.

As discussed above in the section entitled "—Gross Income Tests," the Company and its subsidiaries may invest in distressed mortgage loans. In general, under the applicable Treasury Regulations, if a loan is secured by real property and other property and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan as of: (i) the date the Company agreed to acquire or originate the loan; or (ii) in the event of a significant modification, the date the Company modified the loan, then a portion of the interest income from such a loan will not be qualifying income for purposes of the 75% gross income test but will be qualifying income for purposes of the 95% gross income test. Although the law is not entirely clear, a portion of the loan will also likely be a non-qualifying asset for purposes of the 75% asset test. The non-qualifying portion of such a loan would be subject to, among other requirements, the 10% vote or value test. IRS Revenue Procedure 2014-51 provides a safe harbor under which the IRS has stated that it will not challenge a REIT's treatment of a loan as being, in part, a qualifying real estate asset in an amount equal to the lesser of: (i) the fair market value of the loan on the relevant quarterly REIT asset testing date; or (ii) the greater of (A) the fair market value of the real property securing the loan on the relevant quarterly REIT asset testing date or (B) the fair market value of the real property securing the loan determined as of the date the REIT committed to originate or acquire the loan. It is unclear how the safe harbor in Revenue Procedure 2014-51 is affected by the recent legislative changes regarding the treatment of loans secured by both real property and personal property where the fair market value of the personal property does not exceed 15% of the sum of the fair market values of the real property and the personal property securing the loan. There can be no assurance that later interpretations of or any clarifications to this Revenue Procedure will be consistent with how the Company currently is applying it to its REIT compliance analysis. The Company intends to invest in distressed mortgage loans in a manner consistent with qualifying as a REIT.

Also as discussed above, the Company intends to invest in agency securities that are pass-through certificates. The Company expects that the agency securities will be treated either as interests in grantor trusts or as interests in REMICs for U.S. federal income tax purposes. In the case of agency securities treated as interests in grantor trusts, the Company would be treated as owning an undivided beneficial ownership interest in the mortgage loans held by the grantor trust. Such mortgage loans generally will qualify as real estate assets to the extent that they are secured by real property. The Company expects that substantially all of its agency securities treated as interests in a grantor trust will qualify as real estate assets. In the case of agency securities treated as interests in a REMIC, such interests generally will qualify as real estate assets. If less than 95% of the assets of a REMIC are real estate assets, however, then only a proportionate part of the Company's interest in the REMIC will qualify as a real estate asset. To the extent that the Company holds mortgage participations or mortgage-backed securities that do not represent interests in a grantor trust or REMIC interests, such assets may not qualify as real estate assets depending upon the circumstances and the specific structure of the investment.

Failure to Satisfy the Asset Tests

The Company has monitored, and will continue to monitor, the status of its assets for purposes of the various asset tests. If the Company fails to satisfy the asset tests at the end of a calendar quarter, it will not lose its REIT qualification if:

- the Company satisfied the asset tests at the end of the preceding calendar quarter; and
- the discrepancy between the value of the Company's assets and the asset test requirements arose from changes in the market values of its assets and was not wholly or partly caused by the acquisition of one or more non-qualifying assets.

If the Company does not satisfy the condition described in the second item, above, it still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose.

If at the end of any calendar quarter the Company violates the 5% asset test or the 10% vote or value test described above, it will not lose its REIT qualification if: (i) the failure is de minimis (up to the lesser of 1% of its assets or $10 million); and (ii) it disposes of assets causing the failure or otherwise complies with the asset tests within six months after the last day of the quarter in which it identifies such failure. In the event of a failure of any of the asset tests (other than de minimis failures described in the preceding sentence), as long as the failure was due to reasonable cause and not to willful neglect, the Company will not lose its REIT status if it: (i) disposes of assets or otherwise complies with the asset tests within six months after the last day of the quarter in which it identifies the failure; (ii) it files a description of each asset causing the failure with the IRS; and (iii) pays a tax equal to the greater of $50,000 or 21% of the net income from the non-qualifying assets during the period in which the Company failed to satisfy the asset tests.

Distribution Requirements

Each taxable year, the Company must distribute dividends, other than capital gain dividends and deemed distributions of retained capital gain, to our stockholders in an aggregate amount at least equal to the sum of:

- 90% of its “REIT taxable income,” computed without regard to the dividends paid deduction and its net capital gain or loss; and
- 90% of its after-tax net income, if any, from foreclosure property; minus
- the sum of certain items of non-cash income.

Generally, the Company must pay such distributions in the taxable year to which they relate, or in the following taxable year if: (i) the Company declares the distribution before it timely files its U.S. federal income tax return for the year and pays the distribution on or before the first regular dividend payment date after such declaration; or (ii) the Company declares the distribution in October, November or December of the taxable year, payable to stockholders of record on a specified day in any such month, and it actually pays the dividend before the end of January of the following year. The distributions under clause (i) are taxable to the stockholders in the year in which paid and the distributions in clause (ii) are treated as paid on December 31 of the prior taxable year. In both instances, these distributions relate to the Company’s prior taxable year for purposes of the 90% distribution requirement.

Unless the Company qualifies as a “publicly offered REIT,” in order for its distributions to be counted as satisfying the annual distribution requirement for REITs and to provide it with the REIT-level tax deduction, such distributions must not have been “preferential dividends.” A dividend is not a preferential dividend if that distribution is: (i) pro rata among all outstanding shares within a particular class; and (ii) in accordance with the preferences among different classes of stock as set forth in the Company’s organizational documents. The Company expects to qualify as “publicly offered REIT,” and so long as it qualifies as a “publicly offered REIT,” the preferential dividend rule will not apply to it.

The Company will pay U.S. federal income tax on taxable income, including net capital gain, that it does not distribute to stockholders. Furthermore, if the Company fails to distribute during a calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year, at least the sum of:

- 85% of its REIT ordinary income for such year;
- 95% of its REIT capital gain income for such year; and
- any undistributed taxable income from prior periods,

The Company will incur a 4% nondeductible excise tax on the excess of such required distribution over the amounts it actually distributes.

The Company may elect to retain and pay income tax on the net long-term capital gain it receives in a taxable year. If the Company so elects, it will be treated as having distributed any such retained amount for purposes of the 4% nondeductible excise tax described above. The Company intends to make timely distributions sufficient to satisfy the annual distribution requirements and to avoid corporate income tax and the 4% nondeductible excise tax.

It is possible that, from time to time, the Company may experience timing differences between the actual receipt of income and or payment of deductible expenses and the inclusion of that income or deduction in arriving at its REIT taxable income. Refer to, for example, the discussion of excess inclusion income above in the section entitled “—Requirements for Qualification—Taxable Mortgage Pools.” Other potential sources of non-cash taxable income include gain recognized on the deemed exchange of distressed debt that has been modified, real estate and securities that have been financed through securitization structures, such as the collateralized debt obligation structure, which require some or all of available cash flow to be used to service borrowings, loans or mortgage-backed securities that the Company holds that have been issued at a discount and require the accrual of taxable economic interest in advance of its receipt in cash and distressed loans on which the Company may be required to accrue taxable interest income even though the borrower is unable to make current servicing payments in cash. Furthermore, under amendments to Section 451 of the Code made by H.R. 1, subject to certain exceptions, the Company must accrue income for U.S. federal income tax purposes no later than when such income is taken into account as revenue in our financial statements, which could create additional differences between REIT taxable income and the receipt of cash attributable to such income. In addition, Section 162(m) of the Code places a per-employee limit of $1 million on the amount of compensation that a publicly held corporation may deduct in any one year with respect to its chief executive officer and certain other highly compensated executive officers. Recent changes to Section 162(m) made by H.R. 1 eliminated an exception that formerly permitted certain performance-based compensation to be deducted even if in excess of $1 million, which may have the effect of increasing our REIT taxable income. In the event that such timing differences occur, it might be necessary to arrange borrowings or other means of raising capital to meet the distribution requirements. Additionally, the Company may, if possible, pay taxable dividends of our stock or debt to meet the distribution requirements.

On August 11, 2017, the IRS issued Revenue Procedure 2017-45, authorizing elective stock dividends to be made by public REITs. Pursuant to this revenue procedure, effective for distributions declared on or after August 11, 2017, the IRS will treat the distribution of stock pursuant to an elective stock dividend as a distribution of property under Section 301 of the Code (i.e., as a dividend to the extent of our earnings and profits), as long as at least 20% of the total dividend is available in cash and certain other requirements outlined in the revenue procedure are met.

Under certain circumstances, the Company may be able to correct a failure to meet the distribution requirement for a year by paying “deficiency dividends” to our stockholders in a later year. The Company may include such deficiency dividends in its deduction for dividends paid for the earlier year. Although the Company may be able to avoid income tax on amounts distributed as deficiency dividends, it will be required to pay interest to the IRS based upon the amount of any deduction it takes for deficiency dividends.

In addition, a REIT is required to distribute all accumulated earnings and profits attributable to non-REIT years by the close of its first taxable year in which it has non-REIT earnings and profits to distribute.

Interest Deduction Limitation Enacted by H.R. 1

Commencing in taxable years beginning after December 31, 2017, Section 163(j) of the Code, as amended by H.R. 1, limits the deductibility of net interest expense paid or accrued on debt properly allocable to a trade or business to 30% of “adjusted taxable income,” subject to certain exceptions. Any deduction in excess of the limitation is carried forward and may be used in a subsequent year, subject to the 30% limitation. Adjusted taxable income is determined without regard to certain deductions, including those for net interest expense, net operating loss carryforwards and, for taxable years beginning before January 1, 2022, depreciation, amortization and depletion. Provided the taxpayer makes a timely election (which is irrevocable), the 30% limitation does not apply to a trade or business involving real property development, redevelopment, construction, reconstruction, rental, operation, acquisition, conversion, disposition, management, leasing or brokerage, within the meaning of Section 469(c)(7)(C) of the Code. If this election is made, depreciable real property (including certain improvements) held by the relevant trade or business must be depreciated under the alternative depreciation system under the Code, which is generally less favorable than the generally applicable system of depreciation under the Code. If we do not make the election or if the election is determined not to be available with respect to all or certain of our business activities, this interest deduction limitation could result in us having more REIT taxable income and thus increase the amount of distributions we must make to comply with the REIT requirements and avoid incurring corporate level tax. Similarly, the limitation could cause our TRSs to have greater taxable income and thus potentially greater corporate tax liability.

Recordkeeping Requirements

The Company is required to maintain certain records under the REIT rules. In addition, to avoid a monetary penalty, the Company must request on an annual basis information from our stockholders designed to disclose the actual ownership of its outstanding shares of beneficial interest. The Company intends to continue to comply with these requirements.

Foreign Investments

The Company and its subsidiaries have acquired, and expect to acquire in the future, investments in foreign countries that will require it to pay taxes to foreign countries. Taxes that the Company pays in foreign jurisdictions may not be passed through to, or used by, our stockholders as a foreign tax credit or otherwise. The Company could be subject to U.S. federal income tax rules intended to prevent or minimize the value of the deferral of the recognition by it of passive-type income of foreign entities in which it owns a direct or indirect interest. As a result, the Company could be required to recognize taxable income for U.S. federal income tax purposes prior to receiving cash distributions with respect to that income or, in certain circumstances, pay an interest charge on U.S. federal income tax that it is deemed to have deferred. The Company's foreign investments might also generate foreign currency gains and losses. Certain foreign currency gains may be excluded from gross income for purposes of one or both of the gross income tests, as discussed above. Refer above to the section entitled "—Requirements for Qualification—Gross Income Tests."

Failure to Qualify

If the Company fails to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, it could avoid disqualification if its failure is due to reasonable cause and not to willful neglect and the Company pays a penalty of $50,000 for each such failure. In addition, there are relief provisions for a failure of the gross income tests and asset tests, as described in the sections entitled "—Gross Income Tests—Failure to Satisfy the Gross Income Tests" and "—Asset Tests—Failure to Satisfy the Asset Tests."

If the Company fails to qualify as a REIT in any taxable year, and no relief provision applies, it would be subject to U.S. federal income tax and any applicable alternative minimum tax (only for its taxable year ended December 31, 2017) on its taxable income at regular corporate rates. In calculating its taxable income in a year in which it fails to qualify as a REIT, the Company would not be able to deduct amounts paid out to stockholders. In fact, the Company would not be required to distribute any amounts to stockholders in that year. In such event, to the extent of the Company's current and accumulated earnings and profits, distributions to most stockholders taxed at individual rates would generally be taxable at capital gains tax rates. For taxable years beginning after December 31, 2017, and before January 1, 2026, generally U.S. stockholders that are individuals, trusts or estates may deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations. Alternatively, such dividends paid to U.S. stockholders that are individuals, trusts and estates may be taxable at the preferential income tax rates (i.e., the 20% maximum U.S. federal rate) for qualified dividends. In addition, subject to the limitations of the Code, corporate distributees may be eligible for the dividends-received deduction.

Unless the Company qualified for relief under specific statutory provisions, it also would be disqualified from taxation as a REIT for the four taxable years following the year during which it ceased to qualify as a REIT. The Company cannot predict whether in all circumstances it would qualify for such statutory relief. In addition, the rule against re-electing REIT status following a loss of such status could also apply to the Company if it were determined that Colony or NRF failed to qualify as REITs and the Company were treated as a successor to Colony Capital Inc. or NorthStar Realty Finance Corp., as applicable.

Taxation of Taxable U.S. Stockholders of Colony Capital

The term "U.S. stockholder" means a beneficial owner of our stock that for U.S. federal income tax purposes is:

- a citizen or resident of the United States;
- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any of its states or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if: (i) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust; or (ii) it has a valid election in place to be treated as a U.S. person.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our stock, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership holding our stock, you should consult your tax advisor regarding the consequences of the purchase, ownership and disposition of our stock by the partnership.

Taxation of U.S. Stockholders on Distributions on Our Stock

As long as the Company qualifies as a REIT, a taxable U.S. stockholder must generally take into account as ordinary income distributions made out of the Company's current or accumulated earnings and profits that the Company does not designate as capital gain dividends or retained long-term capital gain. However, for tax years prior to 2026, generally U.S. stockholders that are individuals, trusts or estates may deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations. For purposes of determining whether a distribution is made out of its current or accumulated earnings and profits, the Company's earnings and profits will be allocated first to its preferred stock dividends and then to its common stock dividends.

Dividends paid to U.S. stockholders will not qualify for the dividends-received deduction generally available to corporations. In addition, dividends paid to a U.S. stockholder generally will not qualify for the 20% tax rate for qualified dividend income. The maximum tax rate for qualified dividend income is 20%. Qualified dividend income generally includes dividends paid to U.S. stockholders taxed at individual rates by domestic C corporations and certain qualified foreign corporations. Because the Company will not generally be subject to U.S. federal income tax on the portion of its REIT taxable income distributed to our stockholders (refer above to the section entitled "—Taxation of Colony Capital"), its dividends generally will not be eligible for the 20% rate on qualified dividend income. As a result, the Company's ordinary REIT dividends will be taxed at the higher tax rate applicable to ordinary income, which is currently a maximum rate of 37%. However, the 20% tax rate for qualified dividend income will apply to the Company's ordinary REIT dividends to the extent attributable: (i) to income retained by it in a prior non-REIT taxable year in which it or a predecessor was subject to corporate income tax (less the amount of tax); (ii) to dividends received by it from non-REIT corporations, such as domestic TRSs; and (iii) to the extent attributable to income upon which it has paid corporate income tax (*e.g.*, to the extent that the Company distributes less than 100% of its net taxable income). In general, to qualify for the reduced tax rate on qualified dividend income, a stockholder must hold our stock for more than 60 days during the 121-day period beginning on the date that is 60 days before the date on which our stock becomes ex-dividend. In addition, dividends paid to certain individuals, trusts and estates whose income exceeds certain thresholds are subject to a 3.8% Medicare tax.

A U.S. stockholder generally will take into account as long-term capital gain any distributions that the Company designates as capital gain dividends without regard to the period for which the U.S. stockholder has held our stock. The Company generally will designate its capital gain dividends as either 20% or 25% rate distributions. Refer below to the section entitled "—Capital Gains and Losses." A corporate U.S. stockholder, however, may be required to treat up to 20% of certain capital gain dividends as ordinary income.

The Company may elect to retain and pay income tax on the net long-term capital gain that it receives in a taxable year. In that case, to the extent that the Company designates such amount in a timely notice to such stockholder, a U.S. stockholder would be treated as receiving its proportionate share of the Company's undistributed long-term capital gain and would receive a credit for its proportionate share of the tax the Company paid. The U.S. stockholder would increase the basis in its stock by the amount of its proportionate share of the Company's undistributed long-term capital gain, minus its share of the tax the Company paid.

To the extent that the Company makes a distribution in excess of its current and accumulated earnings and profits, such distribution will not be taxable to a U.S. stockholder to the extent that it does not exceed the adjusted tax basis of the U.S. stockholder's stock. Instead, such distribution will reduce the adjusted tax basis of such stock. To the extent that the Company makes a distribution in excess of both its current and accumulated earnings and profits and the U.S. stockholder's adjusted tax basis in its stock, such stockholder will recognize long-term capital gain or short-term capital gain if the stock has been held for one year or less, assuming the stock is a capital asset in the hands of the U.S. stockholder. In addition, if the Company declares a distribution in October, November or December of any year that is payable to a U.S. stockholder of record on a specified date in any such month, such distribution shall be treated as both paid by the Company and received by the U.S. stockholder on December 31 of such year, provided that the Company actually pays the distribution during January of the following calendar year.

Stockholders may not include in their individual income tax returns any of the Company's net operating losses or capital losses. Instead, the Company would carry over such losses for potential offset against the Company's future income. Under amendments made by H.R. 1 to Section 172 of the Code, the Company's deduction for any net operating loss carryforwards arising from losses it sustains in taxable years beginning after December 31, 2017, is limited to 80% of its REIT taxable income (determined without regard to the deduction for dividends paid), and any unused portion of losses arising in taxable years ending after December 31, 2017, may not be carried back, but may be carried forward indefinitely.

Taxable distributions from the Company and gain from the disposition of our stock will not be treated as passive activity income, and, therefore, stockholders generally will not be able to apply any "passive activity losses," such as losses from certain types of limited partnerships in which the stockholder is a limited partner, against such income. In addition, taxable distributions from the Company and gain from the disposition of our stock generally may be treated as investment income for purposes of the investment interest limitations (although any capital gains so treated will not qualify for the lower 20% tax rate applicable to capital gains of U.S. stockholders taxed at individual rates). The Company will notify stockholders after the close of the Company's taxable year as to the portions of its distributions attributable to that year that constitute ordinary income, return of capital and capital gain.

If excess inclusion income from a TMP or REMIC residual interest is allocated to any U.S. stockholder, that income will be taxable in the hands of the U.S. stockholder and would not be offset by any net operating losses of the U.S. stockholder that would otherwise be available. Refer to the section entitled "—Requirements for Qualification—Taxable Mortgage Pools." As required by IRS guidance, the Company intends to notify its U.S. stockholders if a portion of a dividend paid by it is attributable to excess inclusion income.

Distributions to Holders of Depositary Shares. Owners of depositary shares will be treated for U.S. federal income tax purposes as if they were owners of the underlying preferred stock represented by such depositary shares. Accordingly, such owners will be entitled to take into account, for U.S. federal income tax purposes, income and deductions to which they would be entitled if they were direct holders of the underlying preferred shares. In addition, (1) no gain or loss will be recognized for U.S. federal income tax purposes upon the withdrawal of certificates evidencing the underlying preferred stock in exchange for depositary receipts, (2) the tax basis of each share of the underlying preferred stock to an exchanging owner of depositary shares will, upon such exchange, be the same as the aggregate tax basis of the depositary shares exchanged therefore, and (3) the holding period for the underlying preferred stock in the hands of an exchanging owner of depositary shares will include the period during which such person owned such depositary shares.

Taxation of U.S. Stockholders on the Disposition of Our Stock

In general, a U.S. stockholder who is not a dealer in securities must treat any gain or loss realized upon a taxable disposition of our stock as long-term capital gain or loss if the U.S. stockholder has held the stock for more than one year and otherwise as short-term capital gain or loss. However, a U.S. stockholder must treat any loss upon a sale or exchange of stock held by such stockholder for six months or less as a long-term capital loss to the extent of any actual or deemed distributions from the Company that such U.S. stockholder previously has characterized as long-term capital gain. All or a portion of any loss that a U.S. stockholder realizes upon a taxable disposition of the stock may be disallowed if the U.S. stockholder purchases other substantially identical 264 shares of our stock within 30 days before or after the disposition (in which case, the basis of the shares acquired would be adjusted to reflect the disallowed loss).

Taxation of U.S. Stockholders on a Redemption of Preferred Stock and Depositary Shares

A redemption of the Company's preferred stock and depositary shares will be treated under Section 302 of the Code as a distribution that is taxable as dividend income (to the extent of its current or accumulated earnings and profits), unless the redemption satisfies certain tests set forth in Section 302(b) of the Code enabling the redemption to be treated as a sale of the preferred stock or depositary shares (in which case the redemption will be treated in the same manner as a sale described above in the section entitled "—Taxation of U.S. Stockholders on the Disposition of Our Stock"). The redemption will satisfy such tests if it: (i) is "substantially disproportionate" with respect to the U.S. stockholder's interest in our stock; (ii) results in a "complete termination" of the U.S. stockholder's interest in all classes of our stock; or (iii) is "not essentially equivalent to a dividend" with respect to the stockholder, all within the meaning of Section 302(b) of the Code. In determining whether any of these tests have been met, stock considered to be owned by the holder by reason of certain constructive ownership rules set forth in the Code, as well as stock actually owned, generally must be taken into account. Because the determination as to whether any of the three alternative tests of Section 302(b) of the Code described above will be satisfied with respect to any particular U.S. stockholder of the preferred stock or depositary shares depends upon the facts and circumstances at the time that the determination must be made, prospective investors are urged to consult their tax advisors to determine such tax treatment. If a redemption of the Company's preferred stock or depositary shares does not meet any of the three tests described above, the redemption proceeds will be treated as a distribution, as described above in the section entitled "—Taxation of U.S. Stockholders on Distributions on Our Stock." In that case, a U.S. stockholder's adjusted tax basis in the redeemed preferred stock or depositary shares will be transferred to such U.S. stockholder's remaining stock holdings in the Company. If the U.S. stockholder does not retain any of the Company's shares, such basis could be transferred to a related person that holds our stock or it may be lost.

Under proposed Treasury Regulations, if any portion of the amount received by a U.S. stockholder on a redemption of any class of the Company's preferred stock or depositary shares is treated as a distribution with respect to our stock but not as a taxable dividend, then such portion will be allocated to all stock of the redeemed class held by the redeemed stockholder just before the redemption on a pro-rata, share-by-share, basis. The amount applied to each share will first reduce the redeemed U.S. stockholder's basis in that share and any excess after the basis is reduced to zero will result in taxable gain. If the redeemed stockholder has different bases in its shares, then the amount allocated could reduce some of the basis in certain shares while reducing all the basis and giving rise to taxable gain in others. Thus, the redeemed U.S. stockholder could have gain even if such U.S. stockholder's basis in all its shares of the redeemed class exceeded such portion.

The proposed Treasury Regulations permit the transfer of basis in the redeemed preferred or depositary shares to the redeemed U.S. stockholder's remaining, unredeemed preferred or depositary shares of the same class, if any, but not to any other class of shares held, directly or indirectly, by the redeemed U.S. stockholder. Instead, any unrecovered basis in the redeemed preferred or depositary shares would be treated as a deferred loss to be recognized when certain conditions are satisfied. The proposed Treasury Regulations would be effective for transactions that occur after the date the regulations are published as final Treasury Regulations. There can, however, be no assurance as to whether, when and in what particular form such proposed Treasury Regulations will ultimately be finalized.

Capital Gains and Losses

A taxpayer generally must hold a capital asset for more than one year for gain or loss derived from its sale or exchange to be treated as long-term capital gain or loss. The highest marginal individual income tax rate is currently 37%. However, the maximum tax rate on long-term capital gain applicable to U.S. stockholders taxed at individual rates is 20%. The maximum tax rate on long-term capital gain from the sale or exchange of "Section 1250 property," which we refer to as depreciable real property, is 25% computed on the lesser of the total amount of the gain or the accumulated Section 1250 depreciation. In addition, capital gains recognized by certain individuals, trusts and estates whose income exceeds certain thresholds are subject to a 3.8% Medicare tax. With respect to distributions that the Company designates as capital gain dividends and any retained capital gain that it is deemed to distribute, the Company generally may designate whether such a distribution is taxable to its U.S. stockholders taxed at individual rates at a 20% or 25% rate. Thus, the tax rate differential between capital gain and ordinary income for those taxpayers may be significant. In addition, the characterization of income as capital gain or ordinary income may affect the deductibility of capital losses. A non-corporate taxpayer may deduct capital losses not offset by capital gains against its ordinary income only up to a maximum annual amount of $3,000. A non-corporate taxpayer may carry forward unused capital losses indefinitely. A corporate taxpayer must pay tax on its net capital gain at ordinary corporate rates. A corporate taxpayer may deduct capital losses only to the extent of capital gains, with unused losses being carried back three years and forward five years.

Expansion of Medicare Tax

The Health Care and Reconciliation Act of 2010 requires that, in certain circumstances, certain U.S. holders that are individuals, estates, and trusts pay a 3.8% tax on "net investment income," which includes, among other things, dividends on and gains from the sale or other disposition of REIT shares. The temporary 20% deduction allowed by Section 199A of the Code, as added by H.R. 1, with respect to ordinary REIT dividends received by non-corporate taxpayers is allowed only for purposes of Chapter 1 of the Code and thus is apparently not allowed as a deduction allocable to such dividends for purposes of determining the amount of net investment income subject to the 3.8% Medicare tax, which is imposed under Chapter 2A of the Code. Prospective investors should consult their own tax advisors regarding this legislation.

Taxation of Tax-Exempt Stockholders

Tax-exempt entities, including qualified employee pension and profit-sharing trusts and individual retirement accounts and annuities, generally are exempt from U.S. federal income taxation. However, they are subject to taxation on their unrelated business taxable income, which we refer to as UBTI. While many investments in real estate generate UBTI, the IRS has issued a published ruling that dividend distributions from a REIT to an exempt employee pension trust do not constitute UBTI, provided that the exempt employee pension trust does not otherwise use the shares of the REIT in an unrelated trade or business of the pension trust. Based on that ruling, amounts that the Company distributes to tax-exempt stockholders generally should not constitute UBTI. However, if a tax-exempt stockholder were to finance its investment in our stock with debt, a portion of the income that it receives from the Company would constitute UBTI pursuant to the "debt-financed property" rules. In addition, the Company's dividends that are attributable to excess inclusion income will constitute UBTI in the hands of most tax-exempt stockholders. Refer to the section entitled "—Requirements for Qualification—Taxable Mortgage Pools." Furthermore, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans that are exempt from taxation under special provisions of the U.S. federal income tax laws are subject to different UBTI rules, which generally will require them to characterize distributions that they receive from the Company as UBTI. Finally, in certain circumstances, a qualified employee pension or profit-sharing trust that owns more than 10% of our stock is required to treat a percentage of the dividends that it receives from the Company as UBTI if the Company is a "pension-held REIT." Such percentage is equal to the gross income that the Company derives from an unrelated trade or business, determined as if the Company were a pension trust, divided by the Company's total gross income for the year in which the Company pays the dividends. That rule applies to a pension trust holding more than 10% of our stock only if:

- the percentage of the Company’s dividends that the tax-exempt trust would be required to treat as UBTI is at least 5%;
- the Company qualifies as a REIT by reason of the modification of the rule requiring that no more than 50% of our stock be owned by five or fewer individuals that allows the beneficiaries of the pension trust to be treated as holding our stock in proportion to its actuarial interests in the pension trust (refer to the section entitled “—Requirements for Qualification”); and
- either: (i) one pension trust owns more than 25% of the value of our stock; or (ii) a group of pension trusts individually holding more than 10% of the value of our stock collectively owns more than 50% of the value of our stock.

Taxation of Non-U.S. Stockholders

The term “non-U.S. stockholder” means a beneficial owner of our stock that is not a U.S. stockholder or a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes). The rules governing U.S. federal income taxation of non-U.S. stockholders are complex. This section is only a summary of such rules. Non-U.S. stockholders are urged to consult their tax advisors to determine the impact of U.S. federal, state, local and foreign income tax laws on the ownership of our stock, including any reporting requirements.

A non-U.S. stockholder that receives a distribution that is not attributable to gain from the Company’s sale or exchange of a “United States real property interest,” which we refer to as USRPI, and that the Company does not designate as a capital gain dividend or retained capital gain, will recognize ordinary income to the extent that the Company pays such distribution out of its current or accumulated earnings and profits. A withholding tax equal to 30% of the gross amount of the distribution ordinarily will apply to such distribution unless an applicable tax treaty reduces or eliminates the tax. The Company’s dividends that are attributable to excess inclusion income will be subject to the 30% withholding tax, without reduction for any otherwise applicable income tax treaty. Refer to the section entitled “—Requirements for Qualification—Taxable Mortgage Pools.” If a distribution is treated as effectively connected with the non-U.S. stockholder’s conduct of a U.S. trade or business, the non-U.S. stockholder generally will be subject to U.S. federal income tax on the distribution at graduated rates, in the same manner as U.S. stockholders are taxed with respect to such distribution, and a non-U.S. stockholder that is a corporation also may be subject to the 30% branch profits tax with respect to the distribution. The Company plans to withhold U.S. income tax at the rate of 30% on the gross amount of any such distribution paid to a non-U.S. stockholder unless either:

- a lower treaty rate applies and the non-U.S. stockholder provides an IRS Form W-8BEN or W-8BEN-E to the Company evidencing eligibility for that reduced rate; or
- the non-U.S. stockholder files an IRS Form W-8ECI with the Company claiming that the distribution is effectively connected income.

A non-U.S. stockholder will not incur tax on a distribution in excess of the Company’s current and accumulated earnings and profits if the excess portion of such distribution does not exceed the stockholder’s adjusted basis of its stock. Instead, the excess portion of such distribution will reduce the adjusted basis of such stock. A non-U.S. stockholder will be subject to tax on a distribution that exceeds both the Company’s current and accumulated earnings and profits and the stockholder’s adjusted basis of its stock, if the non-U.S. stockholder otherwise would be subject to tax on gain from the sale or disposition of its stock, as described below. Because the Company generally cannot determine at the time it makes a distribution whether the distribution will exceed its current and accumulated earnings and profits, the Company normally will withhold tax on the entire amount of any distribution at the same rate as it would withhold on a dividend. However, a non-U.S. stockholder may claim a refund of amounts that the Company withholds if the Company later determines that a distribution in fact exceeded the Company’s current and accumulated earnings and profits.

If the Company is treated as a “United States real property holding corporation,” as described below, it will be required to withhold 15% of any distribution that exceeds its current and accumulated earnings and profits. Consequently, although the Company intends to withhold at a rate of 30% on the entire amount of any distribution, to the extent that it does not do so, the Company may withhold at a rate of 15% on any portion of a distribution not subject to withholding at a rate of 30%.

For any year in which the Company qualifies as a REIT, a non-U.S. stockholder will incur tax on distributions that are attributable to gain from the Company’s sale or exchange of a USRPI under the Foreign Investment in Real Property Tax Act of 1980, which we refer to as FIRPTA. A USRPI includes certain interests in real property and stock in “United States real property holding corporations,” which are corporations at least 50% of whose assets consist of interests in real property. Under FIRPTA, a non-U.S. stockholder is taxed on distributions attributable to gain from sales of USRPIs as if such gain were effectively connected with a U.S. business of the non-U.S. stockholder. A non-U.S. stockholder thus would be taxed on such a distribution at the normal capital gains rates applicable to U.S. stockholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual. A non-U.S. corporate stockholder not entitled to treaty relief or an exemption also may be subject to the 30% branch profits tax on such a distribution. The Company must withhold 21% of any distribution that it could designate as a capital gain dividend. A non-U.S. stockholder may receive a credit against its tax liability for the amount the Company withholds.

Capital gain distributions to a non-U.S. stockholder that are attributable to the Company's sale of real property will be treated as ordinary dividends rather than as gain from the sale of a USRPI, as long as: (i)(A) such class of our stock is "regularly traded" on an established securities market in the United States; and (B) the non-U.S. stockholder did not own more than 10% of the applicable class of our stock at any time during the one-year period prior to the distribution; or (ii) the non-U.S. stockholder was treated as a "qualified shareholder" as discussed below. As a result, non-U.S. stockholders owning 10% or less of the applicable class of our stock that is "regularly traded" generally will be subject to withholding tax on such capital gain distributions in the same manner as they are subject to withholding tax on ordinary dividends. If a class of our stock is not regularly traded on an established securities market in the United States or the non-U.S. stockholder owned more than 10% of our stock at any time during the one-year period prior to the distribution, capital gain distributions that are attributable to the Company's sale of real property would be subject to tax under FIRPTA, as described in the preceding paragraph. Moreover, if a non-U.S. stockholder disposes of our stock during the 30-day period preceding a dividend payment, and such non-U.S. stockholder (or a person related to such non-U.S. stockholder) acquires or enters into a contract or option to acquire our stock within 61 days of the first day of the 30-day period described above, and any portion of such dividend payment would, but for the disposition, be treated as a USRPI capital gain to such non-U.S. stockholder, then such non-U.S. stockholder shall be treated as having USRPI capital gain in an amount that, but for the disposition, would have been treated as USRPI capital gain.

Although the law is not clear on the matter, it appears that amounts the Company designates as retained capital gains in respect of the stock held by U.S. stockholders generally should be treated with respect to non-U.S. stockholders in the same manner as actual distributions by the Company of capital gain dividends. Under this approach, a non-U.S. stockholder would be able to offset as a credit against its U.S. federal income tax liability its proportionate share of the tax paid by the Company on such retained capital gains, and to receive from the IRS a refund to the extent the non-U.S. stockholder's proportionate share of such tax paid by the Company exceeds its actual U.S. federal income tax liability, provided that the non-U.S. stockholder furnishes required information to the IRS on a timely basis, which may require the filing of a tax return with the IRS.

A non-U.S. stockholder generally will not incur tax under FIRPTA with respect to gain realized upon a disposition of our stock as long as the Company: (i) is not a "United States real property holding corporation" during a specified testing period; or (ii) is a domestically controlled qualified investment entity. A domestically controlled qualified investment entity includes a REIT, less than 50% of the value of which is held directly or indirectly by foreign persons at all times during a specified testing period. The Company believes that it will be a domestically controlled qualified investment entity, but because our stock will be publicly traded, it cannot assure you that it in fact will be a domestically controlled qualified investment entity. However, even if the Company were a "United States real property holding corporation" and it were not a domestically controlled qualified investment entity, a non-U.S. stockholder that owned, actually or constructively, 10% or less of the applicable class of our stock at all times during a specified testing period would not incur tax under FIRPTA if that class of our stock is "regularly traded" on an established securities market. Because the Company expects that its common and preferred stock will be regularly traded on an established securities market, a non-U.S. stockholder will not incur tax under FIRPTA with respect to any such gain unless it owns, actually or constructively, more than 10% of the applicable class of our stock. If the gain on the sale of our stock were taxed under FIRPTA, a non-U.S. stockholder would be taxed in the same manner as U.S. stockholders with respect to such gain, subject to applicable alternative minimum tax or a special alternative minimum tax in the case of nonresident alien individuals. Furthermore, a non-U.S. stockholder will incur tax on gain not subject to FIRPTA if: (i) the gain is effectively connected with the non-U.S. stockholder's U.S. trade or business, in which case the non-U.S. stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain; or (ii) the non-U.S. stockholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the non-U.S. stockholder will incur a 30% tax on his capital gains.

Qualified Shareholders

Subject to the exception discussed below, any distribution to a "qualified shareholder," as defined below, who holds our stock directly or indirectly (through one or more partnerships) will not be subject to U.S. tax as income effectively connected with a U.S. trade or business and thus will not be subject to special withholding rules under

FIRPTA. While a “qualified shareholder” will not be subject to FIRPTA withholding on REIT distributions, certain investors of a “qualified shareholder” (*i.e*., non-U.S. persons who hold interests in the “qualified shareholder” (other than interests solely as a creditor), and hold more than 10% of our stock (whether or not by reason of the investor’s ownership in the “qualified shareholder”)) may be subject to FIRPTA withholding.

In addition, a sale of our stock by a “qualified shareholder” who holds such stock directly or indirectly (through one or more partnerships) will not be subject to U.S. federal income taxation under FIRPTA. As with distributions, certain investors of a “qualified shareholder” (*i.e*., non-U.S. persons who hold interests in the “qualified shareholder” (other than interests solely as a creditor), and hold more than 10% of our stock (whether or not by reason of the investor’s ownership in the “qualified shareholder”)) may be subject to FIRPTA withholding on a sale of our stock.

A “qualified shareholder” is a foreign person that: (i) either is eligible for the benefits of a comprehensive income tax treaty which includes an exchange of information program and whose principal class of interests is listed and regularly traded on one or more recognized stock exchanges (as defined in such comprehensive income tax treaty), or is a foreign partnership that is created or organized under foreign law as a limited partnership in a jurisdiction that has an agreement for the exchange of information with respect to taxes with the United States and has a class of limited partnership units representing greater than 50% of the value of all the partnership units that are regularly traded on the NYSE or NASDAQ markets; (ii) is a qualified collective investment vehicle, as defined below; and (iii) maintains records on the identity of each person who, at any time during the foreign person’s taxable year, is the direct owner of 5% or more of the class of interests or units, as applicable, described in (i), above.

A qualified collective investment vehicle is a foreign person that: (i) would be eligible for a reduced rate of withholding under the comprehensive income tax treaty described above, even if such entity holds more than 10% of the stock of such REIT; (ii) is publicly traded, is treated as a partnership under the Code, is a withholding foreign partnership, and would be treated as a “United States real property holding corporation” if it were a domestic corporation; or (iii) is designated as such by the Secretary of the Treasury and is either (A) fiscally transparent within the meaning of Section 894 of the Code or (B) required to include dividends in its gross income, but is entitled to a deduction for distributions to its investors.

Qualified Foreign Pension Funds

Any distribution to a “qualified foreign pension fund” (or an entity all of the interests of which are held by a “qualified foreign pension fund”) who holds our stock directly or indirectly (through one or more partnerships) will not be subject to U.S. tax as income effectively connected with a U.S. trade or business and thus will not be subject to special withholding rules under FIRPTA. In addition, a sale of our stock by a “qualified foreign pension fund” that holds such stock directly or indirectly (through one or more partnerships) will not be subject to U.S. federal income taxation under FIRPTA.

A qualified foreign pension fund is any trust, corporation or other organization or arrangement: (i) which is created or organized under the law of a country other than the United States; (ii) which is established to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered; (iii) which does not have a single participant or beneficiary with a right to more than 5% of its assets or income; (iv) which is subject to government regulation and provides annual information reporting about its beneficiaries to the relevant tax authorities in the country in which it is established or operates; and (v) with respect to which, under the laws of the country in which it is established or operates, (A) contributions to such organization or arrangement that would otherwise be subject to tax under such laws are deductible or excluded from the gross income of such entity or taxed at a reduced rate or (B) taxation of any investment income of such organization or arrangement is deferred or such income is taxed at a reduced rate.

FATCA Withholding

Under the Foreign Account Tax Compliance Act, which we refer to as FATCA, a U.S. withholding tax at a 30% rate will be imposed on dividends paid on our stock received by certain non-U.S. stockholders if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. In addition, if those disclosure requirements are not satisfied, a U.S. withholding tax at a 30% rate will be imposed on proceeds from the sale of our stock received after December 31, 2018 by certain non-U.S. stockholders (subject to the proposed Treasury Regulations discussed below). If payment of withholding taxes is required, non-U.S. stockholders that are otherwise eligible for an exemption from, or reduction of, U.S. withholding taxes with respect to such dividends and proceeds will be required to seek a refund from the IRS to obtain the benefit of such exemption or reduction. The Company will not pay any additional amounts in respect of any amounts withheld.

While withholding under FATCA would have applied to payments of gross proceeds from the sale or disposition of our stock received after December 31, 2018, proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

Information Reporting Requirements and Backup Withholding; Shares Held Offshore

The Company will report to its stockholders and to the IRS the amount of distributions it pays during each calendar year, and the amount of tax it withholds, if any. Under the backup withholding rules, a stockholder may be subject to backup withholding at a rate of 28% with respect to distributions unless the holder:

- is a corporation or qualifies for certain other exempt categories and, when required, demonstrates this fact; or
- provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules.

A stockholder who does not provide the Company with its correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the stockholder's income tax liability. In addition, the Company may be required to withhold a portion of capital gain distributions to any U.S. stockholders who fail to certify their non-foreign status to the Company.

Backup withholding will generally not apply to payments of dividends made by the Company or its paying agents, in their capacities as such, to a non-U.S. stockholder, provided that the non-U.S. stockholder furnishes to the Company or its paying agent the required certification as to its non-U.S. status, such as providing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or certain other requirements are met. Notwithstanding the foregoing, backup withholding may apply if either the Company or its paying agent has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient. Payments of the net proceeds from a disposition or a redemption effected outside the United States by a non-U.S. stockholder made by or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) generally will apply to such a payment if the broker has certain connections with the U.S. unless the broker has documentary evidence in its records that the beneficial owner is a non-U.S. stockholder and specified conditions are met or an exemption is otherwise established. Payment of the net proceeds from a disposition by a non-U.S. stockholder of our stock made by or through the U.S. office of a broker is generally subject to information reporting and backup withholding unless the non-U.S. stockholder certifies under penalties of perjury that it is not a U.S. person and satisfies certain other requirements or otherwise establishes an exemption from information reporting and backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the stockholder's U.S. federal income tax liability if certain required information is furnished to the IRS. Stockholders are urged to consult their own tax advisors regarding application of backup withholding to them and the availability of, and procedure for obtaining an exemption from, backup withholding.

Under FATCA, a U.S. withholding tax at a 30% rate will be imposed on dividends paid on our stock received by U.S. stockholders who own their stock through foreign accounts or foreign intermediaries if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. In addition, if those disclosure requirements are not satisfied, a U.S. withholding tax at a 30% rate will be imposed on proceeds from the sale of our stock received after December 31, 2018 by U.S. stockholders who own their shares through foreign accounts or foreign intermediaries. The Company will not pay any additional amounts in respect of any amounts withheld.

Other Tax Consequences

Tax Aspects of Colony Capital's Investments in the Operating Partnership and the Subsidiary Partnerships

The following discussion summarizes certain U.S. federal income tax considerations applicable to the Company's direct or indirect investments in the Company's Operating Partnership and any subsidiary partnerships or limited liability companies that the Company forms or acquires interests in and that are treated as partnerships for U.S. federal income tax purposes, which we refer to, individually, as a Partnership and, collectively, as the Partnerships. The discussion does not cover state or local tax laws or any U.S. federal tax laws other than income tax laws. The Company will include in its income its proportionate share of Partnership items of income, gain, loss, deduction or credit for purposes of the REIT income tests, and will include its proportionate share of assets held by the Partnerships based on its capital interest in such partnerships (other than for purposes of the 10% value test, for which the determination of our interest in partnership assets will be based on our proportionate interest in any securities issued by the partnership, other than certain securities specifically excluded under the Code). The Company's capital interest in a Partnership is calculated based on either the Company's percentage ownership of the capital of the Partnership or based on the allocations provided in the applicable partnership or limited liability company operating agreement, using the more conservative calculation. Consequently, to the extent that the Company holds an equity interest in a Partnership, the Partnership's assets and operations may affect its ability to qualify as a REIT, even though the Company may have no control, or have only limited influence, over the Partnership.

Classification as Partnerships. The Company is entitled to include in its income its distributive share of each Partnership's income and to deduct its distributive share of each Partnership's losses only if such Partnership is classified for U.S. federal income tax purposes as a partnership (or an entity that is disregarded for U.S. federal income tax purposes if the entity has only one owner or member) rather than as a corporation or an association taxable as a corporation. An unincorporated domestic entity with at least two owners or members will be classified as a partnership, rather than as a corporation, for U.S. federal income tax purposes if it:

- is treated as a partnership under the Treasury Regulations relating to entity classification or the check-the-box regulations, as described below; and
- is not a "publicly traded" partnership, as defined below.

Under the check-the-box regulations, an unincorporated domestic entity with at least two owners or members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity fails to make an election, it generally will be treated as a partnership (or as an entity that is disregarded for U.S. federal income tax purposes if the entity has only one owner or member) for U.S. federal income tax purposes. Each Partnership intends to be classified as a partnership for U.S. federal income tax purposes and no Partnership will elect to be treated as an association taxable as a corporation under the check-the-box regulations.

A publicly traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. A publicly traded partnership will not, however, be treated as a corporation for any taxable year if, for each taxable year beginning after December 31, 1987 in which it was classified as a publicly traded partnership, 90% or more of the partnership's gross income for such year consists of certain passive-type income, including real property rents, gains from the sale or other disposition of real property, interest and dividends, or the 90% passive income exception. Treasury Regulations provide additional limited safe harbors from the definition of a publicly traded partnership. Pursuant to the private placement exclusion safe harbor, interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if: (i) all interests in the partnership were issued in a transaction or transactions that were not required to be registered under the Securities Act; and (ii) the partnership does not have more than 100 partners at any time during the partnership's taxable year. In determining the number of partners in a partnership, a person owning an interest in a partnership, grantor trust or S corporation that owns an interest in the partnership is treated as a partner in such partnership only if: (i) substantially all of the value of the owner's interest in the entity is attributable to the entity's direct or indirect interest in the partnership; and (ii) a principal purpose of the use of the entity is to permit the partnership to satisfy the 100-partner limitation. Each Partnership is expected to qualify for treatment as a partnership for U.S. federal income tax purposes pursuant to the 90% passive income exception or the private placement safe harbor. The Company has not requested, and does not intend to request, a ruling from the IRS that the Partnerships will be classified as partnerships for U.S. federal income tax purposes.

If, for any reason, a Partnership in which the Company owned more than 10% of the equity were taxable as a corporation, rather than as a partnership, for U.S. federal income tax purposes, the Company likely would not be able to qualify as a REIT unless it qualified for certain relief provisions. Refer to the sections entitled "—Requirements for Qualification—Gross Income Tests" and "—Requirements for Qualification—Asset Tests." In addition, any change in a Partnership's status for tax purposes might be treated as a taxable event, in which case the Company might incur tax liability without any related cash distribution. Refer to the section entitled "—Requirements for Qualification—Distribution Requirements." Further, items of income and deduction of such Partnership would not pass through to its partners, and its partners would be treated as stockholders for tax purposes. Consequently, such Partnership would be required to pay income tax at corporate rates on its net income and distributions to its partners would constitute dividends that would not be deductible in computing such Partnership's taxable income.

Income Taxation of the Partnerships and their Partners

Partners, Not the Partnerships, Subject to Tax. A partnership generally is not a taxable entity for U.S. federal income tax purposes. Rather, the Company is required to take into account its allocable share of each Partnership's income, gains, losses, deductions and credits for any taxable year of such Partnership ending within or with the Company's taxable year, without regard to whether the Company has received or will receive any distribution from such Partnership. For taxable years beginning after December 31, 2017, however, the tax liability for adjustments to a Partnership's tax returns made as a result of an audit by the IRS will be imposed on the Partnership itself in certain circumstances absent an election to the contrary.

Partnership Allocations. Although a partnership agreement generally will determine the allocation of income and losses among partners, such allocations will be disregarded for tax purposes if they do not comply with the provisions of the U.S. federal income tax laws governing partnership allocations. If an allocation is not recognized for U.S. federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Each Partnership's allocations of taxable income, gain and loss are intended to comply with the requirements of the U.S. federal income tax laws governing partnership allocations.

Tax Allocations With Respect to Contributed Properties. Income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in a tax-deferred transaction or contributed property in exchange for an interest in the partnership must be allocated in a manner such that the contributing partner is charged with, or benefits from, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of such unrealized gain or unrealized loss, or built-in gain or built-in loss, respectively, is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution, or a book-tax difference. Such allocations are solely for U.S. federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners. The U.S. Treasury Department has issued regulations requiring partnerships to use a "reasonable method" for allocating items with respect to which there is a book-tax difference and outlining several reasonable allocation methods.

Basis in Partnership Interest. The Company's adjusted tax basis in any Partnership generally is equal to:

- the amount of cash and the basis of any other property contributed by the Company to the Partnership;
- increased by the Company's allocable share of the Partnership's income and its allocable share of indebtedness of the Partnership; and
- reduced, but not below zero, by the Company's allocable share of the Partnership's loss and the amount of cash distributed to the Company and by constructive distributions resulting from a reduction in the Company's share of indebtedness of the Partnership.

If the allocation of the Company's distributive share of the Partnership's loss would reduce the adjusted tax basis of the Company's partnership interest below zero, the recognition of such loss will be deferred until such time as the recognition of such loss would not reduce the Company's adjusted tax basis below zero. To the extent that the Partnership's distributions or any decrease in the Company's share of the indebtedness of the Partnership, which is considered a constructive cash distribution to the partners, would reduce the Company's adjusted tax basis below zero, such distributions or decreases will constitute taxable income to the Company. Such distributions and constructive distributions normally will be characterized as long-term capital gain.

Depreciation Deductions Available to Partnerships.

The initial tax basis of property is the amount of cash and the basis of property given as consideration for the property. The Partnership's initial basis in contributed properties acquired in exchange for units of the Partnership should be the same as the transferor's basis in such properties on the date of acquisition. Although the law is not entirely clear, the Partnership generally will depreciate such property for U.S. federal income tax purposes over the same remaining useful lives and under the same methods used by the transferors. The Partnership's tax depreciation deductions will be allocated among the partners in accordance with their respective interests in the Partnership, except to the extent that the Partnership is required under the U.S. federal income tax laws governing partnership allocations to use another method for allocating tax depreciation deductions attributable to contributed or revalued properties, which could result in the Company receiving a disproportionate share of such deductions.

Sale of a Partnership's Property

Generally, any gain realized by a Partnership on the sale of property held by the Partnership for more than one year will be long-term capital gain, except for any portion of such gain that is treated as depreciation or cost recovery recapture. Any gain or loss recognized by a Partnership on the disposition of contributed properties will be allocated first to the partners of the Partnership who contributed such properties to the extent of their built-in gain or loss on those properties for U.S. federal income tax purposes. The partners' built-in gain or loss on such contributed properties will equal the difference between the partners' proportionate share of the book value of those properties and the partners' tax basis allocable to those properties at the time of the contribution. Any remaining gain or loss recognized by the Partnership on the disposition of the contributed properties, and any gain or loss recognized by the Partnership on the disposition of the other properties, will be allocated among the partners in accordance with their respective percentage interests in the Partnership.

The Company's share of any gain realized by a Partnership on the sale of any property held by the Partnership as inventory or other property held primarily for sale to customers in the ordinary course of the Partnership's trade or business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Such prohibited transaction income also may have an adverse effect upon the Company's ability to satisfy the income tests for REIT status. Refer to the section entitled "—Requirements for Qualification—Gross Income Tests." The Company, however, does not presently intend to acquire or hold or to allow any Partnership to acquire or hold any property that represents inventory or other property held primarily for sale to customers in the ordinary course of the Company's or such Partnership's trade or business.

Treatment of Depositary Shares

Owners of depositary shares will be treated for U.S. federal income tax purposes as if they were owners of the preferred stock represented by such depositary shares. Accordingly, such owners will be entitled to take into account, for U.S. federal income tax purposes, income and deductions to which they would be entitled if they were holders of such preferred stock. In addition, (i) no gain or loss will be recognized for U.S. federal income tax purposes upon the withdrawal of preferred stock to an exchange owner of depositary shares, (ii) the tax basis of each share of preferred stock to an exchanging owner of depositary shares will, upon such exchange, be the same as the aggregate tax basis of the depositary shares exchanged therefor, and (iii) the holding period for preferred stock in the hands of an exchanging owner of depositary shares will include the period during which such person owned such depositary shares.

Legislative or Other Actions Affecting REITs

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. The Company cannot give you any assurances as to whether, or in what form, any proposals affecting REITs or their stockholders will be enacted. Changes to the U.S. federal tax laws and interpretations thereof could adversely affect an investment in the Company's stock. Stockholders should consult their tax advisors regarding the effect of potential changes to the U.S. federal tax laws and on an investment in our stock.

State, Local and Foreign Taxes

The Company and/or you may be subject to taxation by various states, localities and foreign jurisdictions, including those in which the Company or a stockholder transacts business, owns property or resides. The state, local and foreign tax treatment may differ from the U.S. federal income tax treatment described above. Consequently, you are urged to consult your tax advisors regarding the effect of state, local and foreign tax laws upon an investment in our stock.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by Item 10 is hereby incorporated by reference to the definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2019.

Item 11. Executive Compensation.

The information required by Item 11 is hereby incorporated by reference to the definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2019.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 12 is hereby incorporated by reference to the definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2019.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by Item 13 is hereby incorporated by reference to the definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2019.

Item 14. Principal Accountant Fees and Services.

The information required by Item 14 is hereby incorporated by reference to the definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2019.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) and (2). Financial Statements and Schedules of Colony Capital, Inc.

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All other schedules are omitted because they are not applicable, or the required information is included in the consolidated financial statements or notes thereto.

(a)(3) Exhibits

The Exhibit Index attached hereto is incorporated by reference under this item.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Colony Capital, Inc. (the Company), as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedules listed in the Index at Item 15 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 2, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

	Real Estate Impairment
Description of the Matter	As more fully disclosed in Note 12 to the consolidated financial statements, the Company recorded approximately $347.8 million in impairment losses related to real estate assets classified as held for sale or sold during the year ended December 31, 2019 and real estate assets classified as held for use that are not expected to be recovered through future undiscounted cash flows.
	Auditing the Company's assessment of the recoverability of its real estate assets is highly judgmental due to the significant estimation in assessing the current and estimated future cash flows, the anticipated hold period, and the exit capitalization rates for the Company's real estate assets. In December 2019, the Company disclosed its planned strategic evolution to focus its future capital raising and investments on digital real estate and infrastructure.

How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process to evaluate the recoverability and estimate the fair value of its real estate assets, including controls over management's development and review of the significant inputs and assumptions used in the estimates. We obtained the Company's assessments of quantitative and qualitative indicators of impairment for a sample of its real estate assets. To test these assessments, we obtained supporting documentation and evaluated contrary evidence, to the extent such information was available. For a sample of properties subject to a quantitative impairment assessment, we obtained supporting documentation to substantiate key inputs used in the assessment, compared the significant assumptions used to estimate future cash flows to current industry and economic trends, and tested the arithmetic accuracy of management's calculations. We also involved our valuation specialists to assist us in evaluating the reasonableness of significant assumptions used in the fair value estimate and consistency of such assumptions with external data sources.
	Impairment of Goodwill
Description of the Matter	At December 31, 2019, the Company's goodwill related to its investment management segment was $726.6 million. As more fully disclosed in Notes 1, 2 and 7 to the consolidated financial statements, the Company tests goodwill for impairment at the reporting units to which it is assigned at least on an annual basis in the fourth quarter of each year, or more frequently if events or changes in circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. During the year ended December 31, 2019, the Company recorded impairment of approximately $788 million related to the investment management segment. Auditing management's impairment assessment for goodwill is highly judgmental due to the significant estimation required in determining the fair value of the reporting unit. In particular, the fair value estimates are sensitive to significant assumptions including, but not limited to, forecasted capital raising for existing and future investment vehicles, fee related earnings multiples, incentive fee multiples, and discount rates, adjusted for certain risk characteristics such as the predictability of fee streams and the estimated life of managed investment vehicles.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment review process, including controls over management's determination and review of the significant assumptions described above. We obtained supporting documentation to substantiate key inputs used in the assessment, compared the significant assumptions used to estimate future cash flows to Company forecasts and market data, performed a sensitivity analysis to evaluate the assumptions that were most significant to the estimate, and tested the arithmetic accuracy of management's calculations. We also involved our valuation specialists to assist us in evaluating the reasonableness of significant assumptions used in the fair value estimate and consistency of such assumptions with external data sources.

	Business Combinations—Recognition of acquired assets and liabilities
Description of the Matter	As more fully discussed in Notes 2 and 3 to the consolidated financial statements, the Company completed the acquisitions of Digital Bridge Holdings LLC ("DBH") and DataBank Holdings, Ltd. ("DataBank") for $328.6 million and $185.7 million, respectively, during the year ended December 31, 2019. As explained in Notes 2 and 3 to the consolidated financial statements, the transactions were accounted for as business combinations, and as such, the acquired assets, assumed liabilities and noncontrolling interests are recorded at their preliminary fair values. Auditing the Company's accounting for the DBH and DataBank acquisitions was complex due to the significant estimation required by management in determining the preliminary fair value of the acquired tangible and intangible assets. The significant estimation was primarily due to the judgmental nature of the inputs to the valuation models used to measure fair value of the tangible and intangible assets as well as the sensitivity of the respective fair values to the underlying assumptions. The Company utilized discounted cash flows method, relief from royalty method, and third party appraised values to measure the preliminary fair value of the acquired intangible assets and third party appraisals to measure the preliminary fair value of the acquired tangible assets. The more significant assumptions utilized included estimated earnings before interest, taxes, depreciation and amortization ("EBITDA"), and discount rates. These significant assumptions are forward looking and could be affected by future economic and market conditions.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process for determining and reviewing the key inputs and assumptions used in estimating the preliminary fair value of acquired tangible and intangible assets, including controls over the Company's review of the assumptions underlying the preliminary fair value analysis, the cash flow projections, and the accuracy of the underlying data used. For example, we tested controls over the determination of preliminary fair value of acquired tangible and intangible assets, including the valuation models and underlying assumptions used to develop such estimates. To test the fair values of acquired tangible and intangible assets used in the preliminary purchase price allocation, we performed audit procedures that included, among others, evaluating the valuation methods and significant assumptions used by management, testing the completeness and accuracy of the underlying data supporting the determination of the various inputs, and testing its clerical accuracy. Finally, we involved our valuation specialists to assist us in evaluating the methodologies used by the Company, performing procedures to corroborate the reasonableness of the significant assumptions utilized in developing the fair value estimates, and performing corroborative calculations to assess the reasonableness of the acquired tangible and intangible assets.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2009.

Los Angeles, California
March 2, 2020

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

	December 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents	$ 1,205,190	$ 461,912
Restricted cash	203,923	364,605
Real estate, net	10,860,518	10,826,010
Loans receivable, net	1,552,824	1,659,217
Equity and debt investments ($457,693 and $142,130 at fair value, respectively)	2,313,805	2,529,747
Goodwill	1,452,891	1,514,561
Deferred leasing costs and intangible assets, net	638,853	445,930
Assets held for sale	870,052	3,969,635
Other assets ($21,386 and $33,558 at fair value, respectively)	682,648	400,143
Due from affiliates	51,480	43,489
Total assets	$ 19,832,184	$ 22,215,249
Liabilities		
Debt, net	$ 8,983,908	$ 8,975,372
Accrued and other liabilities ($136,861 and $141,711 at fair value, respectively)	1,015,898	634,144
Intangible liabilities, net	111,484	147,470
Liabilities related to assets held for sale	268,152	1,218,495
Due to affiliates	34,064	—
Dividends and distributions payable	83,301	84,013
Preferred stock redemptions payable	402,855	—
Total liabilities	10,899,662	11,059,494
Commitments and contingencies (Note 22)		
Redeemable noncontrolling interests	6,107	9,385
Equity		
Stockholders' equity:		
Preferred stock, $0.01 par value per share; $1,033,750 and $1,436,605 liquidation preference, respectively; 250,000 shares authorized; 41,350 and 57,464 shares issued and outstanding, respectively	999,490	1,407,495
Common stock, $0.01 par value per share		
Class A, 949,000 shares authorized; 487,044 and 483,347 shares issued and outstanding, respectively	4,871	4,834
Class B, 1,000 shares authorized; 734 shares issued and outstanding	7	7
Additional paid-in capital	7,553,599	7,598,019
Accumulated deficit	(3,389,592)	(2,018,302)
Accumulated other comprehensive income	47,668	13,999
Total stockholders' equity	5,216,043	7,006,052
Noncontrolling interests in investment entities	3,254,188	3,779,728
Noncontrolling interests in Operating Company	456,184	360,590
Total equity	8,926,415	11,146,370
Total liabilities, redeemable noncontrolling interests and equity	$ 19,832,184	$ 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)

	Year Ended December 31,		
	2019	2018	2017
Revenues			
Property operating income	$ 1,856,409	$ 1,960,559	$ 1,873,055
Interest income	166,771	214,588	416,234
Fee income ($220,584, $143,218 and $180,892 from affiliates, respectively)	223,915	144,443	216,767
Other income ($64,226, $34,695 and $25,630 from affiliates, respectively)	79,259	47,352	43,484
Total revenues	2,326,354	2,366,942	2,549,540
Expenses			
Property operating expense	1,090,909	1,150,656	1,046,313
Interest expense	535,538	552,838	536,256
Investment and servicing expense	78,258	67,113	67,455
Transaction costs	3,607	7,266	95,859
Placement fees	1,802	7,615	824
Depreciation and amortization	489,792	443,302	508,514
Provision for loan loss	35,880	43,034	19,741
Impairment loss	1,146,443	587,275	420,316
Compensation expense—cash and equity-based	214,826	213,882	338,766
Compensation expense—carried interest and incentive fee	16,564	7,485	—
Administrative expenses	90,356	92,431	106,279
Total expenses	3,703,975	3,172,897	3,140,323
Other income (loss)			
Gain on sale of real estate	62,916	159,598	112,758
Other gain (loss), net	(193,302)	51,706	(25,814)
Equity method earnings (losses)	(140,384)	(9,601)	283,283
Equity method earnings—carried interest	11,682	9,525	—
Loss from continuing operations before income taxes	(1,636,709)	(594,727)	(220,556)
Income tax benefit (expense)	(14,003)	59,970	100,495
Loss from continuing operations	(1,650,712)	(534,757)	(120,061)
Income from discontinued operations	1,501,797	39,582	55,448
Net loss	(148,915)	(495,175)	(64,613)
Net income (loss) attributable to noncontrolling interests:			
Redeemable noncontrolling interests	2,559	(3,708)	23,543
Investment entities	990,360	67,994	129,996
Operating Company	(93,027)	(39,854)	(20,261)
Net loss attributable to Colony Capital, Inc.	(1,048,807)	(519,607)	(197,891)
Preferred stock redemption (Note 14)	(5,150)	(3,995)	4,530
Preferred stock dividends	108,550	117,097	130,672
Net loss attributable to common stockholders	$ (1,152,207)	$ (632,709)	$ (333,093)
Basic loss per share			
Loss from continuing operations per basic common share	$ (3.38)	$ (1.31)	$ (0.70)
Net loss per basic common share	$ (2.41)	$ (1.28)	$ (0.64)
Diluted loss per share			
Loss from continuing operations per diluted common share	$ (3.38)	$ (1.31)	$ (0.70)
Net loss per diluted common share	$ (2.41)	$ (1.28)	$ (0.64)
Weighted average number of shares			
Basic	479,588	496,993	532,600
Diluted	479,588	496,993	532,600

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

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

	Year Ended December 31,		
	2019	2018	2017
Net loss	$ (148,915)	$ (495,175)	$ (64,613)
Changes in accumulated other comprehensive income (loss) related to:			
Investments in unconsolidated ventures, net	6,366	(1,809)	5,849
Available-for-sale debt securities	12,052	(18,645)	15,918
Cash flow hedges	(767)	(487)	—
Foreign currency translation	(24,234)	(81,135)	216,262
Net investment hedges	27,541	33,747	(70,661)
Other comprehensive income (loss)	20,958	(68,329)	167,368
Comprehensive income (loss)	(127,957)	(563,504)	102,755
Comprehensive income (loss) attributable to noncontrolling interests:			
Redeemable noncontrolling interests	2,559	(3,708)	23,543
Investment entities	973,447	34,573	218,013
Operating Company	(89,793)	(41,719)	(15,789)
Comprehensive loss attributable to stockholders	$ (1,014,170)	$ (552,650)	$ (123,012)

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

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

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interests in Operating Company	Total Equity
Balance at December 31, 2016	$ 607,200	$ 1,672	$2,443,100	$ (246,064)	$ (32,109)	$2,773,799	$ 2,453,938	$ 389,190	$ 5,616,927
Net income (loss)	—	—	—	(197,891)	—	(197,891)	129,996	(20,261)	(88,156)
Other comprehensive income	—	—	—	—	74,879	74,879	88,017	4,472	167,368
Merger consideration (Note 3)	1,010,320	3,891	5,706,243	—	—	6,720,454	—	—	6,720,454
Payment of accrued dividends on preferred stock assumed in Merger	(12,869)	—	—	—	—	(12,869)	—	—	(12,869)
Fair value of noncontrolling interests assumed in Merger	—	—	—	—	—	—	505,685	8,162	513,847
Issuance of Cumulative Redeemable Perpetual Preferred Stock	660,000	—	—	—	—	660,000	—	—	660,000
Offering costs	(21,900)	—	—	—	—	(21,900)	—	—	(21,900)
Redemption of preferred stock	(635,785)	—	—	—	—	(635,785)	—	—	(635,785)
Common stock repurchases	—	(234)	(299,943)	—	—	(300,177)	—	—	(300,177)
Equity-based compensation	—	81	104,293	—	—	104,374	—	50,055	154,429
Redemption of OP Units for cash and class A common stock	—	17	22,814	—	—	22,831	—	(27,916)	(5,085)
Exchange of notes for class A common stock	—	2	3,277	—	—	3,279	—	—	3,279
Shares canceled for tax withholdings on vested stock awards	—	(4)	(5,664)	—	—	(5,668)	—	—	(5,668)
Redemption of restricted stock units	—	8	(8)	—	—	—	—	—	—
Settlement of call spread option	—	—	6,900	—	—	6,900	—	—	6,900
Costs of noncontrolling equity	—	—	(9,209)	—	—	(9,209)	—	—	(9,209)
Deconsolidation of investment entity	—	—	—	—	—	—	(4,000)	—	(4,000)
Contributions from noncontrolling interests	—	—	—	—	—	—	1,190,383	—	1,190,383
Distributions to noncontrolling interests	—	—	—	—	—	—	(844,502)	(35,387)	(879,889)
Preferred stock dividends	—	—	—	(138,196)	—	(138,196)	—	—	(138,196)
Common stock dividends declared ($1.08 per share; Note 14)	—	—	—	(583,261)	—	(583,261)	—	—	(583,261)
Reallocation of equity (Note 2 and 15)	—	—	(58,181)	—	4,546	(53,635)	19,555	34,080	—
Balance at December 31, 2017	$1,606,966	$ 5,433	$7,913,622	$(1,165,412)	$ 47,316	$8,407,925	$ 3,539,072	$ 402,395	$12,349,392

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

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

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interests in Operating Company	Total Equity
Balance at December 31, 2017	$1,606,966	$ 5,433	$7,913,622	$(1,165,412)	$ 47,316	$8,407,925	$ 3,539,072	$ 402,395	$12,349,392
Cumulative effect of adoption of new accounting pronouncements (Note 2)	—	—	—	(1,018)	(202)	(1,220)	—	—	(1,220)
Net income (loss)	—	—	—	(519,607)	—	(519,607)	67,994	(39,854)	(491,467)
Other comprehensive loss	—	—	—	—	(33,043)	(33,043)	(33,421)	(1,865)	(68,329)
Redemption of preferred stock (Note 14)	(199,471)	—	(529)	—	—	(200,000)	—	—	(200,000)
Common stock repurchases	—	(614)	(350,096)	—	—	(350,710)	—	—	(350,710)
Redemption of OP Units for cash and class A common stock	—	20	29,014	—	—	29,034	—	(33,864)	(4,830)
Equity-based compensation	—	34	39,672	—	—	39,706	486	1,414	41,606
Shares canceled for tax withholdings on vested stock awards	—	(33)	(34,170)	—	—	(34,203)	—	—	(34,203)
Reclassification of contingent consideration out of liability at end of measurement period	—	—	12,539	—	—	12,539	—	—	12,539
Issuance of OP Units and common stock—contingent consideration	—	1	—	—	—	1	—	24,608	24,609
Deconsolidation of investment entities	—	—	—	—	—	—	(330,980)	—	(330,980)
Contributions from noncontrolling interests	—	—	—	—	—	—	1,059,891	—	1,059,891
Distributions to noncontrolling interests	—	—	—	—	—	—	(489,261)	(13,793)	(503,054)
Preferred stock dividends	—	—	—	(115,019)	—	(115,019)	—	—	(115,019)
Common stock dividends declared ($0.44 per share)	—	—	—	(217,246)	—	(217,246)	—	—	(217,246)
Reallocation of equity (Notes 2 and 15)	—	—	(12,033)	—	(72)	(12,105)	(34,053)	21,549	(24,609)
Balance at December 31, 2018	$1,407,495	$ 4,841	$7,598,019	$(2,018,302)	$ 13,999	$7,006,052	$ 3,779,728	$ 360,590	$11,146,370

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

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

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	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)	—	—	—	(1,048,807)	—	(1,048,807)	990,360	(93,027)	(151,474)
Other comprehensive income (loss)	—	—	—	—	34,637	34,637	(16,913)	3,234	20,958
Fair value of noncontrolling interests assumed	—	—	—	—	—	—	789,367	—	789,367
Deconsolidation of investment entities	—	—	—	—	—	—	(6,235)	—	(6,235)
Redemption of preferred stock (Note 14)	(408,005)	—	5,150	—	—	(402,855)	—	—	(402,855)
Common stock repurchases	—	(7)	(3,160)	—	—	(3,167)	—	—	(3,167)
Redemption of OP Units for cash and class A common stock	—	2	2,102	—	—	2,104	—	(2,104)	—
Equity-based compensation	—	49	35,524	—	—	35,573	2,519	1,020	39,112
Shares canceled for tax withholdings on vested stock awards	—	(7)	(3,620)	—	—	(3,627)	—	—	(3,627)
Issuance of OP Units in connection with business combinations (Note 3)	—	—	—	—	—	—	—	114,865	114,865
Contributions from noncontrolling interests	—	—	—	—	—	—	536,235	—	536,235
Distributions to noncontrolling interests	—	—	—	—	—	—	(2,810,560)	(18,528)	(2,829,088)
Preferred stock dividends	—	—	—	(105,198)	—	(105,198)	—	—	(105,198)
Common stock dividends declared ($0.44 per share)	—	—	—	(214,380)	—	(214,380)	—	—	(214,380)
Reallocation of equity (Notes 2 and 15)	—	—	(80,416)	—	(968)	(81,384)	(8,935)	90,319	—
Balance at December 31, 2019	$ 999,490	$ 4,878	$7,553,599	$(3,389,592)	$ 47,668	$5,216,043	$ 3,254,188	$ 456,184	$ 8,926,415

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

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

	Year Ended December 31,		
	2019	2018	2017
Cash Flows from Operating Activities			
Net loss	$ (148,915)	$ (495,175)	$ (64,613)
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	(19,602)	(23,194)	(55,059)
Paid-in-kind interest added to loan principal, net of interest received	(62,464)	(38,408)	(25,152)
Straight-line rents	(20,741)	(29,330)	(32,664)
Amortization of above- and below-market lease values, net	(19,813)	(6,862)	(15,319)
Amortization of deferred financing costs and debt discount and premium	103,537	89,639	83,719
Equity method (earnings) losses	87,444	(10,560)	(285,151)
Distributions of income from equity method investments	143,417	79,995	72,197
Provision for loan losses	35,880	43,034	19,741
Allowance for doubtful accounts	6,793	26,860	14,602
Impairment of real estate and intangibles	358,443	588,223	104,360
Goodwill impairment	788,000	—	316,000
Depreciation and amortization	596,262	572,406	617,779
Equity-based compensation	39,573	41,876	154,429
Change in fair value of contingent consideration—Internalization (Note 12)	—	(1,730)	(20,600)
Gain on sales of real estate, net	(1,520,808)	(167,231)	(135,262)
Settlement of forward starting interest rate swap (Note 11)	(365,111)	—	—
Deferred income tax benefit	(9,602)	(69,430)	(138,459)
Other (gain) loss, net	190,638	(49,976)	45,360
Increase in other assets and due from affiliates	(23,937)	(40,123)	(66,287)
Increase (decrease) in accrued and other liabilities and due to affiliates	19,985	(470)	(11,169)
Other adjustments, net	(8,111)	(2,579)	4,094
Net cash provided by operating activities	170,868	506,965	582,546
Cash Flows from Investing Activities			
Contributions to and acquisition of equity investments	(247,357)	(548,163)	(522,935)
Return of capital from equity method investments	224,169	433,144	225,477
Acquisition of loans receivable and debt securities	(771)	(104,247)	(590,536)
Cash and restricted cash assumed in Merger, net of payments for merger-related liabilities	—	—	132,377
Net disbursements on originated loans	(168,960)	(317,952)	(392,790)
Repayments of loans receivable	229,970	143,360	831,074
Proceeds from sales of loans receivable and debt securities	66,249	225,607	117,540
Cash receipts in excess of accretion on purchased credit-impaired loans	31,128	159,229	357,423
Acquisition of and additions to real estate, related intangibles and leasing commissions	(1,918,317)	(1,349,467)	(1,325,122)
Proceeds from sales of real estate	6,108,153	864,347	1,607,806
Proceeds from paydown and maturity of debt securities	11,205	43,625	112,939
Cash and restricted cash contributed to CLNC (Note 6)	—	(141,153)	—
Proceeds from sale of equity investments	165,657	231,040	553,327
Proceeds from sale of equity interests in securitization trusts, net of cash and restricted cash deconsolidated (Note 13)	—	142,270	—
Proceeds from syndication of investment, net of cash and restricted cash deconsolidated	—	—	156,897
Proceeds from sale of Townsend, net of cash assumed by buyer (Note 18)	—	—	454,579
Acquisition of CPI, net of cash and restricted cash acquired	—	—	(23,111)
Acquisition of THL Hotel Portfolio, net of cash and restricted cash acquired	—	—	(8,976)
Investment deposits	(14,928)	(34,314)	(480)
Return of borrower escrow deposits	—	—	(20,237)
Net receipts (payments) on settlement of derivatives	46,466	(15,954)	(11,800)
Acquisition of DBH (Note 3)	(184,167)	—	—
Acquisition of Databank, net of cash acquired (Note 3)	(172,365)	—	—
Other investing activities, net	22,806	415	12,935
Net cash provided by (used in) investing activities	4,198,938	(268,213)	1,666,387

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

	Year Ended December 31,		
	2019	2018	2017
Cash Flows from Financing Activities			
Proceeds from issuance of preferred stock, net	$ —	$ —	$ 638,100
Dividends paid to preferred stockholders	(108,548)	(120,702)	(130,182)
Dividends paid to common stockholders	(214,149)	(310,519)	(482,156)
Repurchase of common stock	(10,734)	(343,143)	(300,177)
Borrowings from corporate credit facility	810,200	685,000	1,041,000
Repayment of borrowings from corporate credit facility	(810,200)	(735,000)	(1,413,600)
Borrowings from secured debt	4,664,450	1,791,021	4,573,099
Repayments of secured debt	(5,745,509)	(1,985,990)	(4,733,640)
Payment of deferred financing costs	(82,202)	(28,630)	(96,069)
Contributions from noncontrolling interests	578,706	1,019,888	1,173,432
Distributions to and redemptions of noncontrolling interests	(2,847,830)	(518,864)	(970,615)
Redemption of preferred stock	—	(200,000)	(635,785)
Shares canceled for tax withholdings on vested stock awards	(3,627)	(34,203)	(5,837)
Redemption of OP Units for cash	—	(4,830)	(5,085)
Repurchase of exchangeable senior notes	—	—	(15,455)
Other financing activities, net	(10,143)	(2,432)	(1,411)
Net cash used in financing activities	(3,779,586)	(788,404)	(1,364,381)
Effect of exchange rates on cash, cash equivalents and restricted cash	1,748	(11,538)	11,482
Net increase (decrease) in cash, cash equivalents and restricted cash	591,968	(561,190)	896,034
Cash, cash equivalents and restricted cash, beginning of period	832,730	1,393,920	497,886
Cash, cash equivalents and restricted cash, end of period	$ 1,424,698	$ 832,730	$ 1,393,920

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

	Year Ended December 31,		
	2019	2018	2017
Beginning of the period			
Cash and cash equivalents	$ 461,912	$ 921,822	$ 376,005
Restricted cash	364,605	466,912	98,461
Restricted cash included in assets held for sale	6,213	5,186	23,420
Total cash, cash equivalents and restricted cash, beginning of period	$ 832,730	$ 1,393,920	$ 497,886
End of the period			
Cash and cash equivalents	$ 1,205,190	$ 461,912	$ 921,822
Restricted cash	203,923	364,605	466,912
Restricted cash included in assets held for sale	15,585	6,213	5,186
Total cash, cash equivalents and restricted cash, end of period	$ 1,424,698	$ 832,730	$ 1,393,920

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

COLONY CAPITAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

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 global investment firm with a focus on becoming the leading digital real estate provider and funding source for the occupancy, infrastructure, equity and credit needs of the world's mobile communications and data-driven companies.

Following the acquisition in July 2019 of Digital Bridge Holdings, LLC ("DBH"), an investment manager dedicated to digital real estate and infrastructure, the Company is currently the only global REIT that owns, manages, and/or operates across all major infrastructure components of the digital ecosystem including data centers, cell towers, fiber networks and small cells. As part of the DBH transaction, Marc C. Ganzi, who co-founded DBH, is slated to become the Chief Executive Officer ("CEO") of the Company following a transition period. Thomas J. Barrack, Jr., the Company's Executive Chairman and CEO, will continue in his position as Executive Chairman.

At December 31, 2019, the Company has approximately $49 billion of assets under management, of which $36 billion is capital managed on behalf of third-party investors and the remainder represents investment interests on the Company's own balance sheet, managed on behalf of its stockholders. With respect to investment interests, the Company owns (a) a 20% controlling interest in Data Bridge Holdings, LLC and its wholly-owned subsidiary, DataBank Holdings, Ltd. (collectively, "DataBank"), a leading provider of enterprise-class data center, cloud, and connectivity services, (b) a portfolio of healthcare properties, (c) a portfolio of hospitality properties, (d) a 36% interest in Colony Credit Real Estate, Inc. (NYSE: CLNC) and (e) interests in various other equity and debt investments, including general partnership ("GP") interests in funds sponsored by the Company, commercial real estate equity and debt investments and other real estate related securities. The Company also owns and operates an investment management business with $19 billion of fee earning equity under management, including $7 billion in digital real estate investments and the remainder in traditional commercial real estate debt and equity 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"). Refer to Note 3 for further details on the Merger. The Company elected to be taxed as a REIT under the Internal Revenue Code for U.S. federal income tax purposes.

The Company conducts all of its activities and holds substantially all of its assets and liabilities through its operating subsidiary, Colony Capital Operating Company, LLC (the "Operating Company" or the "OP"). At December 31, 2019, the Company owned 90.2% of the OP, as its sole managing member. The remaining 9.8% is owned primarily by certain current and former employees of the Company as noncontrolling interests.

Digital Evolution

In December 2019, the Company completed the sale of the light industrial portfolio and its related management platform, which resulted in over $1.2 billion of net proceeds to the Company. In the immediate term, the industrial proceeds were allocated to: (i) accelerate the expansion into digital real estate and infrastructure, with the acquisition in December 2019 of a 20% interest in DataBank for approximately $186 million, (ii) fund the remaining approximately $200 million commitment to Digital Colony Partners fund ("DCP") and (iii) redeem $403 million of high cost preferred equity, which was settled in January 2020, to improve the Company's capital structure.

To execute on its digital evolution, the Company continues to operate its non-digital business units to maximize cash flows and value over time.

With respect to the healthcare and hospitality segments, the Company successfully addressed all material near-term debt maturities, allowing the respective business unit leaders to focus on improving cash flows through operational management and capital expenditures. The Company does not currently anticipate significantly shortened hold periods for its healthcare and hospitality assets solely as a result of its current strategy to focus on digital real estate and infrastructure. Holding periods will depend, in part, on prevailing economic conditions and market opportunities as they arise. In the fourth quarter of 2019, the Company continued to perform its impairment assessment of healthcare and hospitality assets in accordance with its policies and in the normal course of business, and applied its best estimate at this time based upon undiscounted future net cash flows to be generated by these assets over a long-term hold.

With respect to the other equity and debt segment, the Company expects to ultimately monetize the entire non-digital portfolio in the other equity and debt segment. With respect to CLNC, the Company will regularly evaluate sales of its equity interest in a responsible manner. In addition, the Company is pursuing a disposition of its management contract with CLNC, but there can be no assurance that the Company will consummate any transaction. Further, with respect to the other non-digital investment management business, the Company is exploring all potential opportunities to maximize value of the credit and opportunity fund investment management business, while minimizing balance sheet capital commitments, including, but not limited to, joint ventures with third party capital providers, sales and/or realignment of operational management.

As part of the Company's ongoing transition and rotation to an investment management and operating business focused on digital real estate and infrastructure, the Company continues to pivot away from certain of its legacy investment management business. As a result, the Company revalued its other investment management business and recorded an impairment to goodwill in the fourth quarter of 2019 of $401 million. The Company had previously recorded an impairment in the third quarter of 2019 of $387 million to its other investment management goodwill, taking into consideration the loss of future fee income as a result of the sale of its industrial business, and amendment of CLNC's management agreement to reduce the fee base to reflect CLNC's reduced book value.

While the Company has a clear vision of becoming a leading digital real estate and infrastructure investment firm, the path to achieving its digital evolution and transition from legacy business segments continue to be subject to further refinement by the Company and its board of directors. The transformation and execution thereof may continue to evolve over time as the Company adapts and responds to changing economic and market conditions, among other factors.

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

Principles of Consolidation

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

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

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

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

Noncontrolling Interests

Redeemable Noncontrolling Interests—This represents noncontrolling interests in a consolidated open-end fund sponsored by the Company, and during 2017, an investment management subsidiary acquired through the Merger, Townsend Holdings, LLC ("Townsend"). The Company sold its interest in Townsend in December 2017. The limited partners in the consolidated open-end fund who represent noncontrolling interests generally have the ability to withdraw all or a portion of their interests in cash with 30 days' notice.

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

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

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

Foreign Currency

Assets and liabilities denominated in a foreign currency for which the functional currency is a foreign currency are translated using the exchange rate in effect at the balance sheet date and the corresponding results of operations for such entities are translated using the average exchange rate in effect during the period. The resulting foreign currency translation adjustments are recorded as a component of accumulated other comprehensive income or loss in stockholders' equity. Upon sale, complete or substantially complete liquidation of a foreign subsidiary, or upon partial sale of a foreign equity method investment, the translation adjustment associated with the investment, or a proportionate share related to the portion of equity method investment sold, is reclassified from accumulated other comprehensive income or loss into earnings.

Assets and liabilities denominated in a foreign currency for which the functional currency is the U.S. dollar are remeasured using the exchange rate in effect at the balance sheet date and the corresponding results of operations for such entities are remeasured using the average exchange rate in effect during the period. The resulting foreign currency remeasurement adjustments are recorded in other gain (loss) on the statements of operations. Disclosures of non-U.S. dollar amounts to be recorded in the future are translated using exchange rates in effect at the date of the most recent balance sheet presented.

Fair Value Measurement

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

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

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

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

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

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

Fair Value Option

The fair value option provides an option to elect fair value as a measurement alternative for selected financial instruments. The fair value option may be elected only upon the occurrence of certain specified events, including when the Company enters into an eligible firm commitment, at initial recognition of the financial instrument, as well as upon a business combination or consolidation of a subsidiary. The election is irrevocable unless a new election event occurs.

The Company has elected to account for certain equity method investments at fair value.

Prior to deconsolidation in May 2018, the Company had elected the fair value option for financial assets and financial liabilities of certain consolidated securitization trusts, and adopted the measurement alternative to measure both the financial assets and financial liabilities of the securitization trusts using the fair value of either the financial assets or financial liabilities, whichever is more observable.

Business Combinations

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

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

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

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

Discontinued Operations

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

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

The sale of the industrial business, including its related management platform, represented a strategic shift that had a major effect on the Company’s operations and financial results, and had met the criteria as held for sale and discontinued operations in June 2019. Accordingly, for all current and prior periods presented, the related assets and liabilities are presented as assets and liabilities held for sale on the consolidated balance sheets (Note 8) and the related operating results are presented as income from discontinued operations on the consolidated statement of operations (Note 16).

Cash and Cash Equivalents

Short-term, highly liquid investments with original maturities of three months or less are considered to be cash equivalents. The Company's cash and cash equivalents are held with major financial institutions and may at times exceed federally insured limits.

Restricted Cash

Restricted cash consists primarily of amounts related to operating real estate and loans receivable as well as cash held by the Company’s foreign subsidiaries due to certain regulatory capital requirements.

Real Estate Assets

Real Estate Acquisitions

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

Real Estate Held for Investment

Real estate held for investment are carried at cost less accumulated depreciation.

Costs Capitalized or Expensed—Expenditures for ordinary repairs and maintenance are expensed as incurred, while expenditures for significant renovations that improve or extend the useful life of the asset are capitalized and depreciated over their estimated useful lives.

Depreciation—Real estate held for investment, other than land, are depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

Real Estate Assets	Term
Land improvements	5 to 20 years
Building (fee interest)	5 to 51 years
Building leasehold interests	Lesser of remaining term of lease or remaining life of building
Building improvements	Lesser of useful life or remaining life of building
Tenant improvements	Lesser of useful life or remaining term of lease
Data center infrastructure	5 to 10 years
Furniture, fixtures and equipment	3 to 20 years

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

Real Estate Held for Sale

Real estate is classified as held for sale in the period when (i) management approves a plan to sell the asset, (ii) the asset is available for immediate sale in its present condition, subject only to usual and customary terms, (iii) a program is initiated to locate a buyer and actively market the asset for sale at a reasonable price, and (iv) completion of the sale is probable within one year.

Real estate held for sale is stated at the lower of its carrying amount or estimated fair value less disposal cost, with any write-down to fair value less disposal cost recorded as an impairment loss. For any increase in fair value less disposal cost subsequent to classification as held for sale, the impairment loss may be reversed, but only up to the amount of cumulative loss previously recognized. Depreciation is not recorded on assets classified as held for sale. At the time a sale is consummated, the excess, if any, of sale price less selling costs over carrying value of the real estate is recognized as a gain.

If circumstances arise that were previously considered unlikely and, as a result, the Company decides not to sell the real estate asset previously classified as held for sale, the real estate asset is reclassified as held for investment. Upon reclassification, the real estate asset is measured at the lower of (i) its carrying amount prior to classification as held for sale, adjusted for depreciation expense that would have been recognized had the real estate been continuously classified as held for investment, or (ii) its estimated fair value at the time the Company decides not to sell.

Foreclosed Properties

The Company receives foreclosed properties in full or partial settlement of loans receivable by taking legal title or physical possession of the properties. Foreclosed properties are generally recognized at the time the real estate is received at foreclosure sale or upon execution of a deed in lieu of foreclosure. Foreclosed properties are initially measured at fair value. If the fair value of the property is lower than the carrying value of the loan, the difference is recognized as provision for loan loss and the cumulative loss allowance on the loan is charged off. The Company periodically evaluates foreclosed properties for subsequent decrease in fair value which is recorded as additional impairment loss. Fair value of foreclosed properties is generally based on third party appraisals, broker price opinions, comparable sales or a combination thereof.

Loans Receivable

The Company originates and purchases loans receivable. The accounting framework for loans receivable depends on the Company's strategy whether to hold or sell the loan, whether the loan was credit-impaired at the time of acquisition, or if the lending arrangement is an acquisition, development and construction loan.

Loans Held for Investment (other than Purchased Credit-Impaired Loans)

Loans that the Company has the intent and ability to hold for the foreseeable future are classified as held for investment. Originated loans are recorded at amortized cost, or outstanding unpaid principal balance less net deferred loan fees. Net deferred loan fees include unamortized origination and other fees charged to the borrower less direct incremental loan origination costs incurred by the Company. Purchased loans are recorded at amortized cost, or unpaid principal balance plus purchase premium or less unamortized discount. Costs to purchase loans are expensed as incurred.

Interest Income—Interest income is recognized based upon contractual interest rate and unpaid principal balance of the loans. Net deferred loan fees on originated loans are deferred and amortized as adjustments to interest income over the expected life of the loans using the effective yield method. Premium or discount on purchased loans are amortized as adjustments to interest income over the expected life of the loans using the effective yield method. For revolving loans, net deferred loan fees, premium or discount are amortized to interest income using the straight-line method. When a loan is prepaid, prepayment fees and any excess of proceeds over the carrying amount of the loan are recognized as additional interest income.

Nonaccrual—Accrual of interest income is suspended on nonaccrual loans. Loans that are past due 90 days or more as to principal or interest, or where reasonable doubt exists as to timely collection, are generally considered nonperforming and placed on nonaccrual. Interest receivable is reversed against interest income when loans are placed on nonaccrual status. Interest collected is recognized on a cash basis by crediting income when received; or if ultimate collectability of loan principal is uncertain, interest collected is recognized using a cost recovery method by applying interest collected as a reduction to loan carrying value. Loans may be restored to accrual status when all principal and interest are current and full repayment of the remaining contractual principal and interest are reasonably assured.

Impairment and Allowance for Loan Losses—On a periodic basis, the Company analyzes the extent and effect of any credit migration from underwriting and the initial investment review associated with the performance of a loan and/or value of its underlying collateral, financial and operating capability of the borrower or sponsor, as well as amount and status of any senior loan, where applicable. Specifically, operating results of collateral properties and any cash reserves are analyzed and used to assess whether cash from operations are sufficient to cover debt service requirements currently and into the future, ability of the borrower to refinance the loan, liquidation value of collateral properties, financial wherewithal of any loan guarantors as well as the borrower’s competency in managing and operating the collateral properties. Such analysis is performed at least quarterly, or more often as needed when impairment indicators are present. The Company does not utilize a statistical credit rating system to monitor and assess the credit risk and investment quality of its acquired or originated loans. Given the diversity of the Company's portfolio, management believes there is no consistent method of assigning a numerical rating to a particular loan that captures all of the various credit metrics and their relative importance. Therefore, the Company evaluates impairment and allowance for loan losses on an individual loan basis.

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

Troubled Debt Restructuring ("TDR")—A loan with contractual terms modified in a manner that grants concession to the borrower who is experiencing financial difficulty is classified as a TDR. Concessions could include term extensions, payment deferrals, interest rate reductions, principal forgiveness, forbearance, or other actions designed to maximize the Company's collection on the loan. As a TDR is generally considered to be an impaired loan, it is measured for impairment based on the Company's allowance for loan losses methodology.

Loans Held for Sale

Loans that the Company intends to sell or liquidate in the foreseeable future are classified as held for sale. Loans held for sale are carried at the lower of amortized cost or fair value less disposal cost, with valuation changes recognized as impairment loss. Loans held for sale are not subject to allowance for loan losses. Net deferred loan origination fees and loan purchase premiums or discounts are deferred and capitalized as part of the carrying value of the held for sale loan until the loan is sold, therefore included in the periodic valuation adjustments based on lower of cost or fair value less disposal cost.

Purchased Credit-Impaired ("PCI") Loans

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

The Company evaluates estimated future cash flows expected to be collected on a quarterly basis, starting with the first full quarter after acquisition, or earlier if conditions indicating impairment are present. If the cash flows expected to be collected cannot be reasonably estimated, either at acquisition or in subsequent evaluation, the Company may consider placing such PCI loans on nonaccrual, with interest income recognized using the cost recovery method or on a cash basis. Subsequent decreases in cash flows expected to be collected are evaluated to determine whether a provision for loan loss should be established. If decreases in expected cash flows result in a decrease in the estimated fair value of the loan below its amortized cost, the Company records a provision for loan losses calculated as the difference between the loan’s amortized cost and the revised cash flows, discounted at the loan’s effective yield. Subsequent increases in cash flows expected to be collected are first applied to reverse any previously recorded allowance for loan losses, with any remaining increases recognized prospectively through an adjustment to yield over its remaining life.

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

PCI loans may be aggregated into pools based upon common risk characteristics, such as loan performance, collateral type and/or geographic location of the collateral. A pool is accounted for as a single asset with a single composite yield and an aggregate expectation of estimated future cash flows. A PCI loan modified within a pool remains in the pool, with the effect of the modification incorporated into the expected future cash flows. A loan resolution within a loan pool, which may involve the sale of the loan or foreclosure on the underlying collateral, results in the removal of an allocated carrying amount, including an allocable portion of any existing allowance.

Acquisition, Development and Construction ("ADC") Arrangements

The Company provides loans to third party developers for the acquisition, development and construction of real estate. Under an ADC arrangement, the Company participates in the expected residual profits of the project through the sale, refinancing or other use of the property. The Company evaluates the characteristics of each ADC arrangement, including its risks and rewards, to determine whether they are more similar to those associated with a loan or an investment in real estate. ADC arrangements with characteristics implying loan classification are presented as loans receivable and result in the recognition of interest income. ADC arrangements with characteristics implying real estate joint ventures are presented as investments in unconsolidated joint ventures and are accounted for using the equity method. The classification of each ADC arrangement as either loan receivable or real estate joint venture involves significant judgment and relies on various factors, including market conditions, amount and timing of expected residual profits, credit enhancements in the form of guaranties, estimated fair value of the collateral, significance of borrower equity in the project, among others. The classification of ADC arrangements is performed at inception, and periodically reassessed when significant changes occur in the circumstances or conditions described above.

Equity Investments

A noncontrolling, unconsolidated ownership interest in an entity may be accounted for using one of: (i) equity method where applicable; (ii) fair value option if elected; (iii) fair value through earnings if fair value is readily determinable, including election of net asset value ("NAV") practical expedient where applicable; or (iv) for equity investments without readily determinable fair values, the measurement alternative to measure at cost adjusted for any impairment and observable price changes, as applicable.

Marketable equity securities are recorded as of trade date. Dividend income is recognized on the ex-dividend date and is included in other income.

Fair value changes of equity method investments under the fair value option are recorded in earnings from investments in unconsolidated ventures. Fair value changes of other equity investments, including adjustments for observable price changes under the measurement alternative, are recorded in other gain (loss).

Equity Method Investments

The Company accounts for investments under the equity method of accounting if it has the ability to exercise significant influence over the operating and financial policies of an entity, but does not have a controlling financial interest. The equity method investment is initially recorded at cost and adjusted each period for capital contributions, distributions and the Company's share of the entity’s net income or loss as well as other comprehensive income or loss. The Company's share of net income or loss may differ from the stated ownership percentage interest in an entity if the governing documents prescribe a substantive non-proportionate earnings allocation formula or a preferred return to certain investors. For certain equity method investments, the Company records its proportionate share of income on a one to three month lag. Distributions of operating profits from equity method investments are reported as operating activities, while distributions in excess of operating profits are reported as investing activities in the statement of cash flows under the cumulative earnings approach.

Carried Interest—The Company's equity method investments include its interests as general partner or equivalent in investment vehicles that it sponsors or co-sponsors. The Company recognizes earnings based on its proportionate share of results from these investment vehicles and a disproportionate allocation of returns based on the extent to which cumulative performance exceeds minimum return hurdles pursuant to terms of their respective governing agreements (“carried interests”). To the extent the investment vehicles qualify for investment company accounting, their underlying results and consequently, the calculation of carried interests, reflect changes in fair value of their investments each period. The amount of carried interest recognized based on the cumulative performance of each investment vehicle if it were liquidated as of the reporting date may be subject to reversal until such time the carried interest, if any, is realized. Realization of carried interest generally occurs upon disposition of all underlying investments of an investment vehicle, or in part with each disposition, pursuant to the governing documents of the investment vehicles.

Impairment

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

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

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

Investments that are other-than-temporarily impaired are written down to their estimated fair value. Impairment loss is recorded in equity method earnings for equity method investments and in other gain (loss) for investments under the measurement alternative.

Debt Securities

Debt securities are recorded as of the trade date. Debt securities designated as available-for-sale ("AFS") are carried at fair value with unrealized gains or losses included as a component of other comprehensive income. Upon disposition of AFS debt securities, the cumulative gains or losses in other comprehensive income (loss) that are realized are recognized in other gain (loss), net, on the statement of operations based on specific identification.

Interest Income—Interest income from debt securities, including stated coupon interest payments and amortization of purchase premiums or discounts, is recognized using the effective interest method over the expected lives of the debt securities.

For beneficial interests in debt securities that are not of high credit quality (generally credit rating below AA) or that can be contractually settled such that the Company would not recover substantially all of its recorded investment, interest income is recognized as the accretable yield over the life of the securities using the effective yield method. The accretable yield is the excess of current expected cash flows to be collected over the net investment in the security, including the yield accreted to date. The Company evaluates estimated future cash flows expected to be collected on a quarterly basis, starting with the first full quarter after acquisition, or earlier if conditions indicating impairment are present. If the cash flows expected to be collected cannot be reasonably estimated, either at acquisition or in subsequent evaluation, the Company may consider placing the securities on nonaccrual, with interest income recognized using the cost recovery method.

Impairment—The Company performs an assessment, at least quarterly, to determine whether a decline in fair value below amortized cost of AFS debt securities is other than temporary. Other-than-temporary impairment exists when either (i) the holder has the intent to sell the impaired security, (ii) it is more likely than not the holder will be required to sell the security, or (iii) the holder does not expect to recover the entire amortized cost of the security. For beneficial interests in debt securities that are not of high credit quality or that can be contractually settled such that the Company would not recover substantially all of its recorded investment, OTTI also exists when there has been an adverse change in cash flows expected to be collected from the last measurement date.

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

In assessing OTTI and estimating future expected cash flows, factors considered include, but are not limited to, credit rating of the security, financial condition of the issuer, defaults for similar securities, performance and value of assets underlying an asset-backed security.

PCI Debt Securities—Debt securities acquired that are deemed to be credit-impaired at acquisition date are recorded at their initial investment and accreted to the estimated cash flows expected to be collected as measured at acquisition date. The excess of cash flows expected to be collected, measured at acquisition date, over the estimated fair value represents the accretable yield and is recognized in interest income over the remaining life of the debt security using the effective yield method. The difference between contractually required payments at the acquisition date and the cash flows expected to be collected ("nonaccretable difference"), which reflects estimated future credit losses expected to be incurred over the life of the debt security, is not accreted to interest income nor recorded on the balance sheet. Subsequent decreases in undiscounted expected cash flows attributable to further credit deterioration as well as changes in expected timing of future cash flows can result in recognition of OTTI. Subsequent increases in expected cash flows, other than due to interest rate changes on variable rate securities, are recognized prospectively over the remaining life of the debt security as an adjustment to accretable yield.

Identifiable Intangibles

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

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

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

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

Investment Management Intangibles—Identifiable intangibles recognized in acquisition of an investment management business generally include management contracts, which represent contractual rights to future fee income from in-place management contracts, and customer relationships, which represent potential fee income generated from future reinvestment by existing investors, both of which generally have finite lives and are amortized over their individual useful lives.

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

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

Goodwill

Goodwill is an unidentifiable intangible asset and is recognized as a residual, generally measured as the excess of consideration transferred in a business combination over the identifiable assets acquired, liabilities assumed and noncontrolling interests in the acquiree. Goodwill is assigned to reporting units that are expected to benefit from the synergies of the business combination.

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

An impairment establishes a new basis for goodwill and any impairment loss recognized is not subject to subsequent reversal. Goodwill impairment tests require judgment, including identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit.

Accounts Receivable and Related Allowance

Property Operating Income Receivables (excluding lease income receivables)—The Company periodically evaluates aged receivables and considers the collectability of unbilled receivables. The Company establishes an allowance when, based upon current information and events, it is probable that the Company will be unable to collect all amounts due under existing contractual terms, and the amount can be reasonably estimated.

Cost Reimbursements and Recoverable Expenses—The Company is entitled to reimbursements and/or recovers certain costs paid on behalf of the retail companies and private funds managed by the Company, which include: (i) organization and offering costs associated with the formation and offering of the retail companies not to exceed a certain percentage of the proceeds expected to be raised from the offering and excluding shares being offered pursuant to distribution reinvestment plans; (ii) direct and indirect operating costs associated with managing the operations of the retail companies; and (iii) costs incurred in performing investment due diligence. Indirect operating costs are recorded as expenses of the Company when incurred and amounts allocated and reimbursable are recorded as other income in the consolidated statements of operations. The Company facilitates the payments of organization and offering costs, due diligence costs to the extent the related investments are consummated and direct operating costs, all of which are recorded as due from affiliates on the consolidated balance sheets, until such amounts are repaid. Due diligence costs related to unconsummated investments are borne by the Company and expensed as investment, servicing and commission expense in the consolidated statement of operations. The Company assesses the collectability of such receivables considering the offering period, historical and forecasted sales of shares and capital reinvestment of the proceeds from the sale of shares under the respective offerings of the retail companies, and establishes an allowance for any balances considered not collectible.

Fixed Assets

Fixed assets of the Company are presented within other assets and carried at cost less accumulated depreciation and amortization. Ordinary repairs and maintenance are expensed as incurred. Major replacements and betterments which improve or extend the life of assets are capitalized and depreciated over their useful life. Depreciation and amortization is recognized on a straight-line basis over the estimated useful life of the assets, which range between 3 to 5 years for furniture, fixtures, equipment and capitalized software, 15 years for aircraft and over the shorter of the lease term or useful life for leasehold improvements.

Transfers of Financial Assets

Sale accounting for transfers of financial assets is limited to the transfer of an entire financial asset, a group of financial assets in its entirety, or a component of a financial asset which meets the definition of a participating interest with characteristics that are similar to the original financial asset.

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. If the Company has any continuing involvement, rights or obligations with the transferred financial asset (outside of standard representations and warranties), sale accounting requires that the transfer meets the following conditions: (1) the transferred asset has been legally isolated; (2) the transferee has the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred asset; and (3) the Company does not maintain effective control over the transferred asset through an agreement that provides for (a) both an entitlement and an obligation by the Company to repurchase or redeem the asset before its maturity, (b) the unilateral ability by the Company to reclaim the asset and a more than trivial benefit attributable to that ability, or (c) the transferee requiring the Company to repurchase the asset at a price so favorable to the transferee that it is probable the repurchase will occur.

If the criteria for sale accounting are met, the transferred financial asset is removed from the balance sheet and a net gain or loss is recognized upon sale, taking into account any retained interests. Transfers of financial assets that do not meet the criteria for sale are accounted for as financing transactions.

Derivative Instruments and Hedging Activities

The Company uses derivative instruments to manage its foreign currency risk and interest rate risk. The Company does not use derivative instruments for speculative or trading purposes. All derivative instruments are recorded at fair value and included in other assets or other liabilities on a gross basis on the balance sheet. The accounting for changes in fair value of derivatives depends upon whether or not the Company has elected to designate the derivative in a hedging relationship and the derivative qualifies for hedge accounting. The Company has economic hedges that have not been designated for hedge accounting.

Changes in fair value of derivatives not designated as accounting hedges are recorded in the statement of operations in other gain (loss).

For designated accounting hedges, the relationships between hedging instruments and hedged items, risk management objectives and strategies for undertaking the accounting hedges as well as the methods to assess the effectiveness of the derivative prospectively and retrospectively, are formally documented at inception. Hedge effectiveness relates to the amount by which the gain or loss on the designated derivative instrument exactly offsets the change in the hedged item attributable to the hedged risk. If it is determined that a derivative is not expected to be or has ceased to be highly effective at hedging the designated exposure, hedge accounting is discontinued.

Cash Flow Hedges—The Company uses interest rate caps and swaps to hedge its exposure to interest rate fluctuations in forecasted interest payments on floating rate debt. Changes in fair value of the derivative is recorded in accumulated other comprehensive income (loss) or AOCI and reclassified into earnings when the hedged item affects earnings. If the derivative in a cash flow hedge is terminated or the hedge designation is removed, related amounts in AOCI are reclassified into earnings when the hedged item affects earnings.

Net Investment Hedges—The Company uses foreign currency hedges to protect the value of its net investments in foreign subsidiaries or equity method investees whose functional currencies are not U.S. dollars. Changes in fair value of derivatives used as hedges of net investment in foreign operations are recorded in the cumulative translation adjustment account within AOCI.

At the end of each quarter, the Company reassesses the effectiveness of its net investment hedges and as appropriate, dedesignates the portion of the derivative notional that is in excess of the beginning balance of its net investments as undesignated hedges.

Release of amounts in AOCI related to net investment hedges occurs upon losing a controlling financial interest in an investment or obtaining control over an equity method investment. Upon sale, complete or substantially complete liquidation of an investment in a foreign subsidiary, or partial sale of an equity method investment, the gain or loss on the related net investment hedge is reclassified from AOCI to earnings.

Financing Costs

Debt discounts and premiums as well as debt issuance costs (except for revolving credit arrangements) are presented net against the associated debt on the balance sheet and amortized into interest expense using the effective interest method over the contractual term or expected life of the debt instrument. Costs incurred in connection with revolving credit arrangements are recorded as deferred financing costs in other assets, and amortized on a straight-line basis over the expected term of the credit facility.

Property Operating Income

Property operating income includes the following:

Lease Income

Lease income is composed of rental income, and variable lease income for tenant reimbursements, and resident fee income from healthcare properties. The nonlease components of tenant reimbursements for net leases and ancillary services within resident fee income are combined with their respective lease components and accounted for as a single component under the lease standard.

The Company evaluates collectability of lease payments based upon the creditworthiness of the lessee and recognizes lease income only to the extent collection of all amounts due 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 income that has not been collected is subject to reversal. If collection is subsequently determined to be probable, lease income and corresponding receivable would be reestablished to an amount that would have been recognized if collection had always been deemed to be probable.

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

In net lease arrangements, the tenant is generally responsible for operating expenses relating to the property, including real estate taxes, property insurance, maintenance, repairs and improvements. Costs reimbursable from tenants and other recoverable costs are recognized as revenue in the period the recoverable costs are incurred. When the Company is the primary obligor with respect to purchasing goods and services for property operations and has discretion in selecting the supplier and retains credit risk, tenant reimbursement revenue and property operating expenses are presented on a gross basis in the statements of operations. For net leases where the lessee self-manages the property, hires its own service providers and retains credit risk for routine maintenance contracts, no reimbursement revenue and expense are recognized. For property taxes and insurance, amounts paid directly by lessees to third parties on behalf of the Company are not recognized in the statement of operations, while amounts paid by the Company and reimbursed by lessees are presented as gross property operating income and expenses. Also, sales and similar taxes assessed by a governmental authority that is imposed on specific lease income producing transactions are netted against related collections from lessees.

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

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

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

Hotel Operating Income

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

Fee Income

Fee income consists primarily of the following:

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

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

Acquisition and Disposition Fees—Through January 31, 2018, the Company earned fees related to acquisition and disposition of investments by certain managed non-traded REITs, which were recognized upon closing of the respective acquisition or disposition of underlying investments.

Incentive Fees—The Company may earn incentive fees from its managed private funds, traded REITs and investment companies. Incentive fees are determined based on the performance of the investment vehicles subject to the achievement of minimum return hurdles in accordance with the terms set out in the respective governing agreements. Incentive fees take the form of a contractual fee arrangement with the investment vehicles, and unlike carried interests, do not represent an allocation of returns among equity holders of the investment vehicles. Incentive fees are a form of variable consideration and are recognized when it is probable that a significant reversal of the cumulative revenue will not occur, which is generally at the end of the performance measurement period of the respective investment vehicles.

Other Income

Recurring other income includes primarily the following:

Expense Recoveries from Borrowers—Expenses, primarily legal costs incurred in administering non-performing loans and foreclosed properties held by investment entities, may be subsequently recovered through payments received when these investments are resolved. The Company recognizes income when the cost recoveries are determinable and repayment is assured.

Cost Reimbursements from Affiliates—For various services provided to certain affiliates, including managed investment vehicles, the Company is entitled to receive reimbursements of expenses incurred, generally based on expenses that are directly attributable to providing those services and/or a portion of overhead costs. The Company acts in the capacity of a principal under these arrangements. Accordingly, the Company records the expenses and corresponding reimbursement income on a gross basis in the period the services are rendered and costs are incurred.

Equity Awards Granted by Managed Companies—These are equity awards granted by publicly-traded REITs managed by the Company, NRE prior to its sale in September 2019 and CLNC, to the Company to be granted to its employees or directly to employees of the Company. The initial grant is recorded as an other asset and deferred income liability on the balance sheet. The liability is amortized on a straight-line basis to other income over the initial vesting period of the award and equity-based compensation expense is recognized as the award vests to the recipient employee.

Compensation

Compensation comprises salaries, bonus including discretionary awards and contractual amounts for certain senior executives, benefits, severance payments, equity-based compensation and performance-based compensation. Bonus is accrued over the employment period to which it relates.

Carried Interest and Incentive Fee Compensation—This represents a portion of carried interest and incentive fees earned by the Company that are allocated (generally 40% to 50%) to senior management, investment professionals and certain other employees of the Company. Carried interest and incentive fee compensation are generally recorded as the related carried interest and incentive fees are recognized in earnings by the Company. Carried interest compensation amounts may be reversed if there is a decline in the cumulative carried interest amounts previously recognized by the Company. Carried interest and incentive fee compensation are generally not paid to management or other employees until the related carried interest and incentive fee amounts are distributed by the investment vehicles to the Company.

Equity-Based Compensation—Equity-classified stock awards granted to employees and non-employees that have a service condition and/or a market condition are measured at fair value at date of grant and remeasured at fair value only upon a modification of the award.

A modification in the terms or conditions of an award, unless the change is non-substantive, represents an exchange of the original award for a new award. The modified award is revalued and incremental compensation cost is recognized for the excess, if any, between fair value of the award upon modification and fair value of the award immediately prior to modification. Total compensation cost recognized for a modified award, however, cannot be less than its grant date fair value, unless at the time of modification, the service or performance condition of the original award was not expected to be satisfied.

Liability-classified stock awards are remeasured at fair value at the end of each reporting period until the award is fully vested.

The Company recognizes compensation expense on a straight-line basis over the requisite service period of each award, with the amount of compensation expense recognized at the end of a reporting period at least equal the portion of fair value of the respective award at grant date or modification date, as applicable, that has vested through that date. For awards with a market condition, compensation cost is not reversed if a market condition is not met so long as the requisite service has been rendered, as a market condition does not represent a vesting condition. Compensation expense is adjusted for actual forfeitures upon occurrence.

Income Taxes

A REIT is generally not subject to corporate-level federal and state income tax on net income it distributes to its stockholders. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement to distribute at least 90% of its REIT taxable income to its stockholders. If the Company fails to qualify as a REIT in any taxable year and if the statutory relief provisions were not to apply, the Company would be subject to federal and state income taxes at regular corporate rates and may not be able to qualify as a REIT for four subsequent taxable years. Even if the Company qualifies as a REIT, it and its subsidiaries may be subject to certain U.S federal, state and local as well as foreign taxes on its income and property and to U.S federal income and excise taxes on its undistributed taxable income.

The Company has elected or may elect to treat certain of its existing or newly created corporate subsidiaries as taxable REIT subsidiaries (each a “TRS”). In general, a TRS may perform non-customary services for tenants of the REIT, hold assets that the REIT cannot or does not intend to hold directly and, subject to certain exceptions related to hotels and healthcare properties, may engage in any real estate or non-real estate related business. The Company uses TRS entities to conduct certain activities that cannot be conducted directly by a REIT, such as investment management, property management including hotel and healthcare operations as well as loan servicing and workout activities. A TRS is treated as a regular, taxable corporation for U.S income tax purposes and therefore, is subject to U.S federal corporate tax on its income and property. Additionally, the Company has invested in real estate assets in foreign countries for which related earnings or other measures are subject to income taxes in the respective foreign jurisdictions, and in some cases, the repatriation of earnings are subject to withholding taxes.

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

Uncertain Tax Positions—Income tax benefits are recognized for uncertain tax positions that are more likely than not to be sustained based solely on their technical merits. Such uncertain tax positions are measured as the largest amount of benefit that is more likely than not to be realized upon settlement. The difference between the benefit recognized and the tax benefit claimed on a tax return results in an unrecognized tax benefit. The Company periodically evaluates whether it is more likely than not that its uncertain tax positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations.

Earnings Per Share

The Company calculates basic earnings per share using the two-class method which defines unvested share based payment awards that contain nonforfeitable rights to dividends as participating securities. The two-class method is an allocation formula that determines earnings per share for each share of common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. Earnings per common share is calculated by dividing earnings allocated to common shareholders by the weighted-average number of common shares outstanding during the period.

Diluted earnings per common share is based on the weighted-average number of common shares and the effect of potentially dilutive common share equivalents outstanding during the period. Potentially dilutive common share equivalents include shares to be issued upon the assumed conversion of the Company's outstanding convertible notes, which are included under the if-converted method when dilutive. The earnings allocated to common shareholders is adjusted to add back the after-tax amount of interest expense associated with the convertible notes, except when doing so would be antidilutive.

Reclassifications

Certain prior period amounts have been reclassified to conform to current period presentation, including segment reporting presentation to reflect the establishment of a new digital segment, as discussed in Note 23. Such reclassifications did not affect the Company's financial position, results of operations or cash flows.

Accounting Standards Adopted in 2019

Leases

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

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

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

The Company applied the package of practical expedients, which exempts the Company from having to reassess whether any expired or expiring contracts contain leases, revisit lease classification for any expired or expiring leases and reassess initial direct costs for any existing leases. The Company also elected the practical expedient related to land easements, allowing the Company to carry forward the accounting treatment for land easements on existing agreements. The Company did not, however, elect the hindsight practical expedient to determine the lease terms for existing leases.

Lessee Accounting—The Company determines if an arrangement contains a lease and determines the classification of leasing arrangements at inception. A leasing arrangement is classified by the lessee either as a finance lease, which represents a financed purchase of the leased asset, or as an operating lease. The Company has elected the accounting policy to combine lease and nonlease components in these contracts as a single lease component in its lease contracts.

ROU assets and lease liabilities are recognized at the lease commencement date based upon the present value of lease payments over the lease term. The ROU assets also include capitalized initial direct costs offset by lease incentives. Variable lease payments are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. The Company makes variable lease payments for: (i) leases with rental payments that are adjusted periodically for inflation or increases in property fair value, (ii) hotel ground leases with rental payments calculated based on a percentage of revenue over contractual levels, and/or (iii) nonlease services, such as common area maintenance in net leases. Variable lease payments are not included in lease liability and are instead recognized as lease expense when incurred. The Company made the accounting policy election to recognize lease payments on short-term leases on a straight-line basis over the lease term and will not record these leases on the balance sheet. A short-term lease is defined as a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

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

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

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

On January 1, 2019, the Company recognized operating lease ROU assets totaling $143.7 million in other assets and corresponding operating lease liabilities totaling $126.8 million in accrued and other liabilities for ground leases in its real estate portfolio and corporate office leases. There was no impact to beginning equity as a result of adoption related to lessee accounting as the difference between the asset and liability balance is attributable to the derecognition of preexisting 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.

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

Under ASC 842, lessors are required to evaluate the collectability of all operating lease payments based upon the creditworthiness of the lessee. Lease income 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 income that has not been collected is subject to reversal. If collection is subsequently determined to be probable, lease income and corresponding receivable would be reestablished to an amount that would have been recognized if collection had always been deemed to be probable. Upon adoption of ASC 842, the Company determined that collection of certain operating lease receivables, net of existing allowance for bad debts, was 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 income producing transactions with related collections from lessees. Property taxes and insurance paid directly by lessees to third parties on behalf of the Company are no longer recognized in the statement of operations, while such amounts paid by the Company and reimbursed by lessees continue to be presented as gross property operating income and expenses.

Hedge Accounting

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

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

Future Application of Accounting Standards

Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses*, followed by subsequent amendments, which modifies the credit impairment model for financial instruments, and codified as ASC Topic 326. The multiple existing incurred loss models are replaced with a lifetime current expected credit loss ("CECL") model for off-balance sheet credit exposures that are not unconditionally cancellable by the lender and financial instruments carried at amortized cost, such as loans, loan commitments, held-to-maturity ("HTM") debt securities, financial guarantees, net investment in sales-type and direct financing leases, reinsurance and trade receivables. Targeted changes are also made to the impairment model of AFS debt securities which are not within the scope of CECL.

The CECL model, in estimating expected credit losses over the life of a financial instrument at the time of origination or acquisition, considers historical loss experience, current conditions and the effects of a reasonable and supportable expectation of changes in future macroeconomic conditions. Recognition of allowance for credit losses under the CECL model will generally be accelerated as it encompasses credit losses over the full remaining expected life of the affected financial instruments. For collateralized financial assets, measurement of credit losses under CECL is based on fair value of the collateral if foreclosure is probable or if the collateral-dependent practical expedient is elected for financial assets expected to be repaid substantially through operation or sale of the collateral when the borrower is experiencing financial difficulty. The accounting model for purchased credit-impaired loans and debt securities will be simplified to be consistent with the CECL model for originated and purchased non-credit-impaired assets. For AFS debt securities, unrealized credit losses will be recognized as allowances rather than reductions in amortized cost basis and elimination of the OTTI concept will result in more frequent estimation of credit losses. ASC 326 also requires expanded disclosures on credit risk, including credit quality indicators by vintage of financing receivables.

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

The Company will adopt the new standard on its effective date of January 1, 2020. The Company will elect the fair value option for all of its outstanding loans receivable, with a cumulative effect adjustment to increase beginning retained earnings by approximately $5.0 million. Under the fair value option, loans receivable will be measured at each reporting period based upon their exit values in an orderly transaction and unrealized gains or losses from changes in fair value will be recorded in other gain (loss) on the consolidated statement of operations. These loans will no longer be subject to evaluation for impairment through an allowance for loan loss as such losses will be captured through fair value changes. Additionally, there will be no amortization of loan origination fees or discounts on purchased loans as additional interest income.

For the Company's remaining financial instruments affected by CECL, primarily other accounts receivable and AFS debt securities, the Company is in the process of finalizing its evaluation, but does not expect the impact of ASC 326 to be material to the Company's results of operations.

Fair Value Disclosures

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurements*. The ASU requires new disclosures of changes in unrealized gains and losses in other comprehensive income for recurring Level 3 fair value measurements of instruments held at balance sheet date, as well as the range and weighted average or other quantitative information, if more relevant, of significant unobservable inputs for recurring and nonrecurring Level 3 fair values. Certain previously required disclosures are eliminated, specifically around the valuation process required for Level 3 fair values, policy for timing of transfers between levels of the fair value hierarchy, as well as amounts and reason for transfers between Levels 1 and 2. Additionally, the new guidance clarifies or modifies certain existing disclosures, including clarifying that information about measurement uncertainty of Level 3 fair values should be as of reporting date and requiring disclosures of the timing of liquidity events for investments measured under the NAV practical expedient, but only if the investee has communicated this information or has announced it publicly. The provisions on new disclosures and modification to disclosure of Level 3 measurement uncertainty are to be applied prospectively, while all other provisions are to be applied retrospectively. ASU No. 2018-13 is effective January 1, 2020. Early adoption is permitted in an interim period for which financial statements have not been issued, and may be made only to provisions that eliminate or modify existing disclosures. The adoption of this standard is not expected to have a material effect on the Company's existing disclosures.

Variable Interest Entities

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

VIE held by the related party under common control on a proportionate basis, rather than in its entirety. Transition is generally on a modified retrospective basis, with the cumulative effect adjusted to retained earnings at the beginning of the earliest period presented. ASU No. 2018-17 is effective January 1, 2020, with early adoption permitted in an interim period. The Company is currently evaluating the impact of this new guidance and does not expect the adoption of this standard to have a material effect on its financial condition or results of operations.

Income Tax Accounting

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying Accounting for Income Taxes*. The ASU simplifies accounting for income taxes by eliminating certain exceptions to the general approach in ASC 740, *Income Taxes,* and clarifies certain aspects of the guidance for more consistent application. The simplifications relate to intraperiod tax allocations when there is a loss in continuing operations and a gain outside of continuing operations, accounting for tax law or tax rate changes and year-to-date losses in interim periods, recognition of deferred tax liability for outside basis difference when investment ownership changes, and accounting for franchise taxes that are partially based on income. The ASU also provides new guidance that clarifies the accounting for transactions resulting in a step-up in tax basis of goodwill, among other changes. Transition is generally prospective, other than the provision related to outside basis difference which is on a modified retrospective basis with cumulative effect adjusted to retained earnings at the beginning of the period adopted, and franchise tax provision which is on either full or modified retrospective. ASU No. 2019-12 is effective January1, 2021, with early adoption permitted in an interim period, to be applied to all provisions. The Company is currently evaluating the impact of this new guidance.

Accounting for Certain Equity Investments

In January 2020, the FASB issued ASU No. 2020-01, *Clarifying the Interactions between Topic 321 Investments—Equity Securities, Topic 323—Investments Equity Method and Joint Ventures, and Topic 815—Derivatives and Hedging*. The ASU clarifies that if as a result of an observable transaction, an equity investment under the measurement alternative is transitioned into equity method and vice versa, an equity method investment is transitioned into measurement alternative, the investment is to be remeasured immediately before and after the transaction, respectively. The ASU also clarifies that certain forward contracts or purchased options to acquire equity securities that are not deemed to be derivatives or in-substance common stock will generally be measured using the fair value principles of ASC 321 before settlement or exercise, and that an entity should not be considering how it will account for the resulting investments upon eventual settlement or exercise. ASU No. 2020-01 is to be applied prospectively, effective January 1, 2021, with early adoption permitted in an interim period. The Company is currently evaluating the impact of this new guidance.

3. Business Combinations

2019

Pivot to Digital Strategy

DBH

On July 25, 2019, the Company acquired DBH in a combination of: (a) cash, a portion of which is deferred until the expiration of certain customary seller indemnification obligations (Note 20); and (b) issuance of 21,478,515 OP Units, which were measured based upon the closing price of the Company's class A common stock on July 24, 2019 of $5.21 per share.

The Company did not acquire any equity interests, only the fee streams, related to the six portfolio companies managed by DBH. The principals of DBH retained their equity investments, including general partner interests in existing DBH investment vehicles and in the DCP fund, which was previously co-sponsored by the Company and DBH.

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

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

DataBank

On December 20, 2019, the Company acquired from third party investors a 20.4% interest in DataBank, a portfolio company managed by DBH and invested in by the principals and senior professionals of DBH. The Company is deemed to have a controlling interest in DataBank as control over the operations of DataBank resides substantially with the Company. Consideration included the payment of cash to third parties for the Company’s interests in DataBank and the issuance of 612,072 OP Units to Mr. Ganzi and Benjamin Jenkins (the DBH principals) for incentive units owned by the DBH principals and allocable to the Company’s acquired interests, measured based upon the closing price of the Company's class A common stock on December 20, 2019 of $4.85 per share. The OP Units were issued to the principals of DBH who had previously received incentive units from DataBank, in exchange for certain of their incentive units such that the Company will not be subject to future carried interest payments to the DBH principals with respect to the Company's investment in DataBank (Note 20). The DBH principals otherwise retained their equity interests in DataBank.

Allocation of Consideration Transferred

The following table summarizes the consideration and allocation to assets acquired, liabilities assumed and noncontrolling interests at acquisition. As of December 31, 2019, the estimated fair values and allocation of consideration are preliminary, based upon information available at the time of closing as the Company continues to evaluate underlying inputs and assumptions. Accordingly, these provisional values may be subject to adjustments during the measurement period, not to exceed one year, based upon new information obtained about facts and circumstances that existed at the time of closing.

(In thousands)	DBH	DataBank
Consideration		
Cash	$ 181,167	$ 182,731
Deferred consideration	35,500	—
OP Units issued	111,903	2,962
Total consideration for equity interest acquired	328,570	185,693
Fair value of equity interest in Digital Colony Manager	51,400	—
	$ 379,970	$ 185,693
Assets acquired, liabilities assumed and noncontrolling interests		
Cash	$ —	$ 10,366
Real estate	—	847,458
Assets held for sale	—	29,114
Intangible assets	153,300	222,455
Other assets	13,008	106,648
Debt	—	(539,155)
Tax liabilities, net	(17,392)	(113,228)
Intangible and other liabilities	(16,194)	(132,480)
Fair value of net assets acquired	132,722	431,178
Noncontrolling interests in investment entities	—	(724,567)
Goodwill	$ 247,248	$ 479,082

DBH

- Intangible assets acquired included primarily management contracts, investor relationships and trade name. The fair value of management contracts, including the Company's 50% interest in Digital Colony Manager, was estimated based upon estimated net cash flows generated from those contracts, discounted at 8%, with remaining lives estimated between 3 and 10 years. Investor relationships represent the fair value of potential fees, net of operating costs, to be generated from repeat DBH investors through future sponsored funds, with future management fees discounted at 11.5% and potential carried interest discounted at 25%. The Digital Bridge trade name was valued using a relief-from-royalty method, based upon estimated savings from avoided royalty at a rate of 1% on expected net income, discounted at 11.5%, with estimated useful life of 10 years.

- Other liabilities assumed were primarily deferred revenues and deferred tax liabilities recognized upon acquisition, representing book-to-tax basis difference associated with management contract intangibles.

DataBank

- Real estate and lease intangibles of DataBank were measured based upon recent third party appraised values, allocated to tangible assets of land, building, construction in progress, data center infrastructure, as well as identified intangibles of in-place leases, above- and below-market leases, and tenant relationships. The remaining intangible assets acquired include customer relationships and trade name. Customer relationships were valued as the incremental net income attributable to these relationships considering the projected net cash flows of the business with and without the customer relationships in place. The trade name of DataBank was valued based upon estimated savings from avoided royalty at a royalty rate of 2%.
- Other assets acquired and liabilities assumed primarily include right-of-use lease assets associated with leasehold data centers and corresponding lease liabilities. Deferred tax liabilities represent the tax effect on the book-to-tax basis difference related primarily to real estate assets arising from the transaction.
- All assumed debt bears variable rates, with carrying values approximating fair values based upon current market rates and spreads.
- Noncontrolling interests in investment entities represent the remaining 71.6% interest in DataBank, valued based upon their proportionate share of net assets of DataBank at fair value.

The excess of the fair value of consideration transferred over the fair values of identifiable assets acquired, liabilities assumed and noncontrolling interests was recorded as goodwill assigned to the DataBank reporting unit within the digital segment. Goodwill represents the value of the business acquired not already captured in identifiable assets, such as the potential for future customers, synergies, revenue and profit growth, as well as industry knowledge, experience and relationships that the DataBank management team brings.

Results of Operations

The acquired businesses of DBH and DataBank contributed a combined $40.4 million of revenues and $5.9 million of net income attributable to Colony Capital, Inc. for the year ended December 31, 2019.

Other Acquisitions

Colony Latam

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

2017

Merger with NSAM and NRF

The Company was created through the Merger of Colony, NSAM and NRF in an all-stock exchange on January 10, 2017 (the "Closing Date").

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

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

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

- Each share of NSAM common stock and performance common stock issued and outstanding immediately prior to the effective time of the Merger was canceled and converted into one share of the Company's class A common stock and performance common stock, respectively;

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

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

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

Merger Consideration and Allocation

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

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

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

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

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

Fair value of the merger consideration was determined as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt—Fair value of exchangeable notes was determined based on unadjusted quoted prices in a non-active market. Fair value of mortgage and other notes payable was estimated by reviewing rates currently available with similar terms and remaining maturities. Fair value of securitization bonds payable was based on quotations from brokers or financial institutions that act as underwriters of the securitized bonds. Fair value of junior subordinated debt was based on unadjusted quotations from a third party valuation firm, with such quotes derived using a combination of internal valuation models, comparable trades in non-active markets and other market data.

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

Restructuring of Real Estate Loans into Equity Ownership

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

CPI Group

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

THL Hotel Portfolio

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

The consideration for the consensual foreclosure consisted of the following:

- Carrying value of the Company’s junior mezzanine loan to the borrower which is considered to be effectively settled upon the consensual foreclosure;

- Cash to pay down principal and accrued interest on the borrower's senior mortgage and senior mezzanine debt to achieve a compliant debt yield, and payment of an extension fee to exercise an extension option on the senior mortgage debt; and
- In consideration of the former preferred equity holder of the borrower providing certain releases, waivers and covenants to and in favor of the Company and certain investment vehicles managed by the Company in executing the consensual foreclosure, the former preferred equity holder is entitled to an amount up to $13.0 million based on the performance of the THL Hotel Portfolio, subject to meeting certain repayment and return thresholds to the Company (and certain investment vehicles managed by the Company).

Consideration and Allocation

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

(In thousands)	CPI	THL Hotel Portfolio
Consideration		
Carrying value of loans receivable outstanding at time of restructuring or foreclosure	$ 182,644	$ 310,932
Cash	49,537	43,643
Contingent consideration (Note 12)	—	6,771
Total consideration	$ 232,181	$ 361,346
Identifiable assets acquired and liabilities assumed		
Cash	$ 303	$ 16,188
Restricted cash	12,600	18,479
Real estate	543,649	1,184,447
Real estate held for sale	21,605	69,676
Lease intangibles and other assets	27,685	26,711
Debt	(277,590)	(907,867)
Tax liabilities	(32,078)	(16,292)
Lease intangibles and other liabilities	(61,205)	(29,996)
Liabilities related to assets held for sale	(2,788)	—
Fair value of net assets acquired	$ 232,181	$ 361,346

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

Real Estate and Lease Intangibles—Fair value of real estate was based upon a combination of the cost, income and market approaches which applied weighted average capitalization rates of 6.6% for CPI and 8.9% for the THL Hotel Portfolio, weighted average discount rate of 10.4% for the THL Hotel Portfolio, and also considered future capital expenditures of the acquired hotels. For real estate held for sale, fair value was determined based upon a sales comparison approach, adjusted for estimated selling costs. Real estate fair value was allocated to tangible assets of land, building, site and tenant improvements, and furniture, fixtures and equipment, as well as identified intangibles for above and below--market leases, in-place lease values and below-market ground lease obligations.

Debt—Fair value of CPI debt was estimated by discounting expected future cash outlays at interest rates currently available for instruments with similar terms and remaining maturities, applying discount rates ranging between 1.25% and 3.6%, with such debt fair values not exceeding the fair value of their underlying collateral, or otherwise estimated based upon expected payoff amounts. The assumed senior mortgage and senior mezzanine debt of the THL Hotel Portfolio had carrying values that approximated fair values based on market rates and rates on the Company's refinancing of its other hotel portfolios at that time.

4. Real Estate

The Company's real estate held for investment was as follows. Real estate held for sale is presented in Note 8.

(In thousands)	December 31, 2019	December 31, 2018
Land	$ 1,360,435	$ 1,443,250
Buildings and improvements	9,022,971	9,442,443
Tenant improvements	105,440	96,740
Data center infrastructure	595,603	—
Furniture, fixtures and equipment	511,329	389,969
Construction in progress	255,115	123,002
	11,850,893	11,495,404
Less: Accumulated depreciation	(990,375)	(669,394)
Real estate assets, net [(1)]	$ 10,860,518	$ 10,826,010

[(1)] For real estate acquired in a business combination, the purchase price allocation may be subject to adjustments during the measurement period, not to exceed 12 months from date of acquisition, based upon new information obtained about facts and circumstances that existed at time of acquisition.

Real Estate Sales

Results from sales of real estate, including discontinued operations (Note 16), were as follows:

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Proceeds from sales of real estate	$ 6,108,153	$ 864,347	$ 1,607,806
Gain on sale of real estate	1,520,808	167,231	135,262

Real Estate Acquisitions

The following table summarizes the Company's real estate acquisitions, excluding real estate acquired as part of business combinations (Note 3). Light and bulk industrial properties acquired, as presented below, form part of the industrial segment, of which the entire light portfolio was sold in December 2019 and the bulk portfolio is classified as held for sale.

($ in thousands)				Purchase Price Allocation [(1)]			
Acquisition Date	Property Type and Location	Number of Buildings	Purchase Price [(1)]	Land	Building and Improvements	Lease Intangible Assets	Lease Intangible Liabilities
Year Ended December 31, 2019							
Asset Acquisitions							
February	Bulk industrial—Various in U.S.	6	$ 373,182	$ 49,446	$ 296,348	$ 27,553	$ (165)
October	Healthcare—United Kingdom [(2)(3)]	1	12,376	3,478	9,986	732	(1,820)
Various	Light industrial—Various in U.S.	84	1,158,423	264,816	850,550	47,945	(4,888)
			$ 1,543,981	$ 317,740	$ 1,156,884	$ 76,230	$ (6,873)
Year Ended December 31, 2018							
Asset Acquisitions							
September	Healthcare—United Kingdom [(3)]	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.	40	569,442	111,194	433,040	30,183	(4,975)
			$ 1,072,730	$ 231,283	$ 776,525	$ 69,897	$ (4,975)
Year Ended December 31, 2017							
Asset Acquisitions							
January	Industrial—Spain	2	$ 10,374	$ 3,855	$ 5,564	$ 955	$ —
June	Office—Los Angeles, CA	1	455,699	93,577	314,590	50,518	(2,986)
Various	Light industrial—Various in U.S.	55	636,690	137,005	472,747	31,512	(4,574)
			$ 1,102,763	$ 234,437	$ 792,901	$ 82,985	$ (7,560)

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

(2) Useful life of real estate acquired in 2019 that is classified as held for investment is 40 years for buildings, 12 years for site improvements, and 9 years for lease intangibles (based on remaining lease terms).

(3) Properties acquired pursuant to purchase option under the Company's development facility to a healthcare operator at purchase price equivalent to outstanding loan balance.

Depreciation and Impairment

Depreciation expense on real estate, excluding amounts related to discontinued operations (Note 16), was $358.8 million, $374.7 million and $372.9 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Refer to Note 12 for a discussion of impairment on real estate.

Property Operating Income

Property operating income presented below excludes amounts related to discontinued operations (Note 16).

For the years ended December 31, 2018 and 2017, property operating income was composed of $0.8 billion and $0.9 billion of total lease income, respectively, and $1.2 billion and 1.0 billion of hotel operating income, respectively.

For the year ended December 31, 2019, components of property operating income were as follows:

(In thousands)	Year Ended December 31, 2019
Lease income:	
Fixed lease income	$ 663,445
Variable lease income	57,575
	721,020
Hotel operating income	1,135,389
	$ 1,856,409

Future Fixed Lease Income

At December 31, 2019, future fixed lease payments receivable under noncancelable operating leases for real estate held for investment were as follows. These operating leases have expiration dates through 2034, taking into consideration renewal options exercisable at the lessee's election only when they are deemed reasonably certain, typically at the time the option is exercised.

Year Ending December 31,	(In thousands)
2020	$ 391,332
2021	329,593
2022	285,979
2023	248,363
2024	214,315
2025 and thereafter	887,404
Total [1]	$ 2,356,986

(1) Excludes future fixed lease payments in connection with resident fee income as the related lease agreements are generally cancelable by residents with 30 days' notice.

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

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

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

Commitments and Contractual Obligations

Guarantee Agreements—In connection with the THL Hotel Portfolio, the Company entered into guarantee agreements with various hotel franchisors, pursuant to which the Company guaranteed the payment of its obligations as a franchisee, including payments of franchise fees and marketing fees for the term of the agreements, which expire between 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 has similar provisions related to its 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 these franchisors.

5. Loans Receivable

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

	December 31, 2019				December 31, 2018			
($ in thousands)	Unpaid Principal Balance	Carrying Value	Weighted Average Coupon	Weighted Average Maturity in Years	Unpaid Principal Balance	Carrying Value	Weighted Average Coupon	Weighted Average Maturity in Years
Loans at amortized cost								
Non-PCI Loans								
Fixed rate								
Mortgage loans	$ 471,472	$ 492,709	10.7%	1.6	$ 643,973	$ 667,590	10.7%	2.2
Mezzanine loans	495,182	494,238	12.6%	0.6	357,590	354,326	12.5%	1.5
Corporate loans	149,380	148,623	12.9%	5.4	108,944	107,796	12.3%	5.8
	1,116,034	1,135,570			1,110,507	1,129,712		
Variable rate								
Mortgage loans	171,848	172,269	4.1%	0.3	178,650	179,711	4.3%	0.1
Mezzanine loans	44,887	44,637	12.7%	1.6	27,772	27,417	13.4%	2.5
	216,735	216,906			206,422	207,128		
	1,332,769	1,352,476			1,316,929	1,336,840		
PCI Loans								
Mortgage loans	1,165,804	248,535			1,324,287	351,646		
Mezzanine loans	—	—			7,425	3,671		
	1,165,804	248,535			1,331,712	355,317		
Allowance for loan losses		(48,187)				(32,940)		
Loans receivable, net	$ 2,498,573	$ 1,552,824			$ 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 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
December 31, 2019	$ 1,042,260	$ —	$ —	$ 310,216	$ 1,352,476
December 31, 2018	1,052,303	—	44,392	240,145	1,336,840

Troubled Debt Restructuring

During the years ended December 31, 2019, 2018 and 2017, there were no loans modified in a troubled debt restructuring ("TDR"), in which the Company provided borrowers, who are experiencing financial difficulties, with various concessions in interest rates, payment terms or default waivers.

At both December 31, 2019 and 2018, the Company had one existing TDR loan that was in maturity default with a carrying value before allowance for loan loss of $37.8 million and an allowance for loan loss of $37.8 million and $12.8 million as of December 31, 2019 and 2018, respectively. The Company has no additional lending commitment on this TDR loan.

Non-PCI Impaired Loans

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

The following table summarizes the non-PCI impaired loans:

		Gross Carrying Value			
(In thousands)	Unpaid Principal Balance	With Allowance for Loan Losses	Without Allowance for Loan Losses	Total	Allowance for Loan Losses
December 31, 2019	$ 326,151	$ 71,754	$ 259,011	$ 330,765	$ 48,146
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.

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Average carrying value before allowance for loan losses	$ 305,293	$ 282,325	$ 202,397
Total interest income recognized during the period impaired	7,514	7,127	10,192
Cash basis interest income recognized	447	1,190	—

Purchased Credit-Impaired Loans

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

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

There were no PCI loans acquired in the years ended December 31, 2019 and 2018.

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

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

Changes in accretable yield of PCI loans were as follows:

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Beginning accretable yield	$ 9,620	$ 42,435	$ 52,572
Additions	—	—	23,594
Dispositions	—	(5,484)	—
Changes in accretable yield	43,246	1,882	25,720
Accretion recognized in earnings	(19,637)	(27,911)	(61,809)
Deconsolidation	—	(991)	—
Effect of changes in foreign exchange rates	332	(311)	2,358
Ending accretable yield	$ 33,561	$ 9,620	$ 42,435

The Company applied either the cash basis or cost recovery method for recognition of interest income on PCI loans with carrying value before allowance for loan losses of $175.6 million at December 31, 2018, as the Company did not have reasonable expectations of the timing and amount of future cash receipts on these loans. There were no PCI loans on the cash basis or cost recovery method for recognition of interest income at December 31, 2019.

Allowance for Loan Losses

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

	December 31, 2019		December 31, 2018	
(In thousands)	Allowance for Loan Losses	Carrying Value	Allowance for Loan Losses	Carrying Value
Non-PCI loans	$ 48,146	$ 71,754	$ 18,304	$ 75,179
PCI loans	41	17,935	14,636	54,440
	$ 48,187	$ 89,689	$ 32,940	$ 129,619

Changes in allowance for loan losses are presented below:

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Allowance for loan losses at January 1	$ 32,940	$ 52,709	$ 67,980
Contribution to CLNC	—	(518)	—
Deconsolidation	—	(5,983)	—
Provision for loan losses, net	35,880	43,034	19,741
Charge-off	(20,633)	(56,302)	(35,012)
Allowance for loan losses at December 30	$ 48,187	$ 32,940	$ 52,709

Provision for loan losses by loan type is as follows:

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Non-PCI loans	$ 30,035	$ 22,557	$ 7,534
PCI loans	5,845	20,477	12,207
Total provision for loan losses, net	$ 35,880	$ 43,034	$ 19,741

Lending Commitments

The Company has lending commitments to borrowers pursuant to certain loan agreements in which the borrower may submit a request for funding contingent on achieving certain criteria, which must be approved by the Company as lender, such as leasing, performance of capital expenditures and construction in progress with an approved budget. At December 31, 2019, total unfunded lending commitments was $306.6 million, of which the Company's share was $128.0 million, net of amounts attributable to noncontrolling interests.

6. Equity and Debt Investments

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

(In thousands)	December 31, 2019	December 31, 2018
Equity Investments		
Equity method investments		
Investment ventures	$ 1,845,129	$ 2,151,847
Private funds	142,386	124,826
	1,987,515	2,276,673
Other equity investments		
Marketable equity securities	138,586	36,438
Investment ventures	91,472	95,196
Private funds and non-traded REIT	38,641	24,607
Total equity investments	2,256,214	2,432,914
Debt Securities		
N-Star CDO bonds, available for sale	54,859	64,127
CMBS of consolidated fund, at fair value	2,732	32,706
Total debt securities	57,591	96,833
Equity and debt investments	$ 2,313,805	$ 2,529,747

Equity Investments

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

Equity Method Investments

The Company owns significant interests in publicly-traded REITs that it manages, CLNC and NRE (prior to the sale of NRE in September 2019). The Company accounts for its investments under the equity method as it exercises significant influence over operating and financial policies of these entities through a combination of its ownership interest, its role as the external manager and board representation, but does not control these entities. The Company also owns equity method investments that are structured as joint ventures with one or more private funds or other investment vehicles managed by the Company, or with third party joint venture partners. These investment ventures are generally capitalized through equity contributions from the members and/or leveraged through various financing arrangements. The Company elected the fair value option to account for its interests in certain investment ventures and limited partnership interests in third party private equity funds (Note 12).

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 are summarized below, excluding investments classified as held for sale (Note 8):

($ in thousands)			Ownership Interest at December 31, 2019(1)	Carrying Value at	
Investments	Description			December 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%	$ 725,443	$ 1,037,754
NorthStar Realty Europe Corp.	Common equity in publicly traded equity REIT managed by the Company	(2)	—%	—	87,696
RXR Realty, LLC	Common equity in investment venture with a real estate investor, developer and investment manager		27.2%	93,390	95,418
Preferred equity	Preferred equity investments with underlying real estate	(3)	NA	138,428	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	543,296	481,477
Private funds	General partner and/or limited partner interests in private funds (excluding carried interest allocation)		Various	115,055	109,393
Private funds—carried interest	Disproportionate allocation of returns to the Company as general partner or equivalent based on the extent to which cumulative performance of the fund exceeds minimum return hurdles		Various	21,940	9,525
Other investment ventures	Interests in 12 investments at December 31, 2019		Various	127,088	154,412
Fair value option	Interests in initial stage, real estate development and hotel ventures and limited partnership interests in private equity funds		Various	222,875	81,085
				$ 1,987,515	$ 2,276,673

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

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

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

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

CLNC

The Company owns an approximate 36.4% interest, on a fully diluted basis, in CLNC. CLNC 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 CLNC'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 CLNC.

The Company's contribution of the CLNY Contributed Portfolio to CLNC, and the merger of CLNC with NorthStar I and NorthStar II, resulted in a deconsolidation of the CLNY Investment Entities. Accordingly, the Company deconsolidated: (i) assets totaling $1.9 billion, primarily loans receivable of $1.3 billion, and real estate and equity investments of $0.2 billion each; (ii) liabilities totaling $0.4 billion, predominantly investment level debt; and (iii) noncontrolling interests in investment entities of $0.3 billion.

Upon closing of the Combination, the Company measured its interest in CLNC based upon its proportionate share of CLNC's estimated fair value at closing. The excess of fair value over carrying value of the Company's equity interest in the

CLNY Investment Entities of $9.9 million was recognized in other gain on the consolidated statement of operations in 2018.

As part of CLNC's strategic plan, in the third quarter of 2019, CLNC bifurcated its assets into a core portfolio and a legacy, non-strategic portfolio, which will allow CLNC to focus on the divestment of its legacy, non-strategic portfolio and to redeploy the proceeds into and grow its core portfolio. In conjunction with its focus on its core portfolio, CLNC meaningfully reduced the book value of its legacy, non-strategic assets to better reflect its market value and reset its annualized dividend from $1.74 per share to $1.20 per share.

Significant Sales of Equity Method Investments

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

Impairment of Equity Method Investments

The Company evaluates its equity method investments for OTTI at each reporting period and recorded impairments of $258.0 million, $61.2 million and $6.8 million for the years ended December 31, 2019, 2018 and 2017.

Impairment in 2019 was principally on the Company's investment in CLNC, as discussed below. For remaining impairments, in making its assessment, the Company considered a variety of factors and assumptions specific to each investment, including: offer prices on the investment; expected payoffs from sales of the underlying business or real estate of the investee; estimated enterprise value of the investee; projected future operating cash flows of the investee; or a change in the Company's strategy regarding an investment.

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

At December 31, 2019, the Company's investment in CLNC had a carrying value of $725.4 million or $15.13 per share, which was approximately $94.6 million in excess of its fair value of $630.8 million based upon the closing stock price of $13.16 per share on December 31, 2019. The Company believes that the current carrying value of its investment in CLNC is recoverable in the near term and determined that its investment in CLNC as of December 31, 2019 was not other-than-temporarily impaired. If CLNC's common stock continues to trade below the Company's carrying value for a further prolonged period of time, additional other-than-temporary impairment may be recognized in the future.

The impairment charge in June 2019 resulted in a basis difference between the Company's carrying value of its investment in CLNC and the Company's proportionate share of CLNC's book value of equity. The impairment charge was applied to the Company's investment in CLNC as a whole and was not determined based on an impairment assessment of individual assets held by CLNC. In order to address this basis difference, the Company allocated the impairment charge on a relative fair value basis to investments identified by CLNC as non-strategic assets. Accordingly, for any future impairment charges taken by CLNC on these non-strategic assets, the Company's share thereof will be applied to reduce the basis difference and will not be recorded as an equity method loss until such time the basis difference associated with the respective underlying investments has been fully eliminated. For the year ended December 31, 2019, the Company did not recognize $140.3 million of equity method loss, representing its proportionate share of loan loss provisions and impairments recognized by CLNC on its non-strategic assets subsequent to June 2019, which was applied to reduce the basis difference. At December 31, 2019, the remaining basis difference related to the OTTI charge was $86.8 million.

Combined Financial Information of Equity Method Investees

The following tables present selected combined financial information of the Company's equity method investees. Amounts presented represent combined totals at the investee level and not the Company's proportionate share.

Selected Combined Balance Sheet Information

(In thousands)	December 31, 2019	December 31, 2018
Total assets	$ 14,026,862	$ 15,499,159
Total liabilities	9,354,120	9,803,705
Owners' equity	4,509,879	5,511,548
Noncontrolling interests	162,863	183,906

Selected Combined Statements of Operations Information

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Total revenues	$ 1,455,631	$ 1,486,511	$ 1,519,728
Net income (loss)	(827,550)	220,191	174,222
Net income (loss) attributable to noncontrolling interests	(50,350)	23,878	(18,381)
Net income (loss) attributable to owners	(777,200)	196,313	192,603

Other Equity Investments

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

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

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

Private Funds and Non-Traded REIT—This represents interests in a Company-sponsored private fund and a non-traded REIT, NorthStar Healthcare Income, Inc. ("NorthStar Healthcare"), and limited partnership interest in a third party private fund sponsored by an equity method investee, for which the Company elected the NAV practical expedient (see Note 12).

Investment Commitments

Investment Ventures—Pursuant to the operating agreements of certain unconsolidated ventures, the venture partners may be required to fund additional amounts for future investments, unfunded lending commitments, ordinary operating costs, guaranties or commitments of the venture entities. The Company also has lending commitments under ADC arrangements which are accounted for as equity method investments. At December 31, 2019, the Company's share of these commitments was $84.1 million.

Private Funds—At December 31, 2019, the Company has unfunded commitments of $306.5 million to funds sponsored by the Company that are accounted for as equity method investments.

Debt Securities

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

AFS Debt Securities

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

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

(in thousands)	Amortized Cost	Gross Cumulative Unrealized Gains	Gross Cumulative Unrealized Losses	Fair Value
December 31, 2019	$ 46,002	$ 8,857	$ —	$ 54,859
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 years ended December 31, 2018 and 2017. There were no sales of AFS debt securities in the year ended December 31, 2019.

(In thousands)	Year Ended December 31, 2018	Year Ended December 31, 2017
Proceeds from sale	$ 78,197	$ 30,279
Gross realized gain	11,304	951
Gross realized loss	(592)	—

Impairment of AFS Debt Securities

At December 31, 2018, there was $54.5 million of AFS debt securities that was in gross unrealized loss position for less than 12 months, with such losses totaling approximately $5.0 million, for which the Company believed were not other-than-temporarily impaired. There were no AFS debt securities with unrealized loss in AOCI at December 31, 2019.

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

The Company recorded OTTI loss in other gain (loss) of $16.9 million and $8.2 million for the years ended December 31, 2019 and 2018, respectively. The losses were due to an adverse change in expected cash flows on N-Star CDO bonds as well as CMBS held by consolidated N-Star CDOs that were deconsolidated in the second quarter of 2018. The Company believed that it was not likely that it would recover the full amortized cost on these securities, primarily based upon the performance and value of the underlying collateral.

7. Goodwill, Deferred Leasing Costs and Other Intangibles

Goodwill

The following table presents changes in the total carrying value of goodwill.

(In thousands)	Year Ended December 31, 2019	2018	2017
Beginning balance	$ 1,514,561	$ 1,514,561	$ 660,127
Business combination (Note 3) [(1)]	726,330	—	1,440,229
Classification as held for sale [(2)]	—	—	(20,000)
Disposition [(3)]	—	—	(249,795)
Impairment	(788,000)	—	(316,000)
Ending balance [(4)]	$ 1,452,891	$ 1,514,561	$ 1,514,561

(1) Includes the effects of measurement period adjustments within a one year period following the consummation of a business combination.

(2) Represents goodwill assigned to the broker-dealer reporting unit that was acquired as part of the Merger and classified as held for sale in 2017. The broker-dealer business was contributed to a joint venture, accounted for as an equity method investee, in April 2018.

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

(4) At December 31, 2019, goodwill of $140.5 million related to the DBH acquisition was deductible for income tax purposes. There was no tax deductible goodwill at December 31, 2018 and 2017.

Goodwill balance by reportable segment is as follows. Goodwill associated with the acquisitions of DBH in July 2019 and DataBank in December 2019 were assigned to the Company's new digital reportable segment, established in the fourth quarter of 2019.

(In thousands)	December 31, 2019	December 31, 2018
Balance by reportable segment:		
Digital	$ 726,330	$ —
Other investment management	726,561	1,514,561
	$ 1,452,891	$ 1,514,561

The industrial segment, along with its $20.0 million goodwill, was disposed in December 2019, previously classified as held for sale (Note 8).

Impairment of Other Investment Management Goodwill

2019—In the third and fourth quarters of 2019, the Company considered the following as indicators of potential impairment to its other investment management goodwill:

- the loss of future fee income as a result of the sale of the industrial business, and amendment of CLNC's management agreement to reduce the fee base to reflect CLNC's reduced book value in the third quarter; and
- the Company's pivot away from certain of its legacy investment management business as it transitions to an investment management business focused on digital real estate and infrastructure beginning in the fourth quarter.

The Company updated its quantitative test of the other investment management goodwill, which indicated that the carrying value of the other investment management reporting unit including goodwill, at September 30, 2019 and at December 31, 2019, exceeded its estimated fair value at each respective reporting period. As a result, the Company recognized impairment charges to its other investment management goodwill of $387.0 million and $401.0 million in each of the third and fourth quarters of 2019, respectively.

In general, the fair value of the investment management reporting unit was estimated using the income approach. Projections of discounted net cash flows were based upon various factors, including, but not limited to, assumptions around forecasted capital raising for existing and future investment vehicles, fee related earnings multiples, operating profit margins and discount rates, adjusted for certain risk characteristics such as the predictability of fee streams and the estimated life of managed investment vehicles. The Company applied terminal year residual multiples on fee related earnings ranging from 16x to 20x, and discount rates between 10% and 20%. The Company considered a range of fee related earnings multiples and discount rates for a peer group of alternative asset managers as indicators to assess for reasonableness, noting that direct comparison generally cannot be drawn due to differences that exist between the Company's business and those of other asset managers. In the fourth quarter of 2019, the CLNC management contract, however, was valued based upon a potential sale of the contract, which represents a strategic alternative currently under consideration by the Company in conjunction with a special committee of the board of directors of CLNC, although there can be no assurance that any transaction will be consummated.

The Company also considered the hypothetical value of its non-digital investment management business in a spinoff that would result in the Company becoming externally managed, and assigned a value to internally managing the Company's non-digital balance sheet assets based on market terms of management contracts of externally-managed REITs that otherwise engage in similar real estate operations. In the fourth quarter of 2019, valuation of the hypothetical contract contemplated a gradually diminishing balance sheet in non-digital assets, as the Company anticipates a redeployment of available capital into its digital business over time.

Due to the inherently judgmental nature of the various projections and assumptions used, in particular, the estimated value of the CLNC management contract, whether realized through an internalization of CLNC or otherwise through a third party transaction, and the unpredictability of economic and market conditions, actual results may differ from estimates, and negative changes to these variables may result in further decline in the fair value of the Company's investment management reporting unit, which may result in further impairment of goodwill in the future.

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

2017—The Company's quantitative assessment in 2017 indicated that the carrying value of the investment management reporting unit, including its assigned goodwill, exceeded its estimated fair value. As a result of this assessment, the Company recognized impairment of $316.0 million to its investment management goodwill in 2017.

In determining the carrying value of the investment management reporting unit for goodwill impairment testing in 2017, the Company used the net book value of its investment management subsidiary at October 1, 2017, adjusted to (i) exclude the Townsend and broker-dealer businesses; (ii) account for measurement period adjustments in the fourth quarter of 2017; and (iii) account for impairments recorded on management contract intangible assets in the fourth quarter of 2017 as well as expected write-off of the management contract intangible assets for NorthStar I and NorthStar II as a result of the Combination in 2018.

The fair value of the investment management reporting unit in 2017 was estimated using the income approach, similar to the methodology used in 2019, with the application of terminal year residual multiples on fee related earnings ranging from 6.5x to 20x, incentive fee multiples ranging from 3x to 5x and discount rates ranging from 9% to 25%. As a final step, the Company evaluated the reasonableness of the valuation as a whole by comparing the aggregate fair value of its reporting units to its market capitalization, and considered in its evaluation the impact of short-term market volatility and other market factors that may not directly affect the value of the Company's individual reporting units.

Deferred Leasing Costs, Other Intangible Assets and Intangible Liabilities

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

	December 31, 2019			December 31, 2018		
(In thousands)	Carrying Amount (Net of Impairment) (1)	Accumulated Amortization (1)	Net Carrying Amount (1)	Carrying Amount (Net of Impairment) (1)	Accumulated Amortization (1)	Net Carrying Amount (1)
Deferred Leasing Costs and Intangible Assets						
Deferred leasing costs and lease intangible assets (2)	$ 425,106	$ (123,686)	$ 301,420	$ 330,353	$ (91,183)	$ 239,170
Investment management intangibles (3)	285,233	(96,466)	188,767	243,989	(107,645)	136,344
Customer relationships (4)	71,000	(250)	70,750	—	—	—
Trade names (5)	39,600	(185)	39,415	15,500	—	15,500
Other (6)	41,211	(2,710)	38,501	59,157	(4,241)	54,916
Total deferred leasing costs and intangible assets	$ 862,150	$ (223,297)	$ 638,853	$ 648,999	$ (203,069)	$ 445,930
Intangible Liabilities						
Lease intangible liabilities (2)	$ 174,208	$ (62,724)	$ 111,484	$ 191,922	$ (44,452)	$ 147,470

(1) For intangible assets and intangible liabilities recognized in connection with business combinations, purchase price allocations may be subject to adjustments during the measurement period, not to exceed 12 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) Lease intangible assets are composed of in-place leases, above-market leases and lease incentives. Lease intangible liabilities are composed of below-market leases. Prior to January 1, 2019, lease intangible assets and liabilities included below- and above-market ground leases, respectively, which have been reclassified as a component of operating lease right-of-use asset, included in other assets, upon adoption of the new lease standard.

(3) Composed of investment management contracts and investor relationships.

(4) Represent DataBank customer relationships.

(5) Finite-lived trade names are amortized over estimated useful lives of 5 to 10 years. The Colony trade name with a carrying value of $15.5 million is determined to have an indefinite useful life and is not currently subject to amortization.

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

Impairment of Identifiable Intangible Assets

Impairments were recorded on investment management intangible assets as follows:

2019—Primarily $8.6 million on NorthStar Healthcare management contract, valued based upon revised future net cash flows to be generated over the remaining life of the contract, discounted at 10%.

2018—(i) $147.4 million on management contracts of retail vehicles, primarily $139.0 million write-off of NorthStar I and NorthStar II contracts upon termination concurrent with closing of the Combination, and $7.0 million on NorthStar Healthcare contract, valued based upon future net cash flows, discounted at 10%; and (ii) write-offs of retail investor relationship of $10.1 million and NorthStar trade name of $59.5 million resulting from reassessment of future retail fundraising and a change in the Company's name in June 2018, respectively.

2017—Management contracts of retail vehicles of $55.3 million on NorthStar Healthcare following an amendment to its agreement and $3.7 million on NorthStar/RXR NY Metro Real Estate, Inc. based upon revised capital raising projections, both valued based upon future net cash flows, discounted at 9%.

Amortization of Intangible Assets and Liabilities

The following table summarizes amortization of deferred leasing costs and finite-lived intangible assets and intangible liabilities, excluding amounts related to discontinued operations (Note 16):

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Net increase to rental income [1]	$ 14,443	$ 2,723	$ 14,561
Net increase (decrease) to ground rent expense [2]	$ —	$ (250)	$ 108
Amortization expense			
Deferred leasing costs and lease intangibles	$ 33,922	$ 31,466	$ 64,943
Investment management intangibles	89,236	26,992	51,154
Customer relationships	250	—	—
Trade name	186	1,606	3,682
Other	1,171	2,291	10,215
	$ 124,765	$ 62,355	$ 129,994

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(1) Represents the impact of amortizing above- and below-market leases and lease incentives.

(2) Represents the impact of amortizing above- and below-market ground leases prior to adoption of the lease standard on January 1, 2019.

The following table presents the 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)	2020	2021	2022	2023	2024	2025 and Thereafter	Total
Net increase (decrease) to rental income	$ 7,410	$ 6,638	$ 6,204	$ 6,629	$ (6,692)	$ (8,362)	$ 11,827
Amortization expense	90,708	83,468	69,326	56,462	50,132	147,134	497,230

8. Assets and Related Liabilities Held for Sale

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

(In thousands)	December 31, 2019	December 31, 2018
Assets		
Restricted cash	$ 15,585	$ 6,213
Real estate, net	799,415	3,645,406
Equity investment—private fund	—	13,422
Goodwill	—	20,000
Deferred leasing costs and intangible assets, net	33,236	135,924
Other assets	21,816	146,380
Due from affiliates	—	2,290
Total assets held for sale	$ 870,052	$ 3,969,635
Liabilities		
Debt, net	$ 232,944	$ 1,064,585
Lease intangibles and other liabilities, net	35,208	153,910
Total liabilities related to assets held for sale	$ 268,152	$ 1,218,495

Assets and Liabilities Related to Discontinued Operations

At December 31, 2019 and 2018, assets totaling $0.4 billion and $3.2 billion, respectively, and liabilities totaling $0.2 billion and $1.2 billion, respectively, of the industrial segment were classified as held for sale. Amounts as of December 31, 2018 included the light industrial portfolio and the related management platform prior to their sale in December 2019. At December 31, 2019, only the assets and liabilities related to the bulk industrial portfolio remain as held for sale. The industrial assets held for sale consisted primarily of real estate and related intangible assets of $0.4 billion at December 31, 2019 and $3.0 billion at December 31, 2018. Also included prior to the December 2019 sale were goodwill associated with the industrial management platform, fee receivable presented as due from affiliates, and the Company's general partner interest in the industrial open-end fund, presented as equity investment—private fund. Debt financing the light industrial portfolio was either repaid or assumed by the buyer concurrent with closing of the sale in December 2019. At December 31, 2019, all debt presented as held for sale relates to the bulk industrial portfolio.

9. Restricted Cash, Other Assets and Other Liabilities

Restricted Cash

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

(In thousands)	December 31, 2019	December 31, 2018
Capital expenditures reserves [1]	$ 89,901	$ 214,863
Real estate escrow reserves [2]	38,326	49,702
Borrower escrow deposits	8,079	10,412
Working capital and other reserves [3]	1,800	19,586
Tenant lock boxes [4]	18,889	15,666
Other	46,928	54,376
Total restricted cash	$ 203,923	$ 364,605

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

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

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

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

Other Assets

The following table summarizes the Company's other assets:

(In thousands)	December 31, 2019	December 31, 2018
Interest receivable	$ 14,066	$ 14,005
Straight-line rents	37,352	34,931
Hotel-related deposits and reserves [1]	18,065	21,636
Investment deposits and pending deal costs	32,994	27,534
Deferred financing costs, net [2]	2,794	5,467
Derivative assets (Note 11)	21,386	33,558
Prepaid taxes and deferred tax assets, net	82,344	71,656
Receivables from resolution of investments [3]	63,984	30,770
Operating lease right-of-use asset, net	220,560	—
Accounts receivable, net [4]	83,161	58,830
Prepaid expenses	30,761	23,771
Other assets	30,413	30,604
Fixed assets, net	44,768	47,381
Total other assets	$ 682,648	$ 400,143

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

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

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

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

Accrued and Other Liabilities

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

(In thousands)	December 31, 2019	December 31, 2018
Tenant security deposits and payable	$ 15,293	$ 15,135
Borrower escrow deposits	9,903	13,001
Deferred income [1]	32,318	27,124
Interest payable	38,487	40,622
Derivative liabilities (Note 11)	127,531	132,808
Contingent consideration—THL Hotel Portfolio (Note 12)	9,330	8,903
Share repurchase payable [2]	—	7,567
Current and deferred income tax liability	222,206	92,808
Operating lease liability (Note 22)	181,297	—
Accrued compensation	83,351	79,320
Accrued carried interest and incentive fee compensation	50,360	7,486
Accrued real estate and other taxes	39,923	38,714
Accounts payable and accrued expenses	143,852	91,244
Other liabilities	62,047	79,412
Total accrued and other liabilities	$ 1,015,898	$ 634,144

(1) Represents primarily prepaid rental income, prepaid interest from borrowers held in reserve accounts, deferred asset management fees from private funds, and deferred base management fees assumed in the DBH acquisition. Deferred management fees totaling $18.3 million at December 31, 2019 and $3.2 million at December 31, 2018 will be recognized as fee income over a weighted average period of 1.2 years.

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

10. Debt

The Company's debt consists of the following components, excluding debt associated with the industrial segment, which is included in liabilities related to assets held for sale (Note 8).

(In thousands)	Corporate Credit Facility[1]	Convertible and Exchangeable Senior Notes	Secured Debt [2]	Junior Subordinated Notes	Total Debt
December 31, 2019					
Debt at amortized cost					
Principal	$ —	$ 616,105	$ 8,276,620	$ 280,117	$ 9,172,842
Premium (discount), net	—	2,243	(17,126)	(78,927)	(93,810)
Deferred financing costs	—	(4,296)	(90,828)	—	(95,124)
	$ —	$ 614,052	$ 8,168,666	$ 201,190	$ 8,983,908
December 31, 2018					
Debt at amortized cost					
Principal	$ —	$ 616,105	$ 8,275,707	$ 280,117	$ 9,171,929
Premium (discount), net	—	2,697	(41,217)	(81,031)	(119,551)
Deferred financing costs	—	(6,652)	(70,354)	—	(77,006)
	$ —	$ 612,150	$ 8,164,136	$ 199,086	$ 8,975,372

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

(2) Debt principal totaling $515.6 million at December 31, 2019 and $425.9 million at December 31, 2018 relates to financing on assets held for sale. Debt associated with assets held for sale that is expected to be assumed by the buyer is included in liabilities related to assets held for sale (Note 8).

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

($ in thousands)	Fixed Rate			Variable Rate			Total		
	Outstanding Principal	Weighted Average Interest Rate (Per Annum) [3]	Weighted Average Years Remaining to Maturity[4]	Outstanding Principal	Weighted Average Interest Rate (Per Annum) [3]	Weighted Average Years Remaining to Maturity[4]	Outstanding Principal	Weighted Average Interest Rate (Per Annum) [3]	Weighted Average Years Remaining to Maturity[4]
December 31, 2019									
Recourse									
Corporate credit facility	$ —	N/A	N/A	$ —	N/A	2.0	$ —	N/A	2.0
Convertible and exchangeable senior notes	616,105	4.27%	2.0	—	N/A	N/A	616,105	4.27%	2.0
Junior subordinated debt	—	N/A	N/A	280,117	4.77%	16.4	280,117	4.77%	16.4
Secured debt [1]	35,072	5.02%	5.9	—	N/A	N/A	35,072	5.02%	5.9
	651,177			280,117			931,294		
Non-recourse									
Secured debt									
Digital	—	N/A	N/A	539,155	6.98%	4.8	539,155	6.98%	4.8
Healthcare [2]	405,980	4.55%	5.1	2,547,726	5.22%	4.3	2,953,706	5.13%	4.4
Hospitality	13,494	12.71%	1.6	2,653,853	4.83%	4.6	2,667,347	4.87%	4.6
Other Real Estate Equity [2]	151,777	4.26%	3.4	1,652,870	4.08%	2.8	1,804,647	4.09%	2.9
Real Estate Debt	—	N/A	N/A	276,693	3.72%	1.8	276,693	3.72%	1.8
	571,251			7,670,297			8,241,548		
	$ 1,222,428			$ 7,950,414			$ 9,172,842		
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]	2,130,999	4.62%	1.9	1,109,681	6.64%	2.7	3,240,680	5.31%	2.2
Hospitality	12,019	12.99%	2.6	2,636,053	5.68%	3.8	2,648,072	5.71%	3.8
Other Real Estate Equity [2]	200,814	4.02%	3.8	1,789,431	4.43%	3.6	1,990,245	4.39%	3.7
Real Estate Debt	—	N/A	N/A	359,511	4.50%	2.4	359,511	4.50%	2.4
	2,343,832			5,894,676			8,238,508		
	$ 2,997,136			$ 6,174,793			$ 9,171,929		

(1) The fixed rate recourse debt is secured by the Company's aircraft.

(2) Mortgage debt in the healthcare and other real estate equity segment with an aggregate outstanding principal of $235.6 million at December 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) Calculated based upon outstanding debt principal at balance sheet date and for variable rate debt, the applicable index at balance sheet date.

(4) Calculated based upon initial maturity dates of the respective debt or extended maturity dates if extension criteria are met and extension option is at the Company's discretion.

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 initially provided a secured revolving credit facility in the maximum principal amount of $1.0 billion, with an option to increase up to $1.5 billion, subject to agreement of existing or substitute lenders to provide the additional loan commitment and satisfaction of customary closing conditions. The credit facility is scheduled to mature in

January 2021, with two 6-month extension options, each subject to a fee of 0.10% of the commitment amount upon exercise.

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

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

Advances under the Credit Agreement accrue interest at a per annum rate equal to the sum of one-month London Inter-bank Offered Rate ("LIBOR") plus 2.25% or a base rate determined according to a prime rate or federal funds rate plus a margin of 1.25%. The Company pays a commitment fee of 0.25% or 0.35% per annum of the unused amount (0.35% at December 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. At December 31, 2019, the Company was in compliance with all of the financial covenants.

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

Convertible and Exchangeable Senior Notes

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

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

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

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

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

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

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

Secured 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.

Future Minimum Principal Payments

The following table summarizes future scheduled minimum principal payments of debt at December 31, 2019, excluding bulk industrial secured debt of $235.0 million that is classified as held for sale. Future debt principal payments are presented based on initial maturity dates or extended maturity dates to the extent criteria are met and the extension option is at the Company's discretion. Financing on certain loan portfolios are based on the Company's expectation of cash flows from underlying loan collateral as principal repayments on the loan financing depend upon net cash flows from collateral assets and ratio of outstanding principal to collateral.

(In thousands) Year Ending December 31,	Corporate Credit Facility	Convertible and Exchangeable Senior Notes	Secured Debt	Junior Subordinated Notes	Total
2020	$ —	$ —	$ 393,341	$ —	$ 393,341
2021	—	402,500	749,367	—	1,151,867
2022	—	—	1,811,515	—	1,811,515
2023	—	200,000	134,515	—	334,515
2024	—	—	3,420,860	—	3,420,860
2025 and thereafter	—	13,605	1,767,022	280,117	2,060,744
Total	$ —	$ 616,105	$ 8,276,620	$ 280,117	$ 9,172,842

11. Derivatives

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

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

	December 31, 2019			December 31, 2018		
(In thousands)	Designated Hedges	Non-Designated Hedges	Total	Designated Hedges	Non-Designated Hedges	Total
Derivative Assets						
Foreign exchange contracts	$ 15,307	$ 1,271	$ 16,578	$ 31,127	$ 1,069	$ 32,196
Interest rate contracts	78	237	315	862	500	1,362
Performance swaps	—	4,493	4,493	—	—	—
Included in other assets	$ 15,385	$ 6,001	$ 21,386	$ 31,989	$ 1,569	$ 33,558
Derivative Liabilities						
Foreign exchange contracts	$ 8,134	$ 2,482	$ 10,616	$ 6,193	$ 211	$ 6,404
Interest rate contracts	—	—	—	—	126,404	126,404
Forward contracts	—	116,915	116,915	—	—	—
Included in accrued and other liabilities	$ 8,134	$ 119,397	$ 127,531	$ 6,193	$ 126,615	$ 132,808

Certain counterparties to the derivative instruments require the Company to deposit cash or other eligible collateral. The Company had cash collateral on deposit of $10.0 million and $0.8 million at December 31, 2019 and 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 December 31, 2019, along with certain key terms:

		Notional Amount (in thousands)			
Hedged Currency	Instrument Type	Designated	Non-Designated	FX Rates ($ per unit of foreign currency)	Range of Expiration Dates
EUR	FX Collar	€ 54,727	€ 6,935	Min $1.06 / Max $1.31	March 2020 to November 2020
EUR	FX Forward	€ 303,157	€ 6,955	Min $1.11 / Max $1.38	January 2020 to February 2024
GBP	FX Forward	£ 84,187	£ 27,003	Min $1.24 / Max $1.32	March 2020 to December 2020

Designated Net Investment Hedges

The Company's foreign denominated net investments in subsidiaries or joint ventures were €517.9 million and £275.5 million, or a total of $0.9 billion at December 31, 2019, and €614.0 million and £280.8 million, or a total of $1.1 billion at December 31, 2018.

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

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

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

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

(In thousands)	Year Ended December 31, 2019	2018	2017
Designated net investment hedges:			
Realized gain (loss) transferred from AOCI to earnings	$ 1,790	$ 7,426	$ (3,931)

Non-Designated Hedges

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

(In thousands)	Year Ended December 31, 2019	2018	2017
Non-designated net investment hedges:			
Unrealized gain (loss) transferred from AOCI to earnings	$ (2,693)	$ 3,726	$ (3,928)

Interest Rate Contracts

The Company uses various interest rate contracts, some of which may be designated as cash flows hedges, to limit its exposure to changes in interest rates on various floating rate debt obligations. The following table summarizes the interest rate contracts held by the Company at December 31, 2019.

	Notional Amount (in thousands)				
Instrument Type	Designated	Non-Designated	Index	Strike Rate / Forward Rate	Range of Expiration Dates
Interest rate caps	$ —	$ 6,436,254	1-Month LIBOR	3.0% - 6.26%	June 2020 to November 2021
Interest rate caps	€ 232,845	€ 485,405	3-Month EURIBOR	1.0% - 1.5%	January 2021 to June 2024
Interest rate caps	£ —	£ 363,794	3-Month GBP LIBOR	1.5% - 2.25%	February 2020 to October 2022

In connection with the Merger, the Company had assumed a $2.0 billion notional forward starting swap that required the Company to pay 3.394% fixed and receive 3-month LIBOR beginning December 2019, with a maturity date in December 2029 and a mandatory cash settlement at fair value in December 2019. The non-designated swap was intended to hedge the interest rate risk on future refinancing of certain healthcare mortgage debt assumed in the Merger. Such healthcare mortgage debt was refinanced in May 2019. During 2019, the Company settled the entire swap position for a total cash payment of $365.1 million. For the year ended December 31, 2019, total fair value change on these swaps was $239.3 million, included in other gain (loss) below.

The following table summarizes amounts recorded in other gain (loss) related to interest rate contracts. Amounts includes an amount reclassified from AOCI to earnings on a designated interest rate contract upon termination of the derivative in connection with extinguishment of debt financing the light industrial portfolio that was sold in December 2019, presented as part of discontinued operations (Note 16).

(In thousands)	Year Ended December 31, 2019	2018	2017
Realized and unrealized gain (loss) net:			
Designated interest rate contracts	$ (8,019)	$ —	$ —
Non-designated interest rate contracts	(242,898)	33,307	(15,080)

Forward Contracts and Performance Swaps

During December 2018 and January 2019, the Company entered into a series of forward contracts on a portfolio of shares in a real estate mutual fund with a counterparty in an aggregate notional amount of $100 million with a one year term to be settled, at the election of the Company, in cash or through delivery of the mutual fund shares. Concurrently with the forward contracts, the Company entered into a series of swap transactions with the same counterparty to pay the return of the Dow Jones U.S. Select REIT Total Return Index. The forward and swap transactions required an initial combined collateral deposit of $12 million, subject to daily net settlements in net fair value changes in excess of a predetermined threshold. At December 31, 2019, the collateral deposit was $10.0 million.

The forwards and swaps are not designated as hedges for accounting purposes and are subject to fair value adjustments through earnings. For the year ended December 31, 2019, fair value loss on the forwards of $16.9 million and fair value gain on the swaps of $4.5 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 $17.4 million for the year ended December 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, and presents derivative assets and liabilities with the same counterparty on a gross basis on the consolidated balance sheets.

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

(In thousands)	Gross Assets (Liabilities) on Consolidated Balance Sheets	Gross Amounts Not Offset on Consolidated Balance Sheets		Net Amounts of Assets (Liabilities)
		(Assets) Liabilities	Cash Collateral Pledged	
December 31, 2019				
Derivative Assets				
Foreign exchange contracts	$ 16,578	$ (4,385)	$ —	$ 12,193
Interest rate contracts	315	—	—	315
Performance swaps	4,493	(4,493)	—	—
	$ 21,386	$ (8,878)	$ —	$ 12,508
Derivative Liabilities				
Foreign exchange contracts	$ (10,616)	$ 4,385	$ —	$ (6,231)
Forward contract	(116,915)	4,493	9,981	(102,441)
	$ (127,531)	$ 8,878	$ 9,981	$ (108,672)
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)

12. 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 three tier fair value hierarchy.

(In thousands)	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
December 31, 2019				
Assets				
Equity method investments	$ —	$ —	$ 222,875	$ 222,875
Marketable equity securities	138,586	—	—	138,586
Debt securities available for sale—N-Star CDO bonds	—	—	54,859	54,859
CMBS of consolidated fund	—	2,732	—	2,732
Other assets—derivative assets	—	21,386	—	21,386
Liabilities				
Other liabilities—derivative liabilities	—	127,531	—	127,531
Other liabilities—contingent consideration for THL Hotel Portfolio	—	—	9,330	9,330
December 31, 2018				
Assets				
Equity method investments	$ —	$ —	$ 81,085	$ 81,085
Marketable equity securities	36,438	—	—	36,438
Debt securities available for sale—N-Star CDO bonds	—	—	64,127	64,127
CMBS of consolidated fund	—	32,706	—	32,706
Other assets—derivative assets	—	33,558	—	33,558
Liabilities				
Other liabilities—derivative liabilities	—	132,808	—	132,808
Other liabilities—contingent consideration for THL Hotel Portfolio	—	—	8,903	8,903

Equity Method Investments

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

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

Marketable Equity Securities

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

Debt Securities

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

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

Derivatives

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

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

Other Liabilities—Contingent Consideration for THL Hotel Portfolio

In connection with the consensual foreclosure of the THL Hotel Portfolio (Note 3), contingent consideration is payable to the former preferred equity holder of the borrower in an amount up to $13.0 million based upon the performance of the THL Hotel Portfolio, subject to meeting certain repayment and return thresholds to the Company (and certain investment vehicles managed by the Company). 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]
December 31, 2019					
Level 3 Assets					
Equity method investments—third party private equity funds	$ 5,391	NAV[2]	N/A	N/A	N/A
Equity method investments—other	18,574	Discounted cash flows	Discount rate	10.1% (5.1% - 15.8%)	Decrease
Equity method investments—other	25,000	Multiple	Revenue multiple	3.7x	[3]
Equity method investments—other	173,910	Transaction price[4]	N/A	N/A	N/A
N-Star CDO bonds	54,859	Discounted cash flows	Discount rate	22.3% (16.8% - 65.0%)	Decrease
Level 3 Liabilities					
Other liabilities—contingent consideration for THL Hotel Portfolio	9,330	Discounted cash flows	Discount rate	12.0%	Decrease
December 31, 2018					
Level 3 Assets					
Equity method investments—third party private equity funds	$ 5,908	Transaction price and NAV[2]	N/A	N/A	N/A
Equity method investments—other	21,831	Discounted cash flows	Discount rate	17.5% (9.1% - 18.4%)	Decrease
Equity method investments—other	25,000	Multiple	Revenue multiple	5.8x	[3]
Equity method investments—other	28,346	Transaction price[4]	N/A	N/A	N/A
N-Star CDO bonds	64,127	Discounted cash flows	Discount rate	21.6% (13.6% - 56.5%)	Decrease
Level 3 Liabilities					
Other liabilities—contingent consideration for THL Hotel Portfolio	8,903	Discounted cash flows	Discount rate	20.0%	Decrease

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

(2) Fair value was estimated based on underlying NAV of the respective funds on a quarter lag, adjusted as deemed appropriate by management, and in 2018, in combination with indicative prices of investments sold by the Company.

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

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

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

	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, 2016	$ —	$ —	$ —	$ —	$ (41,250)	$ —
Acquired through the Merger	—	362,269	427,560	—	—	—
Consideration for business combination	—	—	—	—	—	(6,771)
Consolidation of securitization trust	58,296	—	—	(56,928)	—	—
Purchases, contribution or accretion	—	162,323	40,035	10,564	—	—
Paydowns or distributions	(10,564)	(166,795)	(120,728)	—	—	—
Realized and unrealized gains (losses) in earnings, net	(2,309)	6,104	(38,885)	1,822	20,600	(648)
Other comprehensive income	—	—	15,261	—	—	—
Fair value at December 31, 2017	$ 45,423	$ 363,901	$ 323,243	$ (44,542)	$ (20,650)	$ (7,419)
Net unrealized gains (losses) in earnings on instruments held at December 31, 2017	$ (2,309)	$ 6,104	$ —	$ 1,822	$ 20,600	$ (648)
Fair value at December 31, 2017	$ 45,423	$ 363,901	$ 323,243	$ (44,542)	$ (20,650)	$ (7,419)
Purchases, contributions and accretion	—	61,113	21,049	—	—	—
Paydowns, distributions and sales	(638)	(188,409)	(138,261)	638	—	—
Deconsolidation	(44,070)	—	(124,344)	43,847	—	—
Transfer out of liabilities to equity	—	—	—	—	12,539	—
Transfers out of Level 3	—	(132,527)	—	—	6,381	—
Contribution to CLNC	—	(26,134)	—	—	—	—
Realized and unrealized gains (losses) in earnings, net	(715)	3,141	3,877	57	1,730	(1,484)
Other comprehensive loss	—	—	(21,437)	—	—	—
Fair value at December 31, 2018	$ —	$ 81,085	$ 64,127	$ —	$ —	$ (8,903)
Net unrealized gains (losses) in earnings on instruments held at December 31, 2018	$ (715)	$ (67)	$ —	$ 57	$ 1,730	$ (1,484)
Fair value at December 31, 2018	$ —	$ 81,085	$ 64,127	$ —	$ —	$ (8,903)
Purchases, contributions and accretion	—	141,070	6,380	—	—	—
Paydowns, distributions and sales	—	(8,338)	(10,779)	—	—	—
Realized and unrealized gains (losses) in earnings, net	—	9,058	(16,920)	—	—	(427)
Other comprehensive income	—	—	12,051	—	—	—
Fair value at December 31, 2019	$ —	$ 222,875	$ 54,859	$ —	$ —	$ (9,330)
Net unrealized gains (losses) in earnings on instruments held at December 31, 2019	$ —	$ 8,280	$ (16,920)	$ —	$ —	$ (427)

Transfers of Level 3 Assets and Liabilities

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

Securitized Loans and Securitized Bonds Payable

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

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

Due To Affiliates—Contingent Consideration for Internalization

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

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

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

Investments Carried at Fair Value Using Net Asset Value

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

	December 31, 2019		December 31, 2018	
(In thousands)	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Private fund—real estate	$ 16,271	$ 11,058	$ 12,617	$ 13,658
Non-traded REIT—real estate	19,358	—	11,990	—
Private fund—emerging market private equity	3,012	—	—	—

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

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

Nonrecurring Fair Values

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

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

	December 31, 2019			December 31, 2018		
(In thousands)	Level 2	Level 3	Total	Level 2	Level 3	Total
Real estate held for sale	$ 70,191	$ 183,257	$ 253,448	$ 68,864	$ 200,281	$ 269,145
Real estate held for investment	—	354,976	354,976	—	416,272	416,272
Intangible assets—investment management contracts	—	62,354	62,354	—	36,400	36,400
Equity method investments	—	745,320	745,320	—	32,761	32,761

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

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Impairment loss			
Real estate held for sale	$ 120,329	$ 77,211	$ 25,619
Real estate held for investment	227,510	280,418	19,668
Intangible assets—investment management	9,955	157,538	59,073
Intangible assets—trade name	—	59,464	—
Equity method loss	257,952	61,182	6,774

Provision for loan losses is presented in Note 5 for loans receivable, and impairments are discussed in Note 6 for equity method investments and Note 7 for investment management intangible assets, including goodwill.

Real Estate Held For Sale

Real estate held for sale is carried at the lower of amortized cost or fair value. Real estate held for sale that was written down to fair value was generally valued using either broker opinions of value, or a combination of market information, including third-party appraisals and indicative sale prices, adjusted as deemed appropriate by management to account for the inherent risk associated with specific properties. In all cases, fair value of real estate held for sale is reduced for estimated selling costs ranging from 1% to 3%.

Real Estate Held For Investment

Real estate held for investment that is impaired is carried at fair value at the time of impairment. Impairment was driven by various factors, including, but not limited to: change in expected holding period assumptions which resulted in a shortfall in undiscounted future net cash flows expected to be generated by the properties in comparison to their respective carrying values, decline in operating performance or physical damage to properties. Fair value of impaired real estate held for investment was estimated based upon various approaches: income capitalization method using capitalization rates ranging from 7% to 9%, discounted cash flow analysis using terminal capitalization rates ranging from 6% to 8.5% and discount rates ranging from 6.5% to 9%, third party appraisals, offer prices or broker opinions of value, or insurance estimates for properties that incurred physical damage.

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

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

Fair Value Information on Financial Instruments Reported at Cost

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

(In thousands)	Fair Value Measurements				
	Level 1	Level 2	Level 3	Total	Carrying Value
December 31, 2019					
Assets					
Loans at amortized cost	$ —	$ —	$ 1,557,850	$ 1,557,850	$ 1,552,824
Liabilities					
Debt at amortized cost					
Convertible and exchangeable senior notes	602,000	13,095	—	615,095	614,052
Secured debt	—	—	8,213,550	8,213,550	8,168,666
Secured debt related to assets held for sale	—	—	235,000	235,000	232,944
Junior subordinated debt	—	—	225,835	225,835	201,190
December 31, 2018					
Assets					
Loans at amortized cost	$ —	$ —	$ 1,667,892	$ 1,667,892	$ 1,659,217
Liabilities					
Debt at amortized cost					
Convertible and exchangeable senior notes	547,300	13,095	—	560,395	612,150
Secured debt	—	—	8,141,497	8,141,497	8,164,136
Secured debt related to assets held for sale	—	—	1,077,195	1,077,195	1,064,585
Junior subordinated debt	—	—	169,619	169,619	199,086

Loans Receivable—Loans receivable carried at amortized cost consist of first mortgages, subordinated mortgages and corporate loans. Fair values were determined by comparing the current yield to the estimated yield of newly originated loans with similar credit risk or the market yield at which a third party might expect to purchase such investment; or based on discounted cash flow projections of principal and interest expected to be collected, which includes, but is not limited to, 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 amounts outstanding on the corporate credit facility and secured debt were estimated by discounting expected future cash outlays at interest rates currently available to the Company for instruments with similar terms and remaining maturities; and such fair values approximated carrying value for floating rate debt with credit spreads that approximate market rates. Fair value of junior subordinated debt was based on unadjusted quotations from a third party valuation firm, with such quotes derived using a combination of internal valuation models, comparable trades in non-active markets and other market data.

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

13. Variable Interest Entities

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

Operating Subsidiary

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

Company-Sponsored Private Funds

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

Consolidated Company-Sponsored Private Fund—The Company currently consolidates a sponsored private fund in which it has more than an insignificant equity interest in the fund as general partner. As a result, the Company is considered to be acting in the capacity of a principal of the sponsored private fund and is therefore the primary beneficiary of the fund. The Company’s exposure is limited to the value of its outstanding investment in the consolidated private fund of $18.5 million at December 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 December 31, 2019 and 2018, the consolidated private fund had total assets of $24.7 million and $42.7 million, respectively, and total liabilities of $0.1 million and $20.1 million, respectively. Assets and liabilities were made up primarily of marketable equity securities and unsettled trades.

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 $137.0 million at December 31, 2019 and $117.3 million at December 31, 2018, included within equity and debt investments and where applicable, assets held for sale, on the consolidated balance sheets.

Securitizations

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

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

As of June 30, 2018, the Company no longer has any consolidated securitization trusts. The Company contributed its interests in three consolidated securitization trusts to CLNC 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 $46.0 million at December 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 10). The Company owns all of the common stock of the Trusts but does not consolidate the Trusts as the holders of the preferred securities issued by the Trusts are the primary beneficiaries of the Trusts. The Company accounts for its interest in the Trusts under the equity method and its maximum exposure to loss is limited to its investment carrying value of $3.7 million at December 31, 2019 and 2018, recorded in investments in unconsolidated ventures on the consolidated balance sheet. The junior subordinated notes are recorded as debt on the consolidated balance sheet.

14. Stockholders' Equity

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

(In thousands)	Number of Shares		
	Preferred Stock	Class A Common Stock	Class B Common Stock
Shares outstanding at December 31, 2016	25,030	166,440	770
Consideration for the Merger [(1)]	39,466	392,120	—
Issuance of preferred stock	26,400	—	—
Redemption of preferred stock	(25,432)	—	—
Shares canceled [(2)]	—	(2,984)	—
Shares issued upon redemption of OP Units	—	1,684	—
Conversion of class B to class A common stock	—	34	(34)
Repurchase of common stock	—	(23,371)	—
Exchange of notes for class A common stock	—	233	—
Equity-based compensation, net of forfeitures	—	8,096	—
Redemption of restricted stock units	—	775	—
Shares canceled for tax withholding on vested stock awards	—	(428)	—
Shares outstanding at December 31, 2017	65,464	542,599	736
Redemption of preferred stock	(8,000)	—	—
Shares issued upon redemption of OP Units [(3)]	—	2,074	—
Shares issued for settlement of contingent consideration—Internalization	—	15	40
Conversion of class B to class A common stock	—	42	(42)
Repurchase of common stock	—	(61,418)	—
Equity-based compensation, net of forfeitures	—	3,394	—
Shares canceled for tax withholding on vested stock awards	—	(3,359)	—
Shares outstanding at December 31, 2018	57,464	483,347	734
Redemption of preferred stock	(16,114)	—	—
Shares issued upon redemption of OP Units	—	188	—
Repurchase of common stock	—	(652)	—
Equity-based compensation, net of forfeitures	—	4,850	—
Shares canceled for tax withholding on vested stock awards	—	(689)	—
Shares outstanding at December 31, 2019	41,350	487,044	734

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

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

(3) Includes 572,567 shares of class A common stock issued upon redemption of an equivalent number of OP Units that were issued for settlement of the contingent consideration in connection with the Internalization (Note 12).

Preferred Stock

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

The table below summarizes the preferred stock issued and outstanding at December 31, 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 G	7.5%	June 2014	3,450	$ 35	$ 86,250	Currently redeemable
Series H	7.125%	April 2015	11,500	115	287,500	April 13, 2020
Series I	7.15%	June 2017	13,800	138	345,000	June 5, 2022
Series J	7.125%	September 2017	12,600	126	315,000	September 22, 2022
			41,350	414	1,033,750	
Series B	8.25%	February 2007	6,114	61	152,855	Redemption pending
Series E	8.75%	May 2014	10,000	100	250,000	Redemption pending
			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 Series G, H, I and J of preferred stock are payable quarterly in arrears in January, April, July and October. Prior to their full redemption as discussed below, dividends on Series B and E preferred stock were payable in February, May, August and November.

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

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

Issuance and Redemption of Preferred Stock

The Company issued 13.8 million shares of Series I preferred stock in June 2017 and 12.6 million shares of Series J preferred stock in September 2017 with dividend rates of 7.15% and 7.125% per annum, respectively. Proceeds received for Series I and Series J preferred stock totaled $637.9 million, net of underwriting discounts and offering costs payable by the Company. The Company applied the proceeds from the offerings, combined with available cash, to redeem all of the outstanding shares of Series A, Series F and Series C preferred stock and a portion of the outstanding shares of Series B preferred stock for $644.9 million in aggregate.

The Company issued notices of redemption for all outstanding Series D preferred stock in May 2018, with redemption settled in July 2018, and for remaining outstanding shares of Series B and all outstanding shares of Series E preferred stock in December 2019, with redemption settled in January 2020.

All preferred stock redemptions were at $25.00 per share liquidation preference plus accrued and unpaid dividends prorated to their respective redemption dates. The excess or deficit of the $25.00 per share liquidation preference over the carrying value of the respective preferred stock redeemed results in a decrease or increase to net income attributable to common stockholders, respectively.

Common Stock

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

Common Stock Repurchases

During the year ended December 31, 2019, the Company repurchased 652,311 shares of its class A common stock, at an aggregate cost of approximately $3.2 million, 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, or a weighted average price of $5.70 per share. These repurchases were made pursuant to the Company's share repurchase programs authorized in February 2018 and in May 2018 of $300 million each.

Dividend Reinvestment and Direct Stock Purchase Plan

The Company's Dividend Reinvestment and Direct Stock Purchase Plan (the "DRIP Plan") provides existing common stockholders and other investors the opportunity to purchase shares (or additional shares, as applicable) of the Company's class A common stock by reinvesting some or all of the cash dividends received on their shares of the Company's class A common stock or making optional cash purchases within specified parameters. The DRIP Plan involves the acquisition of the Company's class A common stock either in the open market, directly from the Company as newly issued common stock, or in privately negotiated transactions with third parties. There were no shares of class A common stock acquired under the DRIP Plan in the form of new issuances during the years ended December 31, 2019 and 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, 2016	$ 85	$ (112)	$ (41)	$ (76,426)	$ 44,385	$ (32,109)
Other comprehensive income (loss) before reclassifications	5,450	(22,014)	41	124,846	(68,581)	39,742
Amounts reclassified from AOCI	81	36,544	—	(2,489)	5,547	39,683
AOCI at December 31, 2017	$ 5,616	$ 14,418	$ —	$ 45,931	$ (18,649)	$ 47,316
Cumulative effect of adoption of new accounting pronouncements	(202)	—	—	—	—	(202)
Other comprehensive income (loss) before reclassifications	(1,785)	(16,238)	(91)	(46,183)	34,113	(30,184)
Amounts reclassified from AOCI	—	(3,951)	—	6,870	(8,446)	(5,527)
Deconsolidation of N-Star CDO	—	2,596	—	—	—	2,596
AOCI at December 31, 2018	$ 3,629	$ (3,175)	$ (91)	$ 6,618	$ 7,018	$ 13,999
Other comprehensive income (loss) before reclassifications	9,206	(4,358)	(2,563)	(5,398)	24,945	21,832
Amounts reclassified from AOCI	(3,554)	15,356	2,428	(1,081)	(1,312)	11,837
AOCI at December 31, 2019	$ 9,281	$ 7,823	$ (226)	$ 139	$ 30,651	$ 47,668

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, 2016	$ (527)	$ —	$ (57,213)	$ 11,798	$ (45,942)
Other comprehensive income (loss) before reclassifications	981	—	97,840	(10,659)	88,162
Amounts reclassified from AOCI	(454)	—	(1,679)	1,988	(145)
AOCI at December 31, 2017	$ —	$ —	$ 38,948	$ 3,127	$ 42,075
Other comprehensive income (loss) before reclassifications	—	(390)	(39,621)	8,696	(31,315)
Amounts reclassified from AOCI	—	—	73	(2,179)	(2,106)
AOCI at December 31, 2018	$ —	$ (390)	$ (600)	$ 9,644	$ 8,654
Other comprehensive loss before reclassifications	—	(5,943)	(16,848)	(1,291)	(24,082)
Amounts reclassified from AOCI	—	5,328	(465)	2,306	7,169
AOCI at December 31, 2019	$ —	$ (1,005)	$ (17,913)	$ 10,659	$ (8,259)

Reclassifications out of AOCI—Stockholders

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

(In thousands)	Year Ended December 31,			
Component of AOCI reclassified into earnings	2019	2018	2017	Affected Line Item in the Consolidated Statements of Operations
Realized gain (loss) on marketable securities	$ —	$ 10,100	$ (5,285)	Other gain (loss), net
Other-than-temporary impairment and write-offs of securities	(15,356)	(6,149)	(31,259)	Other gain (loss), net
Deconsolidation of N-Star CDO	—	(2,596)	—	Other gain (loss), net
Release of cumulative translation adjustments	1,081	(6,870)	2,489	Other gain (loss), net
Unrealized gain (loss) on dedesignated net investment hedges	(340)	1,454	(1,829)	Other gain (loss), net
Realized gain (loss) on net investment hedges	1,652	6,992	(3,718)	Other gain (loss), net
Release of equity in AOCI of unconsolidated ventures	3,554	—	(81)	Equity method earnings (losses)

15. Noncontrolling Interests

Redeemable Noncontrolling Interests

This represents noncontrolling interests in a consolidated open-end fund sponsored by the Company beginning in August 2017, and in the Townsend investment management subsidiary acquired through the Merger for the year ended December 31, 2017. In connection with the sale of Townsend in December 2017, $20.0 million of the consideration received was allocated to certain members of Townsend management and the noncontrolling interests in Townsend were fully redeemed.

The following table presents the activity in redeemable noncontrolling interests.

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Beginning balance	$ 9,385	$ 34,144	$ —
Assumed through the Merger	—	—	78,843
Assumed through consolidation of sponsored private fund	—	—	24,763
Contributions	—	354	8,550
Distributions and redemptions	(5,837)	(21,405)	(100,830)
Net income (loss)	2,559	(3,708)	23,543
Currency translation adjustment and other	—	—	(725)
Ending balance	$ 6,107	$ 9,385	$ 34,144

Noncontrolling Interests in Investment Entities

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

The Company's investment in its light industrial portfolio prior to its sale in December 2019 was made alongside third party limited partners through a joint venture consolidated by the Company. The Company's ownership interest changed over the course of the investment vehicle due to capital contributions from or redemptions of limited partner interests. Limited partners were admitted or redeemed at the net asset value of the joint venture, based upon valuations determined by independent third parties, at the time of their contributions or redemptions. For the years ended December 31, 2019, 2018 and 2017, the difference between contributions or redemptions and the respective limited partners' share of the joint venture resulted in a net increase to additional paid-in capital of $12.4 million, $34.1 million and $21.8 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.

Issuance of OP Units—The Company issued 21,478,515 OP Units in July 2019 and 612,072 OP Units in December 2019 as part of the consideration for the acquisitions of DBH, valued at $111.9 million, and DataBank, valued at $3.0 million, based upon the closing price of the Company's class A common stock on July 24, 2019 and December 20, 2019, respectively (Note 3).

Redemption of OP Units—For the year ended December 31, 2019, the Company redeemed 187,995 OP Units with the issuance of an equal number of shares of class A common stock on a one-for-one basis.

For the year ended December 31, 2018, the Company redeemed 2,870,422 OP Units, of which 2,074,457 OP Units were redeemed in exchange for an equal number of shares of class A common stock on a one-for-one basis, and 795,965 OP Units were redeemed in exchange for cash of $4.8 million to satisfy tax obligations of OP unitholders. The redemptions included 1.0 million OP Units issued for settlement of the contingent consideration in connection with the Internalization (Note 12).

16. Discontinued Operations

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

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

Income from discontinued operations is presented below.

(In thousands)	Year Ended December 31, 2019	2018	2017
Revenues			
Property operating income	$ 346,431	$ 288,367	$ 284,051
Fee income	11,646	7,378	4,022
Interest and other income	5,163	3,775	4,742
Revenues from discontinued operations	363,240	299,520	292,815
Expenses			
Property operating expense	93,440	84,162	87,726
Interest expense	91,863	42,713	47,594
Investment and servicing expense	658	436	542
Placement fees	—	234	1,650
Depreciation and amortization	106,470	129,104	109,265
Impairment loss	—	948	44
Compensation expense—cash and equity-based [1]	29,791	11,156	8,119
Compensation expense—carried interest [2]	35,170	4,696	—
Administrative expenses	6,089	4,569	4,703
Expenses from discontinued operations	363,481	278,018	259,643
Other income (loss)			
Gain on sale of real estate	1,457,892	7,633	22,504
Other gain, net	1,338	—	—
Equity method earnings, including carried interest [2]	41,258	10,636	1,868
Income from discontinued operations before income taxes	1,500,247	39,771	57,544
Income tax benefit (expense)	1,550	(189)	(2,096)
Income from discontinued operations	1,501,797	39,582	55,448
Income from discontinued operations attributable to:			
Noncontrolling interests in investment entities	989,358	21,260	24,407
Noncontrolling interests in Operating Company	49,391	1,113	1,249
Income from discontinued operations attributable to Colony Capital, Inc. [2]	$ 463,048	$ 17,209	$ 29,792

(1) Includes equity-based compensation of $8.2 million, $2.9 million and $3.3 million for the years ended December 31, 2019, 2018 and 2017, respectively.

(2) In December 2019, carried interest totaling $81.2 million was realized upon sale of the light industrial portfolio, of which $52.8 million related to the unconsolidated industrial open-end fund had been recognized as unrealized equity method earnings over time, and $28.4 million related to the consolidated industrial closed-end fund was recorded upon realization in December 2019 as a disproportionate allocation to the Company from noncontrolling interests in investment entities. Approximately $39.9 million of total carried interest represents carried interest sharing compensation expense, recognized in the same period as the related carried interest income.

17. Earnings per Share

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

(In thousands, except per share data)	Year Ended December 31, 2019	2018	2017
Net loss allocated to common stockholders			
Loss from continuing operations	$ (1,650,712)	$ (534,757)	$ (120,061)
(Income) loss from continuing operations attributable to noncontrolling interests	138,857	(2,059)	(107,622)
Loss from continuing operations attributable to Colony Capital, Inc.	(1,511,855)	(536,816)	(227,683)
Income from discontinued operations attributable to Colony Capital, Inc.	463,048	17,209	29,792
Net loss attributable to Colony Capital, Inc.	(1,048,807)	(519,607)	(197,891)
Preferred stock redemption	5,150	3,995	(4,530)
Preferred dividends	(108,550)	(117,097)	(130,672)
Net loss attributable to common stockholders	(1,152,207)	(632,709)	(333,093)
Net income allocated to participating securities	(3,491)	(2,504)	(9,168)
Net loss allocated to common stockholders—basic	(1,155,698)	(635,213)	(342,261)
Interest expense attributable to convertible notes (1)	—	—	—
Net loss allocated to common stockholders—diluted	$ (1,155,698)	$ (635,213)	$ (342,261)
Weighted average common shares outstanding			
Weighted average number of common shares outstanding—basic	479,588	496,993	532,600
Weighted average effect of dilutive shares (1)(2)(3)	—	—	—
Weighted average number of common shares outstanding—diluted	479,588	496,993	532,600
Basic loss per share			
Loss from continuing operations	$ (3.38)	$ (1.31)	$ (0.70)
Income from discontinued operations	0.97	0.03	0.06
Net loss attributable to common stockholders per basic common share	$ (2.41)	$ (1.28)	$ (0.64)
Diluted loss per share			
Loss from continuing operations	$ (3.38)	$ (1.31)	$ (0.70)
Income from discontinued operations	0.97	0.03	0.06
Net loss attributable to common stockholders per diluted common share	$ (2.41)	$ (1.28)	$ (0.64)

(1) For the years ended December 31, 2019, 2018 and 2017, excluded from the calculation of diluted earnings per share is the effect of adding back $28.2 million, $28.6 million and $28.9 million of interest expense, respectively, and 38,112,100, 38,112,100, and 38,564,400 weighted average dilutive common share equivalents, respectively, for the assumed conversion or exchange of the Company's outstanding convertible and exchangeable notes, 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 74,100, 571,500 and 534,100 for the years ended December 31, 2019, 2018 and 2017, respectively, as the effect would be antidilutive. The calculation of diluted earnings per share also excludes the effect of weighted average shares of class A common stock that are contingently issuable in relation to PSUs (Note 19) of 990,700 and 532,900 for the years ended December 31, 2019 and 2018, respectively.

(3) OP Units, subject to lock-up agreements, may be redeemed for registered or unregistered class A common shares on a one-for-one basis. At December 31, 2019, 2018 and 2017 there were 53,261,100, 31,358,500 and 32,282,500 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.

18. 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.

In December 2017, the Company sold its interest in Townsend, an investment management subsidiary acquired through the Merger. Upon closing of the Combination on January 31, 2018, the Company's management contracts with NorthStar I and NorthStar II were terminated; concurrently, the Company entered into a new management agreement with CLNC. In April 2018, the Company combined NorthStar Securities, LLC ("NorthStar Securities"), the Company's captive broker-dealer platform that raises capital in the retail market, with a third party partner to form a new joint venture, accounted for under the equity method.

Fee income for all periods presented excludes management fees from the Company's open-end industrial fund which was classified as held for sale. Such fees are included in income from discontinued operations (Note 16).

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

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Institutional funds and other investment vehicles	$ 82,188	$ 48,624	$ 56,966
Public companies (CLNC, NRE)	118,049	65,258	14,003
Non-traded REITs	19,896	29,597	88,081
Other	3,782	964	57,717
	$ 223,915	$ 144,443	$ 216,767

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

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Base management fees ($151,452, $130,384, and $161,414 from affiliates, respectively)	$ 152,189	$ 131,406	$ 179,816
Asset management fees ($2,371, $2,078, and $3,069 from affiliates, respectively)	3,559	2,078	3,069
Acquisition and disposition fees—from affiliates	—	1,922	16,237
Incentive and termination fees ($64,555, $5,445, and $172 from affiliates, respectively)	64,555	5,445	1,043
Other fee income ($2,206, $3,389 and $0 from affiliates, respectively)	3,612	3,592	16,602
Total fee income	$ 223,915	$ 144,443	$ 216,767

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

- Private Funds and similar investment vehicles—generally (a) 1% per annum of limited partners' net funded capital, or (b) 0.9% to 1.75% per annum of investors' committed capital during commitment or investment period and thereafter, of contributed or invested capital;
- CLNC—1.5% per annum of CLNC's stockholders' equity (as defined in its management agreement). In November 2019, the management agreement with CLNC was amended and restated to reduce the fee base to reflect CLNC's reduced book value, which resulted in a decrease in management fees effective in the beginning of the fourth quarter of 2019 (Note 6);
- Non-Traded REITs—1.5% per annum of most recently published net asset value (as may be subsequently adjusted for any special distribution) for NorthStar Healthcare, and prior to closing of the Combination on January 31, 2018, 1% to 1.25% per annum of gross assets for NorthStar I and NorthStar II. $2.5 million per quarter of base management fee for NorthStar Healthcare is paid in shares of NorthStar Healthcare common stock at a price per share equal to its most recently published NAV per share (as may be subsequently adjusted for any special distribution); and
- NRE—prior to termination of the NRE management contract in connection with the sale of NRE on September 30, 2019, a variable fee of 1.5% per annum of NRE's reported European Public Real Estate Association Net Asset Value ("EPRA NAV" as defined in its management agreement) for EPRA NAV up to and including $2.0 billion, and 1.25% per annum for EPRA NAV amounts exceeding $2.0 billion.

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

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

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

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

Other Fee Income—Other fees include service fees for information technology and operational support services and facilities to portfolio companies, advisory fees, and licensing fees related to the Colony Capital Fundamental U.S. Real Estate Index, a rules-based strategy that invests in common stock of REITs. Other fees also included selling commission and dealer manager fees through NorthStar Securities prior to May 2018 and advisory fees from Townsend clients on a fixed annual retainer in 2017.

19. 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 December 31, 2019, an aggregate 54.4 million shares of the Company's class A common stock were reserved for the issuance of awards under the Equity Incentive Plan.

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

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

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

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

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

(2) Based upon a combination of historical dividend yields and the current annualized dividends.

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

(4) Reflects assumptions applied in valuing the award upon modification in February 2019.

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

LTIP Units—LTIP units are units in the Operating Company that are designated as profits interests for federal income tax purposes. Unvested LTIP units do not accrue distributions. Each vested LTIP unit is convertible, at the election of the holder (subject to capital account limitation), into one common OP Unit and upon conversion, subject to the redemption terms of OP Units (Note 15).

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

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

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

[1] Based upon historical volatility of the Company's stock and those of a specified peer group.
[2] Based upon the Company's most recently issued dividend prior to grant date and closing price of the Company's class A common stock on grant date.
[3] Based upon the continuously compounded zero-coupon US Treasury yield for the term coinciding with the measurement period of the award as of valuation date.

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

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

Equity-based compensation expense, excluding amounts related to the industrial segment which is presented as discontinued operations (Note 16), is as follows:

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Compensation expense (including $345, $270 and $0 amortization of fair value of dividend equivalent rights)	$ 31,403	$ 38,928	$ 146,563
Earnings from investments in unconsolidated ventures	—	—	61
Investment and servicing expense	—	—	4,070
	$ 31,403	$ 38,928	$ 150,694

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

	Restricted Stock	LTIP Units	DSUs	PSUs (1)	Total	Weighted Average Grant Date Fair Value	
						PSUs	All Other Awards
Unvested shares and units at December 31, 2018	5,422,090	—	183,134	2,043,949	7,649,173	$ 5.09	$ 9.39
Granted	5,085,924	10,000,000	386,834	3,760,864	19,233,622	2.92	2.30
Vested	(2,570,167)	—	(304,184)	(60,514)	(2,934,865)	5.09	9.79
Forfeited	(296,139)	—	—	(64,104)	(360,243)	4.53	6.26
Unvested shares and units at December 31, 2019	7,641,708	10,000,000	265,784	5,680,195	23,587,687	3.66	3.25

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

Fair value of equity awards that vested, determined based on their respective fair values at vesting date, was $14.7 million, $111.2 million and $31.9 million for the years ended December 31, 2019, 2018 and 2017, respectively.

At December 31, 2019, aggregate unrecognized compensation cost for all unvested equity awards was $44.5 million, which is expected to be recognized over a weighted average period of 2.0 years.

Awards Granted by Managed Companies

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

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

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

Equity-based compensation expense recognized related to managed company awards was $32.3 million and $9.6 million for the years ended December 31, 2019 and 2018, respectively, which included the acceleration of all outstanding NRE awards and certain CLNC awards upon the sale of NRE in September 2019. A corresponding amount is recognized in other income for managed company awards granted to employees (Note 20). At December 31, 2019, aggregate unrecognized compensation cost for unvested managed company awards was $11.4 million, pertaining only to CLNC, which is expected to be recognized over a weighted average period of 1.9 years.

20. Transactions with Affiliates

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

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

(In thousands)	December 31, 2019	December 31, 2018
Due from Affiliates		
Investment vehicles, portfolio companies and unconsolidated ventures		
Fee income	$ 36,106	$ 32,139
Cost reimbursements and recoverable expenses	14,624	10,754
Employees and other affiliates	750	596
	$ 51,480	$ 43,489
Due to Affiliates		
Employees and other affiliates	$ 34,064	$ —

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 18.

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

- Direct and indirect operating costs, including but not limited to compensation, overhead and other administrative costs, for managing the operations of non-traded REITs and CLNC, with reimbursements for non-traded REITs limited to the greater of 2% of average invested assets or 25% of net income (net of base management fees);
- Direct costs of personnel dedicated solely to NRE (prior to termination of management agreement and sale of NRE in September 2019) plus 20% of such personnel costs for related overhead charges, not to exceed, in aggregate, specified thresholds as set out in the NRE management agreement;
- Costs incurred in performing investment due diligence for NorthStar Healthcare and private funds managed by the Company;
- Equity awards granted to employees of the Company by CLNC and NRE (prior to termination of the NRE management agreement) and cash compensation paid by NRE to certain employees of the Company in connection with the sale of NRE in September 2019, which are presented gross as other income and compensation expense (Note 19);
- Services provided to the Company's unconsolidated investment ventures for servicing and managing their loan portfolios, including foreclosed properties, and services to the Digital Colony Manager joint venture prior to the Company's acquisition of DBH in July 2019; and
- Administrative services provided to certain senior executives of the Company.

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

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Retail companies	$ 3,098	$ 4,672	$ 19,545
Public companies (CLNC, NRE)	14,442	10,747	—
Private investment vehicles and other	14,059	9,198	3,779
Equity awards of CLNC and NRE (Note 19)	32,627	10,078	—
Townsend	—	—	2,306
	$ 64,226	$ 34,695	$ 25,630

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

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

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

Sales to CLNC—There were no such sales in the year ended December 31, 2019. In May 2018, the Company sold a preferred equity investment sponsored by the Company's equity method investee, RXR Realty, to CLNC at the unpaid principal amount of the investment of $89.1 million. In July 2018, the Company sold to CLNC 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—In January 2014, NRF entered into a partnership with James F. Flaherty, III, with the intention of expanding the Company’s healthcare business (“Healthcare Partnership”). 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 years ended December 31, 2018 and 2017, the Company incurred property management fees and sub-advisory fees to AHI totaling $4.1 million and $4.8 million, respectively.

Acquisition of DBH and DataBank—In connection with the acquisition of DBH in July 2019, payment of a portion of the cash consideration was deferred until the expiration of certain customary seller indemnification obligations (Note 3). The deferred consideration of $32.5 million remaining at December 31, 2019 is payable to principals of DBH, including Mr. Ganzi, who became employees or affiliate of the Company post-acquisition.

In connection with the Company's acquisition in December 2019 of interests in DataBank from third parties (Note 3), Mr. Ganzi and Mr. Jenkins, the Chairman of the Company’s digital realty platform, entered into voting agreements with the Company, which provide the Company with majority voting power over DataBank's board. The Company took a series of steps to mitigate conflicts in the transaction, including receiving a fairness opinion on its purchase price from a nationally recognized third party valuation firm. Additionally, in exchange for incentive units owned by Messrs. Ganzi and Jenkins allocable to the DataBank stake acquired by the Company, the Company issued OP Units with a value of $3 million, which are subject to a multi-year lockup. The value represents consideration paid to Messrs. Ganzi and Jenkins by the Company for such incentive units in connection with its investment in DataBank, which was in addition to the cash consideration paid to third parties by the Company for its acquired interests in Databank. As a result, the Company will not be subject to future carried interest payments to the DBH principals with respect to the Company's investment in DataBank. In addition, the DataBank transaction was approved by the Company's board of directors.

Arrangements with Company-Sponsored Private Fund—The Company co-invests alongside a Company-sponsored private fund through joint ventures between the Company and the sponsored private fund. These co-investment joint ventures are consolidated by the Company. The Company has capital commitments, as general partner, directly into the private fund and as an affiliate of the general partner, capital commitments satisfied through co-investment joint ventures. In connection with the Company's commitments as an affiliate of the general partner, the Company is allocated a proportionate share of the costs of the private fund such as financing and administrative costs. Such costs expensed during the years ended December 31, 2019, 2018 and 2017 were immaterial and relate primarily to the Company's share of the fund's operating costs and deferred financing costs on borrowings of the fund.

Equity Awards of CLNC and NRE—As discussed in Note 19, CLNC and NRE (prior to the sale of NRE in September 2019) grant equity awards to the Company and certain of the Company's employees, either directly or indirectly through the Company, are recognized as a gross-up of equity-based compensation expense over the vesting period with a corresponding amount in other income.

Investment in Managed Investment Vehicles—Subject to the Company's related party policies and procedures, senior management, investment professionals and certain other employees may invest on a discretionary basis in investment vehicles sponsored by the Company, either directly in the vehicle or indirectly through the general partner entity. These investments are generally not subject to management fees, but otherwise bear their proportionate share of other operating expenses of the investment vehicles. At December 31, 2019 and 2018, such investments in consolidated investment vehicles and general partner entities totaled $4.0 million and $5.7 million, respectively, reflected in redeemable noncontrolling interests and noncontrolling interests on the balance sheet. Their share of net income was $2.5 million and $0.4 million for the years ended December 31, 2019 and 2018, respectively.

Corporate Aircraft—The Company, through its subsidiary, Colony Capital Advisors, LLC, has entered into a time sharing agreement with Thomas J. Barrack, Jr., the Company's Executive Chairman and Chief Executive Officer, under which Mr. Barrack may use the Company's aircraft for personal travel. Under this arrangement, Mr. Barrack pays the Company for personal usage based on the incremental cost to the Company, including direct and indirect variable costs, but in no case more than the maximum reimbursement permitted by the Federal Aviation Regulations under the agreement. Mr. Barrack has reimbursed the Company $1.4 million, $0.7 million and $1.9 million for personal flights taken during the years ended December 31, 2019, 2018 and 2017, respectively.

21. Income Taxes

The Company is subject to income tax laws of the various jurisdictions in which it operates, including U.S. federal, state and local and non-U.S. jurisdictions, primarily in Europe. The Company's current primary sources of income subject to tax are income from its investment management business, operations of its hotel and healthcare portfolios as well as real estate and loan investments in Europe.

On December 22, 2017, the Tax Cuts and Jobs Act was enacted, which provides for a reduction in the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018. At December 31, 2017, the Company recognized a provisional amount of $24.9 million relating to the effects of the tax rate change on our existing deferred tax balances, which is included as a component of income tax benefit. The Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21% for U.S. federal corporate income tax purposes. During the fourth quarter of 2018, the Company completed its analysis of the Tax Cuts and Jobs Act, which resulted in the recognition of an additional $2.2 million of income tax benefit relating to the effects of the tax rate change on the Company's existing deferred tax balances.

Income Tax Benefit (Expense)

The components of current and deferred tax benefit (expense), including amounts related to the industrial business presented as discontinued operations (Note 16), were as follows.

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Current			
Federal	$ (6,320)	$ 2,881	$ (20,316)
State and local	(3,276)	1,168	(3,606)
Foreign	(12,459)	(13,698)	(16,138)
Total current tax benefit (expense)	(22,055)	(9,649)	(40,060)
Deferred			
Federal	1,652	64,962	110,711
State and local	2,800	1,320	18,235
Foreign	5,150	3,148	9,513
Total deferred tax benefit	9,602	69,430	138,459
Total income tax benefit (expense) from continuing and discontinued operations	$ (12,453)	$ 59,781	$ 98,399

Deferred Income Tax Assets and Liabilities

Deferred tax asset is included in other assets while deferred tax liability is included in accrued and other liabilities.

Certain deferred tax liabilities were recognized in connection with business combinations in 2019, related primarily to book-to-tax basis differences in real estate assets recorded at fair value upon acquisition of DataBank, for which a TRS election was made, and investment management contract intangible assets recognized from the acquisition of DBH.

At December 31, 2018, the Company believed that it was more likely than not that the carry forward net operating losses on certain hotel portfolios will be utilized prior to their expiration based on the Company's reassessment of expected future profitability on these portfolios, therefore the related valuation allowance that was previously established of $10.7 million was released in 2018.

The components of deferred tax assets and deferred tax liabilities arising from temporary differences are as follows.

(In thousands)	December 31, 2019	December 31, 2018
Deferred tax assets		
Net operating and capital loss carry forwards [1]	$ 67,785	$ 56,609
Equity-based compensation	23,410	17,162
Investment in partnerships	625	7,745
Real estate, leases and related intangibles	15,870	—
Foreign tax credits [2]	—	892
Straight-line and prepaid rent	6,270	7,850
Deferred income	3,520	—
Deferred interest expense	5,881	472
Other [3]	11,853	2,904
Gross deferred tax assets	135,214	93,634
Valuation allowance	(26,305)	(22,062)
Deferred tax assets, net of valuation allowance	108,909	71,572
Deferred tax liabilities		
Real estate, leases and related intangibles	209,474	63,901
Other intangible assets	31,124	33,693
Deferred income	—	1,263
Other [3]	9,420	108
Gross deferred tax liabilities	250,018	98,965
Net deferred tax liability	$ (141,109)	$ (27,393)

(1) At December 31, 2019 and 2018, deferred tax asset was recognized on net operating losses of $269.7 million and $251.2 million, respectively. Net operating losses attributable to U.S. federal and state, where applicable, generally begin to expire in 2031, except those incurred after December 31, 2017 attributable to U.S. federal, and those attributable to foreign operations can generally be carried forward indefinitely.

(2) Foreign tax credits expire beginning 2027.

(3) Other includes deferred tax asset on lease liability and deferred tax liability on lease ROU asset related to office leases at December 31, 2019.

Effective Income Tax

The Company's income tax benefit varied from the amount computed by applying the statutory income tax rate to income from continuing and discontinued operations before income taxes. A reconciliation of the statutory U.S. income tax to the Company's effective income tax is presented as follows:

	Year Ended December 31,		
(Amounts in thousands)	2019	2018	2017
Loss from continuing and discontinued operations before income taxes	$ (136,462)	$ (554,956)	$ (163,012)
Pre-tax (income) loss attributable to pass-through subsidiaries	(675,635)	312,939	(405,104)
Pre-tax loss attributable to taxable subsidiaries	(812,097)	(242,017)	(568,116)
Federal tax benefit at statutory tax rate (21%, 21% and 35%, respectively)	170,540	50,824	198,841
State and local income taxes, net of federal income tax benefit	1,362	10,983	9,380
Foreign income tax differential	(8,979)	(3,533)	6
Nondeductible expenses—goodwill impairment	(165,480)	—	(110,600)
Nondeductible expenses—other	(4,390)	(4,648)	(20,372)
Valuation allowance, net	(4,151)	2,874	(3,555)
Impact of Tax Cuts and Jobs Act	—	2,190	24,908
Other	(1,355)	1,091	(209)
Income tax benefit (expense) from continuing and discontinued operations	$ (12,453)	$ 59,781	$ 98,399

Tax Examinations

The Company is no longer subject to U.S. federal, state and local or foreign income tax examinations by tax authorities for years prior to 2016.

22. Commitments and Contingencies

Operating Leases

The Company's operating leases, as lessee, are primarily leases on investment properties, consisting primarily of powered shell spaces for data centers, an air rights lease and ground leases assumed through real estate acquisitions, and leases for corporate offices.

The weighted average remaining lease terms based upon outstanding lease liability balances at December 31, 2019 were 19.7 years for leases on investment properties and 7.4 years for office leases.

For the years ended December 31, 2018 and 2017, lease expense, including variable lease expense, was $8.2 million and $6.7 million for ground leases, respectively, and $10.1 million and $13.3 million for office leases, respectively.

For the year ended December 31, 2019, the following table summarizes lease expense for investment properties, included in property operating expense, and office leases, included in administrative expense.

	Year Ended December 31, 2019	
(In thousands)	Investment Properties	Corporate Offices
Operating lease expense:		
Fixed lease expense	$ 8,292	$ 9,213
Variable lease expense	1,898	2,516
	$ 10,190	$ 11,729

Operating Lease Commitments

The operating lease liability was determined using a weighted average discount rate of 6.8%. At December 31, 2019, the Company's future operating lease commitments for investment properties, excluding real estate held for sale, and for corporate offices were as follows:

(In thousands) Year Ending December 31,	Investment Properties	Corporate Offices	Total
2020	$ 17,295	$ 10,314	$ 27,609
2021	16,847	9,735	26,582
2022	17,015	8,074	25,089
2023	17,054	7,778	24,832
2024	17,060	8,314	25,374
2025 and thereafter	211,195	23,337	234,532
Total lease payments	296,466	67,552	364,018
Present value discount			(182,721)
Operating lease liability (Note 9)			$ 181,297

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	Corporate Offices	Total
2019	$ 5,149	$ 8,980	$ 14,129
2020	5,217	8,598	13,815
2021	5,386	8,200	13,586
2022	5,776	7,176	12,952
2023	5,720	6,610	12,330
2024 and thereafter	87,150	28,144	115,294
Total lease payments	$ 114,398	$ 67,708	$ 182,106

Contingent Consideration

In connection with a consensual foreclosure of the THL Hotel Portfolio, contingent consideration is payable to a preferred equity holder in an amount up to $13.0 million (Note 12), subject to the Company achieving certain agreed upon returns.

Litigation and Claims

The Company may be involved in litigation and claims in the ordinary course of business. As of December 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.

23. Segment Reporting

The Company's seven reportable segments are as follows:

- *Digital Real Estate and Investment Management ("Digital")*—The Company's digital segment is composed of (i) balance sheet equity interests in digital infrastructure and real estate; and (ii) digital infrastructure and real estate investment management business. For digital investments on our balance sheet, these assets earn rental income from providing use of space and/or capacity in or on our digital assets through long-term leases, services and other agreements. In the digital investment management business, we earn management fees, generally based on the amount of assets or capital managed in investment vehicles, and have the potential to earn carried interest based on the performance of such investment vehicles subject to the achievement of minimum return hurdles.

- *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 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*—In December 2019, the Company completed the sale of the light industrial portfolio and its related management platform, which represented the vast majority of the segment. Therefore, the industrial segment will no longer constitute a reportable segment in the future. The Company continues to own the remaining bulk industrial assets which remain held for sale. As the sale represented a strategic shift that had a major effect on the Company’s operations and financial results, the historical results of the industrial segment are presented as discontinued operations on the consolidated statements of operations (Note 16).

- *Hospitality*—The Company's hospitality segment 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 segment is composed of our 36% interest in CLNC, an externally managed commercial real estate credit REIT. CLNC is focused on originating, acquiring, financing and managing a diversified commercial real estate portfolio, consisting primarily of senior mortgage loans, mezzanine loans, preferred equity, debt securities and net leased properties predominantly in the United States.

- *Other Equity and Debt*—This segment is composed 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 on real estate or real estate-related investments, excluding digital real estate. Non-strategic investments are composed of those investments the Company does not intend to own for the long term including commercial real estate equity and debt investments and other real estate related securities, among other holdings.

- *Other Investment Management*—This segment, which is separate from the digital investment management business that resides in the digital segment, encompasses the Company’s management of private real estate credit funds and related co-investment vehicles, CLNC, a public non-traded healthcare REIT and interests in other investment management platforms, among other smaller investment funds. This segment also included the industrial investment management business prior to the sale of the light industrial portfolio in December 2019, and is presented as discontinued operations on the consolidated statements of operations. The Company earns management fees, generally based on the amount of assets or capital managed, and contractual incentive fees or potential carried interest based on the performance of the investment vehicles managed subject to the achievement of minimum return hurdles.

In December 2019, the acquisition of DataBank marked the Company's inaugural direct balance sheet investment in digital real estate. Together with the acquisition of DBH in July 2019, the Company now has a footprint in both ownership and management of digital real estate assets, which signals the beginning of the Company's pivot into its new digital real estate strategy. As of December 31, 2019, the Company has determined that digital real estate represents a new reportable segment. As of December 31, 2019, the digital segment is composed of the Company's DataBank and DBH subsidiaries, along with the Company's existing investments in the DCP fund and its manager. As a result, the Company's equity method investment and its corresponding share of earnings in the DCP fund, which was in the other equity and debt segment, and in Digital Colony Manager prior to its consolidation (Note 3), along with transaction and financing costs related to the DBH acquisition, which resided in the investment management segment, have been reclassified into the digital segment as of and for the years ended December 31, 2019 and 2018. Additionally, the Company has determined that on a go forward basis, future benefits from its remaining customer relationship intangible (outside of DBH customer relationships) will be derived by its digital business, and therefore, the Company has reallocated the remaining customer relationship intangible from its investment management segment to its digital segment effective December 31, 2019.

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

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

Selected Segment Results of Operations

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

Results of operations of (i) the industrial segment which includes direct compensation and administrative expenses of the industrial business, and (ii) associated fee income, equity method earnings from our general partner interest in the industrial open-end fund, including carried interest, and compensation related to carried interest sharing, which are reported under the investment management segment, are presented as discontinued operations for all current and prior periods presented (Note 16).

(In thousands)	Digital	Healthcare	Industrial	Hospitality	CLNC	Other Equity and Debt	Other Investment Management	Amounts Not Allocated to Segments	Total
Year Ended December 31, 2019									
Total revenues	$ 40,407	$ 582,139	$ —	$ 828,523	$ —	$ 614,551	$ 246,499	$ 14,235	$ 2,326,354
Property operating expenses	2,197	260,374	—	554,981	—	273,357	—	—	1,090,909
Interest expense	4,502	192,621	—	169,781	—	113,762	—	54,872	535,538
Depreciation and amortization	12,209	161,115	—	145,424	—	85,910	79,097	6,037	489,792
Provision for loan losses	—	—	—	—	—	35,880	—	—	35,880
Impairment loss	—	187,341	—	50,474	—	110,025	797,954	649	1,146,443
Gain on sale of real estate	—	1,384	—	279	—	61,253	—	—	62,916
Equity method earnings (losses)	2,647	—	—	—	(241,356)	115,927	(17,602)	—	(140,384)
Equity method earnings—carried interest	—	—	—	—	—	—	11,682	—	11,682
Income tax benefit (expense)	(15,104)	612	—	(898)	—	(7,270)	9,311	(654)	(14,003)
Income (loss) from continuing operations	43,786	(239,888)	—	(107,066)	(241,356)	87,004	(754,314)	(438,878)	(1,650,712)
Income from discontinued operations	—	—	1,486,691	—	—	—	15,106	—	1,501,797
Net income (loss)	43,786	(239,888)	1,486,691	(107,066)	(241,356)	87,004	(739,208)	(438,878)	(148,915)
Net income (loss) attributable to Colony Capital, Inc.	40,658	(179,976)	449,050	(90,139)	(227,548)	1,436	(643,631)	(398,657)	(1,048,807)
Year Ended December 31, 2018									
Total revenues	$ —	$ 592,455	$ —	$ 849,513	$ —	$ 739,167	$ 176,568	$ 9,239	$ 2,366,942
Property operating expenses	—	271,166	—	563,453	—	316,037	—	—	1,150,656
Interest expense	—	194,898	—	153,395	—	150,032	—	54,513	552,838
Depreciation and amortization	—	164,389	—	144,528	—	99,525	28,653	6,207	443,302
Provision for loan losses	—	213	—	—	—	42,821	—	—	43,034
Impairment loss	—	217,524	—	72,469	—	79,432	217,850	—	587,275
Gain on sale of real estate	—	—	—	—	—	159,598	—	—	159,598
Equity method earnings (losses)	8,845	—	—	—	(65,366)	97,416	(50,496)	—	(9,601)
Equity method earnings—carried interest	—	—	—	—	—	—	9,525	—	9,525
Income tax benefit (expense)	—	(4,991)	—	9,875	—	(4,298)	59,179	205	59,970
Income (loss) from continuing operations	5,955	(283,516)	—	(90,581)	(65,366)	266,886	(145,161)	(222,974)	(534,757)
Income (loss) from discontinued operations	—	—	26,749	—	—	(102)	12,935	—	39,582
Net income (loss)	5,955	(283,516)	26,749	(90,581)	(65,366)	266,784	(132,226)	(222,974)	(495,175)
Net income (loss) attributable to Colony Capital, Inc.	5,606	(199,277)	4,246	(82,798)	(61,457)	141,197	(124,024)	(203,100)	(519,607)

(In thousands)	Digital	Healthcare	Industrial	Hospitality	CLNC	Other Equity and Debt	Other Investment Management	Amounts Not Allocated to Segments	Total
Year Ended December 31, 2017									
Total revenues	$ —	$ 613,169	$ —	$ 815,831	$ —	$ 873,046	$ 240,632	$ 6,862	$ 2,549,540
Property operating expenses	—	274,528	—	537,884	—	233,901	—	—	1,046,313
Interest expense	—	185,256	—	134,729	—	161,993	—	54,278	536,256
Depreciation and amortization	—	183,897	—	133,269	—	128,942	56,616	5,790	508,514
Provision for loan losses	—	1,588	—	—	—	18,153	—	—	19,741
Impairment loss	—	14,375	—	—	—	30,867	375,074	—	420,316
Gain on sale of real estate	—	—	—	—	—	112,758	—	—	112,758
Equity method earnings	—	—	—	—	—	265,079	18,204	—	283,283
Income tax benefit (expense)	—	(5,639)	—	(2,779)	—	(3,950)	111,049	1,814	100,495
Income (loss) from continuing operations	—	(64,767)	—	(9,863)	—	567,752	(174,564)	(438,619)	(120,061)
Income from discontinued operations	—	—	37,497	—	—	995	4,396	12,560	55,448
Net income (loss)	—	(64,767)	37,497	(9,863)	—	568,747	(170,168)	(426,059)	(64,613)
Net income (loss) attributable to Colony Capital, Inc.	—	(51,428)	12,537	(9,199)	—	426,052	(182,038)	(393,815)	(197,891)

Total assets and equity method investments excluding investments held for sale (Note 8) of the reportable segments are summarized as follows:

	December 31, 2019		December 31, 2018	
(In thousands)	Total Assets	Equity Method Investments	Total Assets	Equity Method Investments
Digital	$ 2,160,402	$ 47,891	$ 32,354	$ 32,354
Healthcare	4,886,374	—	5,395,550	—
Industrial	458,673	—	3,185,906	—
Hospitality	3,789,098	—	3,980,988	—
CLNC	725,443	725,443	1,037,754	1,037,754
Other Equity and Debt	5,749,455	1,070,462	6,344,124	1,026,420
Other Investment Management	1,085,234	139,977	1,979,432	176,403
Amounts not allocated to segments	977,505	3,742	259,141	3,742
	$ 19,832,184	$ 1,987,515	$ 22,215,249	$ 2,276,673

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.

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Total income by geography:			
United States	$ 1,772,135	$ 2,002,260	$ 2,492,800
Europe	354,164	329,609	310,783
Other	7,127	302	3,610
Total [1]	$ 2,133,426	$ 2,332,171	$ 2,807,193

(In thousands)	December 31, 2019	December 31, 2018
Long-lived assets by geography:		
United States	$ 9,956,282	$ 9,566,982
Europe	1,508,347	1,600,623
Total [2]	$ 11,464,629	$ 11,167,605

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

[2] Long-lived assets comprise real estate held for investment, real estate related intangible assets, operating lease ROU asset and fixed assets, and exclude financial instruments, assets held for sale and investment management related intangible assets. Long-lived assets that are held for sale at December 31, 2019 and 2018 included $0.5 billion and $3.3 billion located in the United States, respectively, and $0.3 billion and $0.5 billion located in Europe, respectively.

24. Supplemental Disclosure of Cash Flow Information

	Year Ended December 31,		
(In thousands)	2019	2018	2017
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest, net of amounts capitalized of $3,192, $5,554, and $0	$ 523,533	$ 507,495	$ 452,726
Cash received for income tax refunds (paid for income taxes), net	(12,595)	14,476	53,017
Cash paid for operating lease liabilities	16,234	—	—
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS FROM DISCONTINUED OPERATIONS:			
Net cash provided by operating activities of discontinued operations	$ 149,737	$ 158,666	$ 153,379
Net cash provided by (used in) investing activities of discontinued operations	3,721,764	(599,940)	82,408
Net cash provided by (used in) financing activities of discontinued operations	(2,640,171)	351,052	378,788
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Dividends and distributions payable	$ 83,301	$ 84,013	$ 188,202
Improvements in operating real estate in accrued and other liabilities	20,230	2,249	18,221
Redemption of OP Units for common stock	2,104	29,034	22,831
Preferred stock redemptions payable	402,855	—	—
ROU assets and operating lease liabilities resulting from lease standard, net of related deferred receivables, intangibles and lease incentives derecognized upon adoption	139,157	—	—
Deferred cash consideration for acquisition of DBH (Note 3)	32,500	—	—
Issuance of OP Units for business combinations (Note 3)	114,865	—	—
Proceeds from loan repayments and asset sales held in escrow	63,984	19,425	27,426
Distributions payable to noncontrolling interests included in other liabilities	3,986	19,297	10,786
Foreclosures and exchanges of loans receivable for real estate	28,562	47,097	54,615
Debt assumed by buyer in sale of real estate	295,562	196,416	1,258,558
Debt issued to buyer in sale of real estate	4,000	—	—
Fair value of Digital Colony Manager contract intangible consolidated (Note 3)	51,400	—	—
Assets acquired in business combinations, net of cash and restricted cash acquired (Note 3)	2,098,313	—	16,684,675
Liabilities assumed in business combinations (Note 3)	818,449	—	11,249,183
Noncontrolling interests assumed in business combinations (Note 3)	724,567	—	592,690
Deconsolidation of net assets of securitization trusts	—	131,386	—
Assets held for sale contributed to equity method investee	—	20,350	—
Deferred tax liabilities assumed by buyer of related real estate	—	26,629	—
Share repurchase payable	—	7,567	—
Contributions receivable from noncontrolling interests	—	29,721	25,501
Assets of CLNY Investment Entities deconsolidated, net of cash and restricted cash contributed	—	1,753,066	—
Liabilities of CLNY Investment Entities deconsolidated	—	421,245	—
Noncontrolling interests of CLNY Investment Entities deconsolidated	—	395,274	—

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Net assets of investment entity deconsolidated, net of cash and restricted cash contributed	—	—	153,368
Investment deposits applied to acquisition of loans receivable, real estate and CPI Group	—	—	66,020
Common stock issued for acquisition of NSAM and NRF	—	—	5,710,134
Preferred stock issued for acquisition of NRF	—	—	1,010,320
Net assets acquired in CPI restructuring, net of cash and restricted cash assumed	—	—	219,278
Net assets acquired in THL Hotel Portfolio, net of cash and restricted cash assumed	—	—	326,679
Net assets of sponsored fund consolidated, net of cash and restricted cash assumed	—	—	13,370
Exchange of notes for class A common shares	—	—	3,279
Assets of consolidated securitization trust	—	—	58,296
Liabilities of consolidated securitization trust	—	—	56,928

25. Subsequent Events

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

COLONY CAPITAL, INC.
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 2019, 2018 and 2017

The following table summarizes the activities in the allowance for doubtful accounts established on all of the Company's receivable balances, primarily receivables from borrowers other than interest, hotel operating income receivables, property level insurance receivables, and other receivables from managed investment vehicles.

In 2018 and 2017, allowances were established on lease-related receivables such as base rents, expense reimbursements and straight-line rents from tenants, and resident fees. Upon adoption of ASC 842 on January 1, 2019, such allowances were charged off against the receivable to the extent collection of the related lease receivables were determined to not be probable, and any remaining allowance related to amounts probable of collection were subsequently charged off at such time cash was collected as a reduction to bad debt expense (Note 2).

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Balance at January 1	$ 14,514	$ 6,869	$ 1,708
Cumulative effect of adoption of ASC 842	(13,889)	—	—
Allowance for doubtful accounts	6,793	26,860	14,602
Charge-offs	(4,605)	(19,155)	(9,531)
Effect of changes in foreign exchange rates	—	(60)	90
Balance at December 31	$ 2,813	$ 14,514	$ 6,869

COLONY CAPITAL, INC.
SCHEDULE III—REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2019

(Amounts in thousands)			Initial Cost		Costs Capitalized Subsequent to Acquisition (1)	Gross Cost Basis at December 31, 2019					
Property Description / Location	Number of Properties	Encumbrances	Land	Buildings and Improvements		Land	Buildings and Improvements	Total	Accumulated Depreciation (2)	Net Carrying Amount (3)	Date of Acquisition
Digital											
Data Centers [4]	20	$ 539,155	$29,508	$ 817,950	$ —	$29,508	$ 817,950	$ 847,458	$ 1,065	$ 846,393	2019
Healthcare											
Assisted Living Facilities											
Alabama	1	4,540	337	2,583	1,505	337	4,088	4,425	431	3,994	2017
Arizona	1	8,998	536	14,434	1,354	536	15,788	16,324	1,374	14,950	2017
California	5	35,823	12,157	76,393	(24,087)	7,286	57,177	64,463	6,353	58,110	2017
Colorado	2	102,295	7,734	138,276	3,849	7,734	142,125	149,859	11,542	138,317	2017
Georgia	1	7,031	516	14,220	(2,994)	366	11,376	11,742	1,321	10,421	2017
Illinois	22	184,017	9,433	289,465	(30,893)	8,476	259,529	268,005	24,996	243,009	2017
Indiana	9	25,835	7,170	26,900	—	7,170	26,900	34,070	2,753	31,317	2017
Kansas	1	5,963	915	12,105	(6,861)	302	5,857	6,159	1,111	5,048	2017
Massachusetts	1	2,932	1,346	1,523	279	1,346	1,802	3,148	278	2,870	2017
North Carolina	8	81,404	11,656	151,555	723	11,656	152,278	163,934	12,253	151,681	2017
Nebraska	1	2,531	559	3,161	(756)	396	2,568	2,964	330	2,634	2017
Ohio	9	188,728	16,108	247,227	(17,054)	14,728	231,553	246,281	21,668	224,613	2017
Oklahoma	5	10,294	1,419	17,467	(3,372)	952	14,562	15,514	2,158	13,356	2017
Oregon	25	171,437	20,905	269,521	(341)	20,437	269,648	290,085	23,252	266,833	2017
South Carolina	1	16,183	1,105	17,975	1,236	1,105	19,211	20,316	1,573	18,743	2017
Tennessee	2	12,090	2,179	24,880	(7,305)	1,540	18,214	19,754	2,326	17,428	2017
Texas	8	119,609	18,144	138,400	6,427	18,063	144,908	162,971	13,079	149,892	2017
Washington	6	45,314	3,765	68,188	(1,406)	3,673	66,874	70,547	5,852	64,695	2017
United Kingdom	46	293,661	129,071	510,026	43,209	132,686	549,620	682,306	41,615	640,691	2017-2019
Hospitals											
Georgia	1	9,012	2,047	16,650	—	2,047	16,650	18,697	1,283	17,414	2017
Louisiana	1	13,049	1,591	13,991	—	1,591	13,991	15,582	1,069	14,513	2017
Missouri	3	18,605	3,586	22,684	—	3,586	22,684	26,270	1,813	24,457	2017
Oklahoma	1	15,320	536	15,954	—	536	15,954	16,490	1,216	15,274	2017
Texas	2	18,406	3,191	52,140	2,399	3,191	54,539	57,730	4,067	53,663	2017
Utah	1	3,386	2,151	7,073	—	2,151	7,073	9,224	560	8,664	2017
Medical Office Buildings											
Alabama	2	34,502	—	56,252	(23,258)	—	32,994	32,994	4,069	28,925	2017
Arkansas	1	807	—	1,343	—	—	1,343	1,343	300	1,043	2017
California	2	18,613	5,708	33,831	1,102	5,708	34,933	40,641	3,346	37,295	2017

(Amounts in thousands) Property Description / Location	Number of Properties	Encumbrances	Initial Cost Land	Initial Cost Buildings and Improvements	Costs Capitalized Subsequent to Acquisition (1)	Gross Cost Basis at December 31, 2019 Land	Gross Cost Basis at December 31, 2019 Buildings and Improvements	Gross Cost Basis at December 31, 2019 Total	Accumulated Depreciation (2)	Net Carrying Amount (3)	Date of Acquisition
Colorado	6	21,005	8,330	57,618	2,756	7,951	60,753	68,704	6,041	62,663	2017
Florida	3	23,198	2,119	41,279	(4,485)	1,794	37,119	38,913	3,648	35,265	2017
Georgia	13	61,022	12,976	100,152	4,074	12,976	104,226	117,202	9,823	107,379	2017
Hawaii	1	4,737	519	14,030	2,945	519	16,975	17,494	1,098	16,396	2017
Idaho	1	18,431	—	30,473	—	—	30,473	30,473	2,633	27,840	2017
Illinois	6	62,660	9,809	97,772	1,860	9,426	100,015	109,441	9,185	100,256	2017
Indiana	27	160,241	18,106	297,676	(7,635)	16,302	291,845	308,147	29,176	278,971	2017
Louisiana	4	25,580	2,406	52,142	(5,070)	1,889	47,589	49,478	4,851	44,627	2017
Michigan	3	29,871	3,856	48,703	(8,785)	2,770	41,004	43,774	4,141	39,633	2017
Minnesota	2	4,812	1,144	9,348	141	1,144	9,489	10,633	892	9,741	2017
Mississippi	1	13,720	—	21,465	—	—	21,465	21,465	1,951	19,514	2017
New Mexico	3	9,941	—	16,344	531	—	16,875	16,875	2,675	14,200	2017
Ohio	5	42,235	5,036	99,039	(6,128)	3,821	94,126	97,947	8,663	89,284	2017
Oklahoma	2	11,865	—	18,382	—	—	18,382	18,382	1,669	16,713	2017
South Carolina	2	14,936	761	22,966	(4,707)	343	18,677	19,020	2,102	16,918	2017
Tennessee	2	3,851	449	20,022	(3,615)	449	16,407	16,856	1,676	15,180	2017
Texas	19	93,013	5,808	168,060	2,752	5,751	170,869	176,620	18,352	158,268	2017
Washington	1	22,470	998	47,052	107	998	47,159	48,157	3,922	44,235	2017
Skilled Nursing Facilities											
Alabama	1	8,418	433	7,169	—	433	7,169	7,602	711	6,891	2017
California	2	13,518	1,936	37,612	—	1,936	37,612	39,548	7,003	32,545	2017
Florida	22	155,663	24,326	323,769	(6,722)	23,907	317,466	341,373	27,392	313,981	2017
Georgia	6	99,836	12,140	130,707	—	12,140	130,707	142,847	10,901	131,946	2017
Illinois	2	9,620	2,716	15,941	—	2,716	15,941	18,657	1,864	16,793	2017
Indiana	19	95,295	5,634	132,921	—	5,634	132,921	138,555	12,672	125,883	2017
Kentucky	1	13,916	362	17,493	3,084	362	20,577	20,939	1,870	19,069	2017
Louisiana	1	26,263	1,068	28,675	—	1,068	28,675	29,743	2,454	27,289	2017
Massachusetts	3	9,512	6,179	8,006	—	6,179	8,006	14,185	651	13,534	2017
North Carolina	1	5,706	286	10,549	—	286	10,549	10,835	936	9,899	2017
Oregon	6	22,450	4,330	38,024	(6,359)	3,596	32,399	35,995	3,207	32,788	2017
Pennsylvania	8	209,521	20,010	240,922	(437)	19,573	240,922	260,495	20,614	239,881	2017
Tennessee	2	29,547	2,760	38,863	(2,426)	2,305	36,892	39,197	3,081	36,116	2017
Virginia	6	44,199	4,953	61,032	(7,877)	4,157	53,951	58,108	4,758	53,350	2017
Washington	3	10,353	3,647	16,108	(1,254)	3,429	15,072	18,501	1,574	16,927	2017
	352	2,827,790	426,962	4,514,531	(103,494)	411,453	4,426,546	4,837,999	404,174	4,433,825	

(Amounts in thousands) Property Description / Location	Number of Properties	Encumbrances	Initial Cost Land	Initial Cost Buildings and Improvements	Costs Capitalized Subsequent to Acquisition (1)	Gross Cost Basis at December 31, 2019 Land	Gross Cost Basis at December 31, 2019 Buildings and Improvements	Gross Cost Basis at December 31, 2019 Total	Accumulated Depreciation (2)	Net Carrying Amount (3)	Date of Acquisition
Hospitality											
Extended Stay											
Arizona	1	14,339	1,897	15,843	2,760	1,897	18,603	20,500	1,752	18,748	2017
California	8	207,841	59,120	241,574	8,118	59,120	249,692	308,812	28,115	280,697	2017
Colorado	3	56,773	13,163	67,804	6,495	13,163	74,299	87,462	9,181	78,281	2017
Connecticut	2	23,599	3,454	30,231	3,218	3,454	33,449	36,903	3,734	33,169	2017
Florida	2	32,432	2,991	50,761	546	2,991	51,307	54,298	6,223	48,075	2017
Georgia	2	40,561	7,278	52,967	2,465	7,278	55,432	62,710	5,701	57,009	2017
Illinois	1	25,234	4,375	34,567	665	4,375	35,232	39,607	4,139	35,468	2017
Kentucky	2	9,919	2,956	29,407	(15,146)	845	16,372	17,217	3,275	13,942	2017
Louisiana	1	11,574	1,874	15,043	790	1,874	15,833	17,707	2,573	15,134	2017
Massachusetts	3	54,598	8,274	74,973	1,300	8,274	76,273	84,547	8,018	76,529	2017
Maryland	1	17,881	3,003	24,644	361	3,003	25,005	28,008	2,877	25,131	2017
Maine	1	11,971	1,572	15,610	1,859	1,572	17,469	19,041	2,216	16,825	2017
Michigan	2	30,846	4,521	39,797	3,569	4,521	43,366	47,887	4,533	43,354	2017
North Carolina	1	17,314	1,693	23,893	521	1,693	24,414	26,107	3,470	22,637	2017
New Hampshire	3	43,411	7,167	59,440	954	7,167	60,394	67,561	6,713	60,848	2017
New Jersey	7	115,347	20,639	145,058	10,647	20,639	155,705	176,344	20,387	155,957	2017
New Mexico	1	16,739	2,125	22,446	747	2,125	23,193	25,318	3,431	21,887	2017
New York	3	39,511	4,108	48,124	5,820	4,108	53,944	58,052	5,799	52,253	2017
Ohio	1	8,417	575	11,747	330	575	12,077	12,652	1,647	11,005	2017
Pennsylvania	2	13,239	4,526	36,759	(18,808)	2,105	20,372	22,477	3,869	18,608	2017
Tennessee	1	23,186	4,118	28,471	1,037	4,118	29,508	33,626	3,310	30,316	2017
Texas	11	141,139	19,932	165,947	11,886	17,008	180,757	197,765	23,022	174,743	2017
Virginia	3	30,787	5,981	38,545	2,951	5,981	41,496	47,477	5,180	42,297	2017
Washington	4	95,883	22,388	116,391	8,120	22,387	124,512	146,899	12,134	134,765	2017
Full Service											
Florida	2	108,114	12,328	133,394	34,517	12,328	167,911	180,239	20,165	160,074	2017
Maryland	1	10,709	3,086	12,964	409	3,086	13,373	16,459	1,408	15,051	2017
New Jersey	1	38,763	16,282	35,308	8,048	16,282	43,356	59,638	5,155	54,483	2017
Select Service											
Alabama	1	14,542	1,134	19,213	815	1,134	20,028	21,162	2,148	19,014	2017
Arizona	2	28,643	7,831	34,616	1,119	7,831	35,735	43,566	4,596	38,970	2017
California	9	188,641	38,775	221,428	13,046	38,775	234,474	273,249	25,179	248,070	2017
Colorado	1	15,574	2,018	20,047	729	2,018	20,776	22,794	2,431	20,363	2017
Connecticut	3	52,203	6,735	67,148	3,883	6,735	71,031	77,766	7,670	70,096	2017
Florida	8	152,574	16,852	219,288	4,590	16,853	223,877	240,730	24,852	215,878	2017
Georgia	4	55,503	11,505	77,275	(2,569)	9,932	76,279	86,211	9,510	76,701	2017

(Amounts in thousands) Property Description / Location	Number of Properties	Encumbrances	Initial Cost Land	Initial Cost Buildings and Improvements	Costs Capitalized Subsequent to Acquisition (1)	Gross Cost Basis at December 31, 2019 Land	Gross Cost Basis at December 31, 2019 Buildings and Improvements	Gross Cost Basis at December 31, 2019 Total	Accumulated Depreciation (2)	Net Carrying Amount (3)	Date of Acquisition
Illinois	1	16,846	2,738	22,368	1,143	2,738	23,511	26,249	2,637	23,612	2017
Kentucky	1	26,501	6,660	31,618	3,024	6,660	34,642	41,302	4,054	37,248	2017
Louisiana	2	31,644	2,409	23,780	1,458	2,409	25,238	27,647	3,483	24,164	2017
Massachusetts	1	24,485	3,272	31,343	739	3,272	32,082	35,354	3,341	32,013	2017
Maryland	3	38,974	10,405	78,892	(31,138)	4,994	53,165	58,159	5,069	53,090	2017
Michigan	4	73,704	10,430	97,029	5,305	10,430	102,334	112,764	11,559	101,205	2017
North Carolina	6	97,952	13,689	123,653	7,835	13,574	131,603	145,177	14,265	130,912	2017
New Hampshire	3	37,242	6,092	50,557	1,023	6,092	51,580	57,672	5,477	52,195	2017
New Jersey	4	87,183	18,073	110,251	3,410	18,073	113,661	131,734	12,998	118,736	2017
New York	5	97,477	30,292	105,153	8,153	30,292	113,306	143,598	12,820	130,778	2017
Ohio	1	15,880	7,655	56,496	(39,253)	2,634	22,264	24,898	2,641	22,257	2017
Oklahoma	1	4,297	447	5,387	(1,625)	203	4,006	4,209	927	3,282	2017
Pennsylvania	2	29,640	4,627	38,435	1,974	4,627	40,409	45,036	4,399	40,637	2017
Tennessee	2	32,457	5,699	42,462	2,733	5,699	45,195	50,894	5,403	45,491	2017
Texas	15	171,099	27,974	177,156	(9,388)	24,389	171,353	195,742	24,043	171,699	2017
Virginia	6	90,293	23,071	140,115	(16,596)	17,042	129,548	146,590	13,713	132,877	2017
Washington	1	28,826	2,125	38,975	723	2,124	39,699	41,823	4,133	37,690	2017
	156	2,652,307	499,934	3,404,393	45,312	470,499	3,479,140	3,949,639	405,375	3,544,264	
Other Equity and Debt											
Hotel—Arizona	5	41,085	10,917	43,884	13,788	10,917	57,672	68,589	5,851	62,738	2017
Hotel—California	21	288,377	57,970	274,907	50,738	57,970	325,645	383,615	31,326	352,289	2017
Hotel—Florida	3	25,649	8,508	24,764	8,859	8,508	33,623	42,131	3,551	38,580	2017
Hotel—Georgia	1	10,681	1,905	9,296	5,212	1,905	14,508	16,413	1,146	15,267	2017
Hotel—Iowa	1	10,213	—	15,832	1,290	—	17,122	17,122	1,642	15,480	2017
Hotel—Illinois	5	28,612	4,553	30,274	8,057	4,553	38,331	42,884	4,027	38,857	2017
Hotel—Indiana	1	9,121	1,232	9,325	2,789	1,232	12,114	13,346	1,048	12,298	2017
Hotel—Kansas	1	4,834	517	4,930	3,549	517	8,479	8,996	731	8,265	2017
Hotel—Kentucky	1	6,081	1,358	5,576	265	1,358	5,841	7,199	658	6,541	2017
Hotel—Massachusetts	1	9,121	1,152	9,261	4,051	1,152	13,312	14,464	1,092	13,372	2017
Hotel—Michigan	3	23,700	3,276	22,820	(2,131)	3,276	20,689	23,965	2,736	21,229	2017
Hotel—Missouri	1	4,756	471	5,597	3,566	471	9,163	9,634	796	8,838	2017
Hotel—Nevada	4	15,670	27,160	71,823	6,619	27,160	78,442	105,602	8,217	97,385	2017
Hotel—New Jersey	2	84,120	3,572	13,553	7,400	3,572	20,953	24,525	2,227	22,298	2017

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(Amounts in thousands)			Initial Cost		Costs Capitalized Subsequent to Acquisition (1)	Gross Cost Basis at December 31, 2018					
Property Description / Location	Number of Properties	Encumbrances	Land	Buildings and Improvements		Land	Buildings and Improvements	Total	Accumulated Depreciation (2)	Net Carrying Amount (3)	Date of Acquisition
Hotel—New York	6	24,246	3,791	25,267	14,946	3,791	40,213	44,004	4,625	39,379	2017
Hotel—Ohio	7	24,324	4,557	31,786	9,776	4,557	41,562	46,119	4,757	41,362	2017
Hotel—Oklahoma	1	2,807	—	4,751	57	—	4,808	4,808	724	4,084	2017
Hotel—Oregon	1	16,138	2,413	12,142	3,137	2,413	15,279	17,692	1,219	16,473	2017
Hotel—Pennsylvania	8	60,186	12,148	71,347	17,675	12,148	89,022	101,170	8,669	92,501	2017
Hotel—Rhode Island	1	6,705	910	7,017	2,146	910	9,163	10,073	1,148	8,925	2017
Hotel—Tennessee	1	9,511	2,020	8,803	246	2,020	9,049	11,069	1,201	9,868	2017
Hotel—Texas	11	98,542	16,720	90,428	28,037	16,720	118,465	135,185	10,888	124,297	2017
Hotel—Virginia	3	38,200	8,446	37,575	5,834	8,446	43,409	51,855	4,123	47,732	2017
Industrial—France	3	20,991	5,235	23,483	1,069	5,235	24,552	29,787	1,947	27,840	2017
Industrial—Spain	1	—	—	2,299	275	—	2,574	2,574	400	2,174	2017
Mixed-Use—Italy	14	22,182	32,035	22,199	10,023	32,035	32,222	64,257	2,139	62,118	2015
Office—France	25	84,142	41,312	90,220	17,722	41,312	107,942	149,254	8,754	140,500	2016-2017
Office—Spain	2	105,160	94,078	86,991	4,957	94,080	91,946	186,026	7,045	178,981	2017
Office—US	2	104,061	11,862	128,004	15,000	11,862	143,004	154,866	24,747	130,119	2013-2017
Office—UK	1	27,230	7,719	31,485	(11,014)	7,719	20,471	28,190	4,105	24,085	2015
Office/Industrial—France	180	296,497	82,193	262,218	2,032	82,193	264,250	346,443	18,747	327,696	2018
Retail—UK	2	69,890	943	84,232	(31,235)	943	52,997	53,940	9,475	44,465	2015
	319	1,572,832	448,973	1,562,089	204,735	448,975	1,766,822	2,215,797	179,761	2,036,036	
Real estate held for investment	847	$ 7,592,084	$1,405,377	$10,298,963	$ 146,553	$1,360,435	$10,490,458	$11,850,893	$ 990,375	10,860,518	
Real estate held for sale											
Digital										29,114	2019
Healthcare										57,664	2017
Hotel										16,155	2017
Industrial										342,758	2019
Other Equity & Debt—US										77,706	Various
Other Equity & Debt—Europe										276,018	Various
Total real estate assets										$11,659,933	

(1) Includes adjustment for impairment of real estate.

(2) Depreciation is calculated using a useful life ranging from 1 month based on the shortest remaining lease term for improvements and up to 51 years for buildings.

(3) The aggregate gross cost of total real estate for federal income tax purposes was $11.2 billion at December 31, 2019.

(4) Includes 12 properties under leasehold interests for which the Company owns the data center infrastructure. For real estate acquired in a business combination, the purchase price allocation may be subject to adjustments during the measurement period, not to exceed 12 months from date of acquisition, based upon new information obtained about facts and circumstances that existed at time of acquisition.

The following tables summarize the activity in real estate assets and accumulated depreciation:

(In thousands)	Year Ended December 31, 2019	2018	2017
Real Estate, at Gross Cost Basis			
Balance at January 1	$ 15,500,802	$ 15,791,144	$ 3,656,094
Assumed through business combinations	876,572	—	11,730,087
Foreclosures and exchanges of loans receivable for real estate (Note 3)	14,866	45,617	1,867,655
Acquisitions	1,474,624	984,844	1,027,889
Improvements and capitalized costs [1]	366,817	276,210	237,125
Deconsolidation of real estate held by investment entity upon closing of Combination	—	(226,004)	(407,653)
Dispositions [2]	(5,197,705)	(933,217)	(2,484,616)
Impairment	(348,710)	(357,629)	(59,652)
Effect of changes in foreign exchange rates	15,089	(80,163)	224,215
Balance at December 31	12,702,355	15,500,802	15,791,144
Classified as held for sale, net [3]	(851,462)	(4,005,398)	(3,390,528)
Balance at December 31, held for investment	$ 11,850,893	$ 11,495,404	$ 12,400,616

(In thousands)	Year Ended December 31, 2019	2018	2017
Accumulated Depreciation			
Balance at January 1	$ 1,029,386	$ 606,200	$ 188,509
Depreciation	500,240	471,599	453,331
Deconsolidation of real estate held by investment entity upon closing of Combination	—	(6,256)	(3,212)
Dispositions [2]	(489,276)	(42,873)	(34,854)
Effect of changes in foreign exchange rates	2,072	716	2,426
Balance at December 31	1,042,422	1,029,386	606,200
Classified as held for sale, net [3]	(52,047)	(359,992)	(218,751)
Balance at December 31, held for investment	$ 990,375	$ 669,394	$ 387,449

[1] Includes transaction costs capitalized for asset acquisitions.
[2] Includes amounts classified as held for sale during the year and disposed before the end of the year.
[3] Amounts classified as held for sale during the year and remain as held for sale at the end of the year.

COLONY CAPITAL, INC.
SCHEDULE IV—MORTGAGE LOANS ON REAL ESTATE
December 31, 2019

(Dollars in thousands)

Loan Type / Collateral / Location (1)	Number of Loans	Payment Terms (2)	Interest Rate Range (3)	Maturity Date Range (4)	Prior Liens (5)	Unpaid Principal Balance	Carrying Amount (6)(7)	Principal Amount Subject to Delinquent Principal or Interest (8)
Loans at amortized cost								
First mortgage:								
Residential—France	1	I/O	15.0%	October 2020	$ —	$ 20,207	$ 19,980	$ —
Multifamily—Ireland	1	I/O	3.1%	January 2018	—	81,552	81,557	81,552
Office—Ireland	1	I/O	2.3%	December 2017	—	44,146	44,145	44,146
Office—Ireland	1	I/O	12.5%	December 2021	—	69,283	69,283	—
Retail—Various, USA	1	I/O	8.0%	December 2020	—	42,394	42,394	—
Retail—France	1	I/O	3.5%	June 2018	—	2,505	2,818	2,505
Hospitality—France	1	I/O	10.0%	December 2021	—	93,129	94,256	—
Hospitality—Spain	1	I/O	11.0%	December 2019	—	41,751	44,100	41,751
Healthcare—UK	4	I/O	7.5%	March 2022	—	43,347	43,347	—
Land—TX, USA	1	I/O	14.0%	May 2020	—	32,245	23,604	32,245
Other—Various, USA	1	I/O	11.0%	February 2020	—	1,222	1,222	—
Other—France	3	I/O	3.5% - 15.0%	June 2018 to December 2020	—	6,612	6,716	1,604
	17				—	478,393	473,422	203,803
Subordinated mortgage and mezzanine:								
Multifamily—CA, USA	2	I/O	12.7%	April 2021 to September 2021	34,767	44,887	44,637	—
Office—Various, USA	2	I/O	8.0% - 12.0%	February 2020 to April 2025	78,000	32,549	30,004	—
Office—Ireland / France	1	I/O	11.0%	January 2022	158,611	127,161	143,406	—
Retail—NC, USA	1	P&I	5.7%	December 2018	74,712	37,766	—	37,766
Retail—UK	1	I/O	12.0%	January 2020	119,884	64,134	64,134	64,134
Mixed Use—CA, USA	1	I/O	12.9%	July 2020	602,411	398,499	400,100	—
	8				1,068,385	704,996	682,281	101,900

(Dollars in thousands)

Loan Type / Collateral / Location [(1)]	Number of Loans	Payment Terms [(2)]	Interest Rate Range [(3)]	Maturity Date Range [(4)]	Prior Liens [(5)]	Unpaid Principal Balance	Carrying Amount [(6)(7)]	Principal Amount Subject to Delinquent Principal or Interest [(8)]
Purchased credit-impaired loans [(9)]								
Multifamily—Ireland	2				—	5,253	886	—
Industrial—Ireland	3				—	79,140	7,681	—
Office—Ireland	8				—	51,914	517	—
Office—Ireland	1				—	175,421	169,673	—
Retail—Ireland	7				—	98,895	16,370	—
Hospitality—France	1				—	15,934	17,897	—
Hospitality—Ireland	7				—	54,185	368	—
Land—Ireland	4				—	104,953	27,014	—
Other—Ireland	38				—	580,109	8,092	—
	71				—	1,165,804	248,498	—
Corporate loans								
N/A [(10)]	1	I/O	8.00%	January 2027	—	27,287	27,287	—
N/A [(10)]	2	I/O	8.0% - 13.0%	September 2020 to June 2025	—	30,367	30,367	—
N/A [(10)]	1	I/O	14.0%	January 2025	—	91,726	90,969	—
	4				—	149,380	148,623	—
Total	100				$1,068,385	$2,498,573	$1,552,824	$ 305,703

(1) Loans with carrying amounts that are individually less than 3% of the total carrying amount have been aggregated according to collateral type and location.

(2) Payment terms: P&I = Periodic payment of principal and interest; I/O = Periodic payment of interest only with principal at maturity

(3) Variable rate loans are determined based on the applicable index in effect at December 31, 2019.

(4) Represents contractual maturity and does not contemplate exercise of extension option.

(5) Prior liens represent loan amounts owned by third parties that are senior to the Company's subordinated or mezzanine positions and are approximate.

(6) Carrying amounts at December 31, 2019 are presented net of $48.2 million of allowance for loan losses.

(7) The aggregate cost basis of loans held for investment for federal income tax purposes was $1.6 billion at December 31, 2019.

(8) Represents principal balance of loans which are 90 days or more past due as to principal or interest. For purchased credit-impaired loans, amounts represent principal balance of loans on nonaccrual status for which the Company is not able to determine a reasonable expectation of cash flows to be collected.

(9) Purchased credit-impaired loans are acquired loans with evidence of credit quality deterioration for which it is probable at acquisition that the Company will collect less than the contractually required payments. Payment terms, stated interest rate and contractual maturity are not presented as they are not meaningful for purchased credit-impaired loans.

(10) Corporate loans are either unsecured or secured by the assets of the parent entities that own the underlying real estate operations but are not secured by mortgages on the real estate.

Activity in loans held for investment is summarized below:

	Year Ended December 31,		
(In thousands)	2019	2018	2017
Balance at January 1	$ 1,659,217	$ 3,223,762	$ 3,430,608
Loans acquired in Merger	—	—	359,541
Loan acquisitions and originations	174,182	386,532	991,239
Paid-in-kind interest added to loan principal	68,810	52,234	56,131
Discount and net loan fee amortization	12,649	14,524	43,877
Accretion on PCI loans	19,637	27,911	61,809
Consolidation of loans receivable held by investment entities and securitization trusts	—	—	58,296
Loan repayments	(216,891)	(166,267)	(902,190)
Payments received from PCI loans	(50,765)	(187,140)	(419,232)
Transfer to loans held for sale	—	—	(50,894)
Carrying value of loans sold	(35,158)	(111,864)	—
Foreclosures and other conversions to real estate	(28,562)	(47,097)	(515,055)
Loans receivable contributed to CLNC	—	(1,287,994)	—
Deconsolidation of loans receivable in securitization trusts	—	(149,447)	—
Provision for loan losses	(35,880)	(43,034)	(19,741)
Other loss	—	—	(2,309)
Effect of changes in foreign exchange rates	(14,415)	(52,903)	131,682
Balance at December 31	$ 1,552,824	$ 1,659,217	$ 3,223,762

Item 16. Form 10-K Summary

None.

Item 6. Exhibits.

Exhibit Number	Description
2.1	Contribution and Implementation Agreement, dated as of December 23, 2014, by and among Colony Financial, Inc., CFI RE Masterco, LLC, Colony Capital, LLC, Colony Capital Holdings, LLC, Colony Capital OP Subsidiary, LLC, CCH Management Partners I, LLC, FHB Holding LLC and Richard B. Saltzman (incorporated by reference to Exhibit 2.1 to Colony Capital, Inc.'s Current Report on Form 8-K filed on December 23, 2014)
2.2	Agreement and Plans of Merger, dated as of June 2, 2016, among NorthStar Asset Management Group Inc., Colony Capital, Inc., NorthStar Realty Finance Corp., Colony NorthStar, Inc. (formerly known as New Polaris Inc.), New Sirius Inc., NorthStar Realty Finance Limited Partnership, Sirius Merger Sub-T, LLC and New Sirius Merger Sub, LLC (incorporated by reference to Exhibit 2.1 to Colony NorthStar, Inc.'s Registration Statement on Form S-4 (No. 333-212739) effective November 18, 2016, which is included as Annex A to such Registration Statement)
2.3	Letter Agreement, dated as of July 28, 2016, by and among NorthStar Realty Finance Corp., Colony Capital, Inc., NorthStar Asset Management Group Inc., Colony NorthStar, Inc. (formerly known as New Polaris Inc.), Sirius Merger Sub-T, LLC, NorthStar Realty Finance Limited Partnership, New Sirius Inc. and New Sirius Merger Sub LLC (incorporated by reference to Exhibit 2.2 to Colony NorthStar, Inc.'s Registration Statement on Form S-4 (No. 333-212739) effective November 18, 2016, which is included as Annex A to such Registration Statement)
2.4	Letter Agreement, dated as of October 16, 2016, among NorthStar Realty Finance Corp., Colony Capital, Inc., NorthStar Asset Management Group Inc., Colony NorthStar, Inc. (formerly known as New Polaris Inc.), Sirius Merger Sub-T, LLC, NorthStar Realty Finance Limited Partnership, New Sirius Inc. and New Sirius Merger Sub LLC (incorporated by reference to Exhibit 2.3 to Colony NorthStar, Inc.'s Registration Statement on Form S-4 (No. 333-212739) effective November 18, 2016, which is included as Annex A to such Registration Statement)
2.5	Master Combination Agreement, dated as of August 25, 2017, among Colony Capital Operating Company, LLC, NRF RED REIT Corp., NorthStar Real Estate Income Trust, Inc., NorthStar Real Estate Income Trust Operating Partnership, LP, NorthStar Real Estate Income II, Inc., NorthStar Real Estate Income Operating Partnership II, LP, Colony NorthStar Credit Real Estate, Inc. and Credit RE Operating Company, LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on August 28, 2017)
2.6	Amended and Restated Master Combination Agreement, dated as of November 20, 2017, among Colony Capital Operating Company, LLC, NRF RED REIT Corp., NorthStar Real Estate Income Trust, Inc., NorthStar Real Estate Income Trust Operating Partnership, LP, NorthStar Real Estate Income II, Inc., NorthStar Real Estate Income Operating Partnership II, LP, Colony NorthStar Credit Real Estate, Inc. and Credit RE Operating Company, LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on November 21, 2017)
3.1	Articles of Amendment and Restatement of Colony NorthStar, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 10, 2017)
3.2	Articles of Amendment of Colony Capital, Inc. (fka Colony NorthStar, Inc.), as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on August 9, 2018)
3.3	Amended and Restated Bylaws of Colony Capital, Inc. (fka Colony NorthStar, Inc.) (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on June 25, 2018)
3.4	Articles Supplementary designating Colony NorthStar, Inc.'s 7.15% Series I Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, par value \$0.01 per share (incorporated by reference to Exhibit 3.2 to the Company's Form 8-A filed on June 5, 2017)
3.5	Articles Supplementary designating Colony NorthStar, Inc.'s 7.125% Series J Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, par value \$0.01 per share (incorporated by reference to Exhibit 3.3 to Colony NorthStar, Inc.'s Registration Statement on Form 8-A filed on September 22, 2017)
4.1	Form of stock certificate evidencing the 7.125% Series J Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, par value \$0.01 per share (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A filed on September 22, 2017)
4.2	Form of stock certificate evidencing the 7.15% Series I Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, par value \$0.01 per share (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A filed on June 5, 2017)
4.3	Indenture, dated as of April 10, 2013, between Colony Capital, Inc. and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to Colony Financial, Inc.'s Current Report on Form 8-K filed on April 10, 2013)
4.4	First Supplemental Indenture, dated as of April 10, 2013, by and between Colony Capital, Inc. and The Bank of New York Mellon (incorporated by reference to Exhibit 4.2 to Colony Capital, Inc.'s Current Report on Form 8-K filed on April 10, 2013)
4.5	Second Supplemental Indenture, dated as of January 28, 2014, by and between Colony Capital, Inc. and The Bank of New York Mellon (incorporated by reference to Exhibit 4.2 to Colony Capital, Inc.'s Current Report on Form 8-K filed on January 28, 2014)

Exhibit Number	Description
4.6	Third Supplemental Indenture, dated as of January 10, 2017, between Colony NorthStar, Inc. and The Bank of New York Mellon (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 10, 2017)
4.7	Form of 3.875% Convertible Senior Notes due 2021 (included in Exhibit 4.3) (incorporated by reference to Exhibit 4.6 to Colony Capital, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015)
4.8	Registration Rights Agreement relating to the 7.25% Exchangeable Senior Notes due 2027 of NorthStar Realty Finance Limited Partnership, dated as of June 18, 2007 (incorporated by reference to Exhibit 4.2 to NorthStar Realty Finance Corp.'s Registration Statement on Form S-3 (File No. 333-146679))
4.9	Indenture, dated as of June 18, 2007, by and among NorthStar Realty Finance Limited Partnership, NorthStar Realty Finance Corp. and Wilmington Trust Company (incorporated by reference to Exhibit 4.1 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on June 22, 2007 (File No. 001-32330))
4.10	Supplemental Indenture, dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. and Wilmington Trust Company (incorporated by reference to Exhibit 4.9 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.11	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and Wilmington Trust Company (incorporated by reference to Exhibit 4.1 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.12	Third Supplemental Indenture, dated as of January 10, 2017, by and between NRF Holdco, LLC, Colony NorthStar, Inc. and Wilmington Trust Company (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.13	Registration Rights Agreement relating to the 5.375% Exchangeable Senior Notes due 2033 of NorthStar Realty Finance Limited Partnership, dated as of June 19, 2013 (incorporated by reference to Exhibit 4.4 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on June 19, 2013)
4.14	Indenture, dated as of June 19, 2013, by and among NorthStar Realty Finance Limited Partnership, NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.1 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on June 19, 2013)
4.15	Supplemental Indenture, dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.3 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.16	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.3 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.17	Third Supplemental Indenture, dated as of January 10, 2017, by and between NRF Holdco, LLC, Colony NorthStar, Inc. and Wilmington Trust, National Association (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.18	Junior Subordinated Indenture, dated as of April 12, 2005, between NorthStar Realty Finance Corp. (as successor in interest to NorthStar Realty Finance Limited Partnership) and The Bank of New York Mellon Trust Company, N.A. (as successor trustee to JPMorgan Chase Bank, National Association) (incorporated by reference to Exhibit 10.17 to NorthStar Realty Finance Corp.'s Amendment No. 1 to its Annual Report on Form 10-K/A for the year ended December 31, 2004 (File No. 001-32330))
4.19	Supplemental Indenture dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. (renamed NorthStar Realty Finance Corp.) and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.12 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.20	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and The Bank of New York Mellon Trust Company, N.A., further supplementing the Indenture, dated as of April 12, 2005 and supplemented by the first Supplemental Indenture thereto dated as of June 30, 2014, between NorthStar Realty Finance Corp. and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.4 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.21	Third Supplemental Indenture, dated as of January 10, 2017, by and among NRF Holdco, LLC, Colony NorthStar, Inc. and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.22	Junior Subordinated Indenture, dated as of May 25, 2005, between NorthStar Realty Finance Limited Partnership and The Bank of New York Mellon Trust Company, N.A. (as successor trustee to JPMorgan Chase Bank, National Association) (incorporated by reference to Exhibit 10.19 to NorthStar Realty Finance Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 001-32330))
4.23	Supplemental Indenture dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. (renamed NorthStar Realty Finance Corp.) and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.14 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)

Exhibit Number	Description
4.24	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and The Bank of New York Mellon Trust Company, N.A., further supplementing the Indenture, dated as of May 25, 2005 and supplemented by the first Supplemental Indenture thereto dated as of June 30, 2014, between NorthStar Realty Finance Corp. and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.5 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.25	Third Supplemental Indenture, dated as of January 10, 2017, by and among NRF Holdco, LLC, Colony NorthStar, Inc. and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.26	Junior Subordinated Indenture, dated as of November 22, 2005, between NorthStar Realty Finance Corp. (as successor in interest to NorthStar Realty Finance Limited Partnership) and The Bank of New York Mellon Trust Company, N.A. (as successor trustee to JPMorgan Chase Bank, National Association) (incorporated by reference to Exhibit 10.30 to NorthStar Realty Finance Corp.'s Registration Statement on Form S-11 (File No. 333-128962))
4.27	Supplemental Indenture dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. (renamed NorthStar Realty Finance Corp.) and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.16 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.28	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and The Bank of New York Mellon Trust Company, N.A., further supplementing the Indenture, dated as of November 22, 2005 and supplemented by the first Supplemental Indenture thereto dated as of June 30, 2014, between NorthStar Realty Finance Corp. and The Bank of New York Mellon Trust Company, N.A. (as successor trustee to JPMorgan Chase Bank, National Association) (incorporated by reference to Exhibit 4.6 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.29	Third Supplemental Indenture, dated as of January 10, 2017, by and among NRF Holdco, LLC, Colony NorthStar, Inc. and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.30	Junior Subordinated Indenture, dated as of March 10, 2006, between NorthStar Realty Finance Corp. (as successor in interest to NorthStar Realty Finance Limited Partnership and NorthStar Realty Finance Corp.) and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.31 to NorthStar Realty Finance Corp.'s Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 001-32330))
4.31	Supplemental Indenture dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. (renamed NorthStar Realty Finance Corp.) and Wilmington Trust Company (incorporated by reference to Exhibit 4.18 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.32	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and Wilmington Trust Company, further supplementing the Indenture, dated as of March 10, 2006 and supplemented by the first Supplemental Indenture thereto dated as of June 30, 2014, between NorthStar Realty Finance Corp. and Wilmington Trust Company (incorporated by reference to Exhibit 4.7 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.33	Third Supplemental Indenture, dated as of January 10, 2017, by and among NRF Holdco, LLC, Colony NorthStar, Inc. and Wilmington Trust Company (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.34	Junior Subordinated Indenture, dated as of August 1, 2006, between NorthStar Realty Finance Corp. (as successor in interest to NorthStar Realty Finance Limited Partnership and NorthStar Realty Finance Corp.) and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.39 to NorthStar Realty Finance Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File No. 001-32330))
4.35	Supplemental Indenture dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. (renamed NorthStar Realty Finance Corp.) and Wilmington Trust Company (incorporated by reference to Exhibit 4.20 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.36	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and Wilmington Trust Company, further supplementing the Indenture, dated as of August 1, 2006 and supplemented by the first Supplemental Indenture thereto dated as of June 30, 2014, between NorthStar Realty Finance Corp. and Wilmington Trust Company (incorporated by reference to Exhibit 4.8 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.37	Third Supplemental Indenture, dated as of January 10, 2017, by and among NRF Holdco, LLC, Colony NorthStar, Inc. and Wilmington Trust Company (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.38	Junior Subordinated Indenture, dated as of October 6, 2006, between NorthStar Realty Finance Corp. (as successor in interest to NorthStar Realty Finance Limited Partnership and NorthStar Realty Finance Corp.) and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.42 to NorthStar Realty Finance Corp.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 001-32330))
4.39	Supplemental Indenture dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. (renamed NorthStar Realty Finance Corp.) and Wilmington Trust Company (incorporated by reference to Exhibit 4.22 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)

Exhibit Number	Description
4.40	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and Wilmington Trust Company, further supplementing the Indenture, dated as of October 6, 2006 and supplemented by the first Supplemental Indenture thereto dated as of June 30, 2014, between NorthStar Realty Finance Corp. and Wilmington Trust Company (incorporated by reference to Exhibit 4.9 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.41	Third Supplemental Indenture, dated as of January 10, 2017, by and among NRF Holdco, LLC, Colony NorthStar, Inc. and Wilmington Trust Company (incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.42	Junior Subordinated Indenture, dated as of March 30, 2007, between NorthStar Realty Finance Corp. (as successor in interest to NorthStar Realty Finance Limited Partnership and NorthStar Realty Finance Corp.) and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.46 to NorthStar Realty Finance Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 001-32330))
4.43	Supplemental Indenture dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. (renamed NorthStar Realty Finance Corp.) and Wilmington Trust Company (incorporated by reference to Exhibit 4.24 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.44	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and Wilmington Trust Company, further supplementing the Indenture, dated as of March 30, 2007 and supplemented by the first Supplemental Indenture thereto dated as of June 30, 2014, between NorthStar Realty Finance Corp. and Wilmington Trust Company (incorporated by reference to Exhibit 4.10 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.45	Third Supplemental Indenture, dated as of January 10, 2017, by and among NRF Holdco, LLC, Colony NorthStar, Inc. and Wilmington Trust Company (incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.46	Junior Subordinated Indenture, dated as of June 7, 2007, between NorthStar Realty Finance Corporation (as successor in interest to NorthStar Realty Finance Limited Partnership and NorthStar Realty Finance Corp.) and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.52 to NorthStar Realty Finance Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 001-32330))
4.47	Supplemental Indenture dated as of June 30, 2014, by and among NorthStar Realty Finance Corp., NRFC Sub-REIT Corp. (renamed NorthStar Realty Finance Corp.) and Wilmington Trust Company (incorporated by reference to Exhibit 4.26 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.48	Second Supplemental Indenture, dated as of March 13, 2015, by and among NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership and Wilmington Trust Company, further supplementing the Indenture, dated as of June 7, 2007 and supplemented by the first Supplemental Indenture thereto dated as of June 30, 2014, between NorthStar Realty Finance Corp. and Wilmington Trust Company (incorporated by reference to Exhibit 4.11 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.49	Third Supplemental Indenture, dated as of January 10, 2017, by and among NRF Holdco, LLC, Colony NorthStar, Inc. and Wilmington Trust Company (incorporated by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
4.50*	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934
Certain Instruments defining the rights of holders of long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Registrant hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.	
10.1	Third Amended and Restated Limited Liability Company Agreement of Colony Capital Operating Company, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 10, 2017)
10.2	Amendment No. 1 to the Third Amended and Restated Limited Liability Company Agreement of Colony Capital Operating Company, LLC, dated as of June 23, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 9, 2017)
10.3	Amendment No. 2 to the Third Amended and Restated Limited Liability Company Agreement of Colony Capital Operating Company, LLC, dated as of October 13, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2017)
10.4	Amendment No. 3 to the Third Amended and Restated Limited Liability Company Agreement of Colony Capital Operating Company, LLC, dated as of October 18, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2017)
10.5	Amendment No. 4 to the Third Amended and Restated Limited Liability Company Agreement of Colony Capital Operating Company, LLC, dated as of November 5, 2018 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2018)
10.6†	Colony Capital, Inc. 2014 Omnibus Stock Incentive Plan
10.7	Second Amended and Restated Credit Agreement, dated as of January 10, 2017, among Colony Capital Operating Company, LLC, the several lenders from time to time parties thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.13 to the Company's Current Report on Form 8-K filed on January 10, 2017)

Exhibit Number	Description
10.8	First Amendment to the Second Amended and Restated Credit Agreement, dated as of January 12, 2018, among Colony Capital Operating Company, LLC, the several lenders from time to time parties thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 19, 2018)
10.9	Second Amendment, dated as of January 8, 2019, among Colony Capital Operating Company, LLC, the several lenders from time to time parties thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K filed on March 1, 2019)
10.10	Third Amendment, dated as of April 5, 2019, among Colony Capital Operating Company, LLC, the Subsidiary Borrowers from time to time party thereto, the several lenders from time to time parties thereto and JPMorgan ChaseBank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 11, 2019)
10.11	Tax Protection Agreement, dated as of January 10, 2017, by and among Colony Capital, Inc., Colony Capital Operating Company, LLC, Colony Capital, LLC, CCH Management Partners I, LLC, FHB Holding LLC and Richard B. Saltzman (incorporated by reference to Exhibit 10.14 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
10.12	Form of Indemnification Agreement, by and between Colony NorthStar, Inc. and the Officers and Directors of Colony NorthStar, Inc. (incorporated by reference to Exhibit 10.17 to the Company's Current Report on Form 8-K12B filed on January 10, 2017)
10.13	Advisory Agreement, dated as of June 30, 2014, by and among NSAM J-NSHC Ltd, NorthStar Healthcare Income, Inc., NorthStar Healthcare Income Operating Partnership, LP and NorthStar Asset Management Group Inc. (incorporated by reference to Exhibit 10.8 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on July 1, 2014)
10.14	Amendment No. 1 to Advisory Agreement, dated as of December 20, 2017, by and among NorthStar Healthcare Income, Inc., NorthStar Healthcare Income Operating Partnership, LP, CNI NSHC Advisors, LLC and Colony NorthStar, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 27, 2017)
10.15	Colony Mark Transfer Agreement, dated as of December 23, 2014, by and among New Colony Holdings LLC, Colony Financial, Inc. and CFI RE Masterco, LLC (incorporated by reference to Exhibit 10.1 to Colony Capital, Inc.'s Current Report on Form 8-K filed on December 23, 2014)
10.16†	Employment Agreement, dated as of December 23, 2014, by and between Colony Financial, Inc. and Thomas J. Barrack, Jr. (incorporated by reference to Exhibit 10.2 to Colony Capital, Inc.'s Current Report on Form 8-K filed on December 23, 2014)
10.17†	Share Transfer and Liquidated Damages Agreement, dated as of December 23, 2014, by and among Colony Financial, Inc., Colony Capital Holdings, LLC, Colony Capital, LLC and Richard B. Saltzman (incorporated by reference to Exhibit 10.5 to Colony Capital, Inc.'s Current Report on Form 8-K filed on December 23, 2014)
10.18	Second Amendment to Employment Agreement and Restrictive Covenant Agreement, dated March 1, 2019, by and among the Company and Thomas J. Barrack, Jr. (incorporated by reference to Exhibit 10.1 to Colony Capital, Inc.'s Quarterly Report on Form 10-Q filed on May 10, 2019)
10.19†	Lock-Up and Liquidated Damages Agreement, dated as of December 23, 2014, by and among Colony Financial, Inc., CFI RE Masterco, LLC, Colony Capital, LLC and Thomas J. Barrack, Jr. (incorporated by reference to Exhibit 10.4 to Colony Capital, Inc.'s Current Report on Form 8-K filed on December 23, 2014)
10.20†	First Amendment to Employment Agreement, Lock-Up Agreement and Restrictive Covenant Agreement, dated as of June 2, 2016, by and among Colony and Thomas J. Barrack, Jr. (incorporated by reference to Exhibit 10.2 to Colony Capital, Inc.'s Current Report on Form 8-K filed on June 8, 2016)
10.21	Waiver and Acknowledgment to Contribution and Implementation Agreement, entered into as of April 1, 2015 (incorporated by reference to Exhibit 10.2 to Colony Capital, Inc.'s Current Report on Form 8-K filed on April 2, 2015)
10.22†	Employment Agreement, dated as of March 16, 2015, by and between Colony Capital, Inc. and Ronald M. Sanders (incorporated by reference to Exhibit 10.3 to Colony Capital, Inc.'s Current Report on Form 8-K filed on April 2, 2015)
10.23†	Employment Agreement, dated as of March 16, 2015, by and between Colony Capital, Inc. and Darren J. Tangen (incorporated by reference to Exhibit 10.4 to Colony Capital, Inc.'s Current Report on Form 8-K filed on April 2, 2015)
10.24†	Employment Agreement, dated as of March 16, 2015, by and between Colony Capital, Inc. and Kevin Traenkle (incorporated by reference to Exhibit 10.5 to Colony Capital, Inc.'s Current Report on Form 8-K filed on April 2, 2015)
10.25†	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)
10.26†	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)
10.27	Employment Agreement, dated as of July 25, 2019, between Colony Capital, Inc. and Marc Ganzi (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 30, 2019)
10.28†	Form of Restricted Stock Agreement
10.29†	Form of Performance Restricted Stock Unit Agreement

Exhibit Number	Description
10.30	Separation Agreement and Release of Claims, dated as of December 18, 2018, between Colony Capital, Inc. and Richard B. Saltzman (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 21, 2018)
10.31	First Amendment to Contribution and Implementation Agreement, dated as of June 2, 2016, by and among Colony, Colony Capital OP, Colony Capital, LLC, Colony Capital Holdings, LLC, Colony Capital OP Subsidiary, LLC, CCH Management Partners I, LLC, FHB Holding LLC and Richard B. Saltzman (incorporated by reference to Exhibit 10.1 to Colony Capital, Inc.'s Current Report on Form 8-K filed on June 8, 2016)
10.32†	NorthStar Realty Finance Corp. Third Amended and Restated 2004 Omnibus Stock Incentive Plan (incorporated by reference to Appendix A to NorthStar Realty Finance Corp.'s definitive Proxy Statement on Schedule 14A filed on May 13, 2016)
10.33	Purchase and Sale Agreement, dated as of November 4, 2016, by and among NorthStar Realty Finance Limited Partnership, NorthStar Healthcare JV Holdings, LLC, NorthStar Healthcare REIT, LLC, NorthStar TK Healthcare Operating Company, LLC, NorthStar Healthcare JV, LLC and NRFC Healthcare Holding Company, LLC and Derwood Limited (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 25, 2017)
10.34	Amended and Restated Management Agreement, dated as of November 6, 2019, by and among Colony Credit Real Estate, Inc., Credit RE Operating Company, LLC and CLNC Manager, LLC (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on November 8, 2019)
10.35	Stockholders Agreement, dated as of January 31, 2018, by and between Colony NorthStar Credit Real Estate, Inc. and Colony Capital Operating Company, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on February 1, 2018)
10.36	Registration Rights Agreement, dated as of January 31, 2018, by and among Colony NorthStar Credit Real Estate, Inc., Colony Capital Operating Company, LLC and NRF RED REIT Corp. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on February 1, 2018)
10.37	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)
10.38	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)
10.39	Share Purchase Agreement, dated as of September 29, 2019, by and between Colony Industrial Fund JV L.P. and BREP 9 Sapphire Holdings LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 3, 2019)
21.1*	List of Subsidiaries of Colony Capital, Inc.
23.1*	Consent of Ernst & Young LLP
31.1*	Certification of Thomas J. Barrack Jr., Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Mark M. Hedstrom, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Thomas J. Barrack Jr., Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Mark M. Hedstrom, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
104**	Cover Page Interactive Data File

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† Denotes a management contract or compensatory plan contract or arrangement.

* Filed herewith.

** The document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COLONY CAPITAL, INC.

Dated:	March 2, 2020	By:	/s/ Thomas J. Barrack, Jr.
			Thomas J. Barrack, Jr.
			Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Darren J. Tangen and Ronald M. Sanders and each of them severally, her or his true and lawful attorney-in-fact with power of substitution and re-substitution to sign in her or his name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the U.S. Securities and Exchange Commission in connection with this Annual Report on Form 10-K and any and all amendments hereto, as fully for all intents and purposes as she or he might or could do in person, and hereby ratifies and confirms all said attorneys-in-fact and agents, each acting alone, and her or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Thomas J. Barrack, Jr. **Thomas J. Barrack, Jr.**	Executive Chairman of Board of Directors and Chief Executive Officer (Principal Executive Officer)	March 2, 2020
/s/ Mark M. Hedstrom **Mark M. Hedstrom**	Chief Financial Officer (Principal Financial Officer)	March 2, 2020
/s/ Neale W. Redington **Neale W. Redington**	Chief Accounting Officer (Principal Accounting Officer)	March 2, 2020
/s/ Douglas Crocker II **Douglas Crocker II**	Director	March 2, 2020
/s/ Nancy A. Curtin **Nancy A. Curtin**	Director	March 2, 2020
/s/ Jon A. Fosheim **Jon A. Fosheim**	Director	March 2, 2020
/s/ Craig Hatkoff **Craig Hatkoff**	Director	March 2, 2020
/s/ Raymond Mikulich **Raymond Mikulich**	Director	March 2, 2020
/s/ George G.C. Parker **George G.C. Parker**	Director	March 2, 2020
/s/ Dale Anne Reiss **Dale Anne Reiss**	Director	March 2, 2020
/s/ Charles W. Schoenherr **Charles W. Schoenherr**	Director	March 2, 2020
/s/ John A. Somers **John A. Somers**	Director	March 2, 2020
/s/ John L. Steffens **John L. Steffens**	Director	March 2, 2020

Exhibit 4.50

COLONY CAPITAL INC.
DESCRIPTION OF SECURITIES REGISTERED PURSUANT TO
SECTION 12 OF THESECURITIES EXCHANGE ACT OF 1934

The *following description sets forth certain material terms and provisions of our securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This description also summarizes relevant provisions of Maryland law and certain provisions of our Articles of Amendment and Restatement (the "Charter") and our Amended and Restated Bylaws (the "Bylaws"). The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the applicable provisions of Maryland law and our Charter and Bylaws, each of which are incorporated by reference as exhibits to the Annual Report on Form 10-K of which this Exhibit 4.50 is a part. We encourage you to read the Charter, the Bylaws and the applicable provisions of Maryland law for additional information.*

General

Our Charter provides that we are authorized to issue up to 1,250,000,000 shares of stock, consisting of 949,000,000 shares of Class A common stock ("Class A common stock"), 1,000,000 shares of Class B common stock ("Class B common stock"), 50,000,000 shares of Performance common stock ("Performance common stock"), and up to 250,000,000 shares of preferred stock, of which: (i) 14,920,000 shares are classified as Series B preferred stock ("Series B preferred stock"), (ii) 10,350,000 shares are classified as Series E preferred stock ("Series E preferred stock"), (iii) 3,450,000 shares are classified Series G preferred stock ("Series G preferred stock"); (iv) 11,500,000 shares are classified as Series H preferred stock ("Series H preferred stock"); (v) 13,800,000 shares are classified as Series I preferred stock ("Series I preferred stock"); and (vi) 12,650,000 shares are classified as Series J preferred stock ("Series J preferred stock"). As of February 25, 2020, there were 486,636,319 shares of Class A common stock outstanding, 733,931 shares of Class B common stock outstanding, no shares of Performance common stock outstanding, no shares of Series B preferred stock outstanding, no shares of Series E preferred stock outstanding, 3,450,000 shares of Series G preferred stock outstanding, 11,500,000 shares of Series H preferred stock outstanding, 13,800,000 shares of Series I preferred stock outstanding and 12,600,000 shares of Series J preferred stock outstanding. As discussed below under "Series B and Series E Preferred Stock Redemption," on December 11, 2019, we announced the redemption by the Company of all of its outstanding shares of Series B preferred stock and Series E preferred stock, which redemption was completed as of January 10, 2020.

Common Stock

Voting Rights of Common Stock

Subject to the provisions of our Charter regarding the restrictions on transfer and ownership of shares of our securities and except as may otherwise be specified in the terms of any class or series of shares of common stock or Performance common stock, each outstanding share of Class A common stock entitles the holder to one vote and each outstanding share of Class B common stock entitles the holder to 36.5 votes on all matters submitted to a vote of stockholders, including the election of directors, and, except as provided with respect to any other class or series of shares of stock, the holders of such shares of Class A common stock and Class B common stock will possess the exclusive voting power and will vote as a single class. There will be no cumulative voting in the election of directors. A nominee for director shall be elected as a director only if such nominee receives the affirmative vote of a majority of the total votes cast for and against such nominee, unless there is a contested election, in which case directors shall be elected by a plurality of votes cast at a meeting. Holders of shares of Performance common stock are not entitled to vote, except that the consent of the holders of a majority of the shares of Performance common stock, voting as a separate class, is required for any amendment to our Charter that would increase or decrease the aggregate number of shares of Performance common stock, increase or decrease the par value of the shares of Performance common stock, or alter or change the powers, preferences or special rights of the Performance common stock so as to affect them adversely.

Under the Maryland General Corporation Law, as amended (the "MGCL"), a Maryland corporation generally cannot dissolve, amend its charter, merge, convert into another form of entity, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business unless declared advisable by our board of directors and approved by the affirmative vote of stockholders holding at least two-thirds of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all the votes entitled to be cast on the matter) is set forth in the corporation's charter. Our Charter provides that these actions (other than amendments to the provisions of our

Charter related to the restrictions on ownership and transfer of shares of our securities and related Charter amendments, which each require the affirmative vote of the stockholders entitled to cast not less than two-thirds of all the votes entitled to be cast on the matter) may be taken if declared advisable by our board of directors and approved by the vote of stockholders entitled to cast at least a majority of all the votes entitled to be cast on the matter. However, Maryland law permits a corporation to transfer all or substantially all of its assets without the approval of the stockholders of the corporation to one or more persons if all of the equity interests of the person or persons are owned, directly or indirectly, by the corporation.

Dividends, Liquidation and Other Rights

Subject to the preferential rights of any other class or series of stock of our company, including our preferred stock, described below, and subject to the provisions of our Charter regarding the restrictions on ownership and transfer of shares of our securities, holders of shares of common stock and Performance common stock are entitled to receive dividends on such shares of stock if, as and when authorized by our board, and declared by us out of assets or funds legally available therefor. Such holders are also entitled to share ratably in our assets legally available for distribution to our stockholders in the event of its liquidation, dissolution or winding up or any distribution of our assets after payment or establishment of reserves or other adequate provision for all debts and liabilities of our company and any class or series of stock with preferential rights related thereto, including preferred stock. Under Maryland law, stockholders generally are not liable for the corporation’s debts or obligations. If and when our board authorizes or declares a dividend or other distribution with respect to our Class A common stock, such authorization or declaration will constitute a simultaneous authorization or declaration of an equivalent dividend or other distribution with respect to each share of our Class B common stock and each share of our Performance common stock; provided, however, that dividends on shares of our Performance common stock may not exceed any dividends declared on shares of our Class A common stock at the time such dividend is made.

Holders of shares of our common stock and Performance common stock have no preference, conversion (other than as described below with respect to our Class B common stock and Performance common stock), exchange, sinking fund or redemption rights, have no preemptive rights to subscribe for any of our securities and have appraisal rights as described below. Subject to the provisions of our Charter regarding the restrictions on ownership and transfer of shares of our securities, shares of our common stock and Performance common stock will have equal dividend, liquidation and other rights.

In the event of any liquidation, dissolution or winding up of our company or any distribution of the assets of our company, each holder of common stock will be entitled to participate, together with any other class of stock not having a preference over our common stock, in the distribution of any remaining assets after payment of our debts and liabilities and distributions to holders of shares having a preference over our common stock.

Power to Reclassify Our Unissued Shares of Our Securities

Our Charter authorizes our board to classify and reclassify any unissued shares of our common stock or preferred stock into other classes or series of shares of our common stock or preferred stock and to establish the number of shares in each class or series and to set the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each such class or series. As a result, subject to any preferences on the preferred stock, our board could authorize the issuance of a new series or class of shares of preferred stock that have priority over the common stock with respect to dividends, distributions and rights upon liquidation and with other terms and conditions that could have the effect of delaying, deterring or preventing a transaction or a change in control that might involve a premium price for holders of shares of our common stock or otherwise might be in their best interest.

Power to Issue Additional Shares of Our Securities

We believe that the power of our board to issue additional authorized but unissued shares of our securities and to classify or reclassify unissued shares of our securities and thereafter to cause the issuance of such classified or reclassified shares of our securities will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise. The additional classes or series will be available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although our board does not intend to do so, it could authorize us to issue a class or series that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change in control of our company that might involve a premium price for holders of our securities or that our stockholders might not view as being in the best interest of our stockholders.

Dissenters' Rights

Our Charter establishes certain dissenters' rights in addition to those available to stockholders of a Maryland corporation with stock listed on a national securities exchange. The MGCL provides that a dissenting or objecting stockholder has the right to demand and receive payment of the fair value of the stockholder's stock from a successor corporation if: (i) the corporation consolidates or merges with another corporation; (ii) the corporation's stock is to be acquired in a share exchange; (iii) the corporation transfers all or substantially all of its assets in a transaction requiring approval of the corporation's stockholders; (iv) the corporation amends its charter in a way which alters the contract rights, as expressly set forth in the charter, of any outstanding stock and substantially adversely affects the stockholder's rights, unless the right to do so is reserved in the charter of the corporation (which right is so reserved in our Charter); (v) the transaction is subject to certain provisions of the Maryland Business Combination Act; or (vi) the corporation is being converted to another entity form.

The MGCL provides that, subject to a limited exception, a stockholder may not demand the fair value of the stockholder's stock and is bound by the terms of the transaction if, among other things, the stock is listed on a national securities exchange on the record date for determining stockholders entitled to vote on the matter. Holders of shares of our Class A and Class B common stock shall be entitled to exercise the rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the MGCL or any successor statute. In addition to the statutory rights of objecting stockholders and notwithstanding the limitations on exercising the rights of an objecting stockholder when the stock is listed on a national securities exchange, a holder of shares of our Class A common stock or Class B common stock shall have the additional right, pursuant to our Charter, to demand and receive payment of the fair value of such stockholder's shares of common stock in any merger, consolidation or statutory share exchange if the holder is required by the terms of an agreement or plan of merger, consolidation or statutory share exchange to accept for such shares anything except:

- shares of stock of the corporation surviving or resulting from such merger, consolidation, or statutory share exchange, or depository receipts in respect thereof;
- shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 holders;
- cash in lieu of fractional shares or fractional depository receipts described in the foregoing clauses; or
- any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing clauses.

Holders of shares of our Class A common stock or Class B common stock exercising the rights of an objecting stockholder provided in our Charter must comply with the requirements to properly exercise such rights set forth in Title 3, Subtitle 2 of the MGCL to the same extent as if they were exercising the rights of objecting stockholders provided for in Title 3, Subtitle 2 of the MGCL or any successor statute.

Conversion of Our Class B Common Stock

Subject to the provisions of our Charter regarding the restrictions on transfer and ownership of shares of our securities, each share of Class B common stock will convert automatically.

- into one fully paid and non-assessable share of Class A common stock, if Thomas J. Barrack, Jr., our Chief Executive Officer, Executive Chairman and a member of our board of directors, or any of his family members (or trusts for the benefit of his family members) directly or indirectly transfers beneficial ownership of Class B common stock other than among each other, for each share of Class B common stock so transferred; and
- into one fully paid and non-assessable share of Class A common stock for every 35.5 Colony OP units (as defined below) involved in such transfer or cessation if Mr. Barrack directly or indirectly transfers beneficial ownership of any membership units in our Operating Partnership, which we refer to as "Colony OP units," directly or indirectly held by him, other than to a "Qualified Transferee" (as defined below), any Qualified Transferee directly or indirectly transfers beneficial ownership of OP units directly or indirectly held by it other than to Mr. Barrack or to another Qualified Transferee, or a Qualified Transferee that beneficially owns OP units ceases at any time to continue to be a "Qualified Transferee" (including, without limitation, the failure of a Qualified Transferee that is an executive of our company to be employed by our company or as the result of a divorce or annulment).

"Qualified Transferee" means Colony Capital, LLC and Colony Capital Holdings, LLC and any member or interest holder of CCH Management Partners I, LLC, CCH Management Partners II, LLC, Colony Capital, LLC or Colony Capital Holdings, LLC for so long as any such person remains employed by our company or our affiliates, any family member or affiliate of such persons or any person controlled by any combination of one or more of such persons or their family members. None of our company, our operating partnership, or a charitable trustee to whom shares are transferred pursuant to the ownership and transfer restrictions under our Charter will be a Qualified Transferee. The purpose of this automatic conversion feature is to ensure that the holders of our Class B common stock do not at any time have votes in excess of the number of Colony OP units then held by them (or the other permitted holders described above); to the extent that a share of Class B common stock or any group of 35.5 Colony OP units is transferred or ceases to be held by a permitted holder, a share of Class B common stock will convert into one share of Class A common stock, thereafter carrying only one vote.

Each holder of Class B common stock will have the right, at the holder's option at any time and from time to time, to convert all or a portion of such holder's Class B common stock into an equal number of fully paid and nonassessable shares of Class A common stock by delivering the certificates (if any) representing the shares of Class B common stock to be converted, duly endorsed for transfer, together with a written conversion notice to the transfer agent for Class B common stock (or if there is no transfer agent, to us).

Conversion of Our Performance Common Stock

As all outstanding shares of our Performance common stock converted automatically to Class A common stock in connection with the tri-party merger (the "Merger") among Colony Capital, Inc., NorthStar Asset Management Group Inc. and NorthStar Realty Finance Corp., which closed on January 10, 2017, we have no shares of Performance common stock outstanding. We do not intend to issue any Performance common stock in the future.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC.

Listing

Our Class A common stock is listed for trading on the NYSE. It is listed under the symbol "CLNY."

Certain Provisions of Maryland Law and Our Charter and Bylaws

Our Board of Directors

Our Charter and Bylaws provide that, subject to the rights of holders of one or more classes or series of preferred stock, the number of directors of our company may be established by our board but may not be fewer than the minimum required by the MGCL (which is currently one) nor more than 15. Our Charter provides that vacancies on our board may be filled in the manner provided in our Bylaws, which provide that vacancies on our board may be filled by a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, or by the stockholders to the extent that such vacancy results from the removal of a director by the stockholders. Under Maryland law, stockholders may fill a vacancy on our board that is caused by the removal of a director. Any director elected to fill a vacancy will serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualified.

There will be no cumulative voting in the election of directors. A nominee for director shall be elected as a director if such nominee receives the affirmative vote of a majority of the total votes cast for and against such nominee at a meeting of stockholders duly called and at which a quorum is present. However, directors shall be elected by a plurality of the votes cast at a meeting of stockholders duly called and at which a quorum is present for which (i) our secretary receives notice that a stockholder has nominated an individual for election as a director in compliance with the advance notice requirements set forth in our Bylaws; and (ii) such nomination has not been withdrawn by such stockholder on or before the close of business on the 10th day before the date of filing of our definitive proxy statement with the SEC, and, as a result of which, the number of nominees is greater than the number of directors to be elected at the meeting. We adopted a resignation policy in our Corporate Governance Guidelines that requires an incumbent director who fails to receive the required vote for re-election to offer to resign from our board.

Removal of Directors

Our Charter provides that, subject to the rights of holders of one or more classes or series of preferred stock, a director may be removed from office at any time, with or without cause, by the affirmative vote of the holders of shares entitled to cast a majority of the votes entitled to be cast generally in the election of directors.

Action by Written Consent

Our Charter and Bylaws, taken together, provide that stockholders may act by unanimous written consent, or, if the action is first declared advisable by our board of directors, if authorized by the written consent of stockholders entitled to cast not less than the minimum number of votes that would be necessary to authorize the action at a meeting of stockholders.

Business Combinations

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns 10% or more of the voting power of the corporation's outstanding voting stock; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors of the corporation approved in advance the transaction by which the person otherwise would have become an interested stockholder. In approving a transaction, our board may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by our board.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation;
- and two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder

These supermajority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute provides various exemptions from its provisions, including for business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our board, through a board resolution, has exempted any business combinations between us and any person, provided that any such business combination is first approved by our board (including a majority of the directors of our company who are not affiliates or associates of such person). Consequently, the five-year prohibition and the supermajority vote requirements will not apply to business combinations between us and any interested stockholders (or their affiliates) that are first approved by our board of directors. As a result, such parties may be able to enter into business combinations with us that may not be in the best interest of the stockholders of our company, without compliance with the supermajority vote requirements and the other provisions of the statute.

The business combination statute may discourage others from trying to acquire control of our company and increase the difficulty of consummating any offer.

Control Share Acquisitions

Maryland law provides that control shares (as defined below) of a Maryland corporation acquired in a control share acquisition (as defined below) have no voting rights except to the extent approved by the affirmative vote of the holders entitled to cast two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power

Control shares do not include shares that the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval or shares acquired directly from the corporation. A control share acquisition means the acquisition of issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights of the control shares acquired in a control share acquisition are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to redeem control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or, if a meeting of stockholders is held at which the voting rights of the shares are considered and not approved, as of the date of the meeting. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply: (i) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction; or (ii) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our Bylaws contain a provision exempting us from the control share acquisition statute. This provision may be amended or eliminated at any time in the future.

Subtitle 8

Subtitle 8 permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in its charter or bylaws, to any or all of five provisions:

- a classified board;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the directors;
- a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred; and
- a majority requirement for the calling of a special meeting of stockholders.

Our Charter provides that we may not elect to be subject to any of the provisions of Subtitle 8.

Amendments to Our Charter

Subject to the rights of any shares of preferred stock outstanding from time to time and except for its provisions relating to the restrictions on ownership and transfer of shares of our securities and related Charter amendments (which each require the affirmative vote of the stockholders entitled to cast not less than two-thirds of all the votes entitled to be cast on the matter), our Charter may be amended only if declared advisable by our board and, except in limited circumstances where stockholder approval is not required by the MGCL, approved by the affirmative vote of the holders of not less than a majority of all of the votes entitled to be cast on the matter.

Amendments to Our Bylaws

Our Bylaws may be amended, altered, repealed, or rescinded by our board of directors or by stockholders by the affirmative vote of a majority of all the votes entitled to be cast in the election of directors. Any amendment of our Bylaws approved by our stockholders may not thereafter be amended by our board of directors without the affirmative vote of a majority of all the votes entitled to be cast in the election of directors.

Dissolution

The dissolution of or company must be declared advisable by our board and approved by the affirmative vote of the holders of not less than a majority of all of the votes entitled to be cast on the matter.

Special Meetings of Stockholders

The Chairman of our board, Vice Chairman of our board, our Chief Executive Officer, our President and our board may call special meetings of our stockholders. A special meeting of our stockholders to act on any matter that may properly be considered at a meeting of our stockholders must also be called by our secretary upon the written request of stockholders entitled to cast 25% of all the votes entitled to be cast on such matter at the meeting and containing the information required by our Bylaws.

Advance Notice of Director Nominations and New Business

Our Bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to our board and the proposal of business to be considered by stockholders may be made only: (i) pursuant to notice of the meeting; (ii) by or at the direction of our board; or (iii) by a stockholder of record at the time of giving notice, at the record date set by our board for the purpose of determining stockholders entitled to vote at the annual meeting and at the time of the annual meeting, who is entitled to vote at the meeting in the election of directors and who has complied with the advance notice procedures of our Bylaws. Stockholders generally must provide notice to our secretary not before the 150th day or after the 120th day before the first anniversary of the date of our proxy statement for the solicitation of proxies for the election of directors at the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the preceding year's annual meeting, in order for notice by the stockholder to be timely, such notice must be so delivered not earlier than the 150th day prior to the date of such annual meeting and not later than 5:00 p.m. (Eastern Time) on the later of the 120th day prior to the date of such annual meeting, as originally convened, or the 10th day following the day on which public announcement of the date of such meeting is first made.

With respect to special meetings of stockholders, only the business specified in the notice of the meeting may be brought before the meeting. Nominations of persons for election to the board at a special meeting may be made only: (i) by the board; or (ii) by a stockholder at a special meeting that has been called in accordance with our Bylaws for the purpose of electing directors, provided that such stockholder is a stockholder of record at the record date set by our board for the special meeting and has complied with the advance notice provisions of our Bylaws. Stockholders generally must provide notice to our secretary no earlier than the 120th day before such special meeting and no later than the later of the 90th day before the special meeting or the 10th day after public announcement of the date of the special meeting and the nominees of our board to be elected at the meeting.

Anti-Takeover Effect of Certain Provisions of Maryland Law and of Our Charter and Bylaws

The business combination provisions and the control share acquisition provisions of Maryland law (if later we decide to be bound by such provisions), the restrictions on ownership and transfer of shares of our securities and the advance notice provisions of our Bylaws could delay, defer or prevent a transaction or a change in the control of our company that might involve a premium price for holders of our common stock or otherwise be in their best interest.

Exculpation and Indemnification of Our Directors and Officers

Maryland law permits a Maryland corporation to include in its charter a provision eliminating the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from: (i) actual receipt of an improper benefit or profit in money, property or services; or (ii) active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our Charter contains such a provision which eliminates liability of our directors and officers to the maximum extent permitted by Maryland law.

Our Charter and Bylaws obligate our company, to the maximum extent permitted by Maryland law, to indemnify any present or former director or officer or any individual who, while a director of our company and at our request, serves or has served another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, trustee, member, manager, employee, partner or agent, from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in such capacity and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. Our Charter and Bylaws also require us to indemnify and advance expenses to any person who served a predecessor of our company in any of the capacities described above and any employee or agent of our company or a predecessor of our company.

Maryland law requires a corporation (unless its charter provides otherwise, which our Charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made a party to, or witness in, by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party to, or witness in, by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

A Maryland corporation may not indemnify a director or officer with respect to a proceeding by or in the right of the corporation in which the director or officer was adjudged liable to the corporation or a proceeding charging improper personal benefit to the director or officer in which the director or officer was adjudged liable on the basis that personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received. However, indemnification is limited to expenses for an adverse judgment in a suit by or in the right of the corporation, or for a judgment of liability on the basis that personal benefit was improperly received. In addition, Maryland law permits a corporation, and our Charter requires us, to advance reasonable expenses to a director or officer upon the corporation's receipt of: (i) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and (ii) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

We have entered into indemnification agreements with each of our directors and executive officers which require that we indemnify such directors and officers to the maximum extent permitted by Maryland law and that we pay such persons' expenses in defending any civil or criminal proceeding in advance of final disposition of such proceeding.

Insofar as indemnification for liabilities arising under the Securities Act may be provided to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, in the opinion of the Securities and Exchange Commission (the "SEC") such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Exclusive Forum

Our Bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that Court does not have jurisdiction, the U.S. District Court for the District of Maryland, Baltimore Division, shall be the sole and exclusive forum for: (i) any derivative action or proceeding brought on behalf of our company; (ii) any action asserting a claim of breach of any duty owed by any director or officer or other employee of our company to our company or to the stockholders of our company; (iii) any action asserting a claim against our company or any director or officer or other employee of our company arising pursuant to any provision of the MGCL or our Charter or Bylaws; or (iv) any action asserting a claim against us or any director or officer or other employee of our company that is governed by the internal affairs doctrine.

Restrictions on Ownership and Transfer

In order for us to qualify as a real estate investment trust (a "REIT") under the Internal Revenue Code (the "Code"), shares of our stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an election to be a REIT has been made) or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding shares of stock (after taking into account options to acquire shares of common stock) may be owned, directly, indirectly or through attribution, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

In order to assist us in complying with the limitations on the concentration of ownership of REIT stock imposed by the Code, our Charter generally prohibits any person (other than a person who has been granted an exception from actually or constructively owning more than 9.8% of the aggregate of the outstanding shares of our capital stock by value, or 9.8% of the aggregate of the outstanding shares of our common stock by value or by number of shares, whichever is more restrictive. However, our Charter permits exceptions to be made for stockholders provided our board of directors determines such exceptions will not jeopardize our qualification as a REIT.

Our Charter also prohibits any person from (1) beneficially or constructively owning shares of our capital stock that would result in our being "closely held" under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year), (2) transferring shares of our capital stock if such transfer would result in our being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution), (3) beneficially or constructively owning shares of our capital stock that would result in our owning (directly or indirectly) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if income derived by us (either directly or indirectly through one or more partnerships or limited liability companies) from such tenant during which such determination is being made would reasonably be expected to equal or exceed the lesser of (a) 1% of our gross income (as determined for purposes of Section 856(c) of the Code), or (b) an amount that would cause us to fail to satisfy any of the gross income requirements of Section 856(c) of the Code, and (4) beneficially or constructively owning shares of our capital stock that would cause us otherwise to fail to qualify as a REIT. Any person who acquires or attempts or intends to acquire beneficial ownership of shares of our capital stock that will or may violate any of the foregoing restrictions on transferability and ownership is required to give notice immediately to us and provide us with such other information as we may request in order to determine the effect of such transfers on our qualification as a REIT. The foregoing restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interest to attempt to qualify, or to qualify, or to continue to qualify, as a REIT. In addition, our board of directors may determine that compliance with the foregoing restrictions is no longer required for our qualification as a REIT.

Our board of directors, in its sole discretion, may exempt a person, prospectively or retroactively, from the aggregate stock ownership limit or the common stock ownership limit (together, the "ownership limits") described above. However, our board of directors may not grant an exemption to any person unless our board of directors obtains such representations, covenants and understandings as our board of directors may deem appropriate in order to determine that granting the exemption would not result in our losing our qualification as a REIT. As a condition of granting the exemption, our board of directors may require a ruling from the IRS or an opinion of counsel in either case in form and substance satisfactory to our board of directors, in its sole discretion in order to determine or ensure our qualification as a REIT.

In addition, our board of directors from time to time may increase or decrease the ownership limits. However, the ownership limits may not be increased if, after giving effect to such increase, five or fewer individuals could own or constructively own in the aggregate, more than 49.9% in value of the shares then outstanding.

If any transfer of our shares of stock occurs which, if effective, would result in any person beneficially or constructively owning shares of stock in excess, or in violation, of the above transfer or ownership limits, such person known as a prohibited owner, then that number of shares of stock, the beneficial or constructive ownership of which otherwise would cause such person to violate the transfer or ownership limitations (rounded up to the nearest whole share), will be automatically transferred to a charitable trust for the exclusive benefit of a charitable beneficiary, and the prohibited owner will not acquire any rights in such shares. This automatic transfer will be considered effective as of the close of business on the business day before the violative transfer.

If the transfer to the charitable trust would not be effective for any reason to prevent the violation of the above transfer or ownership limits, then the transfer of that number of shares of stock that otherwise would cause any person to violate the above limitations will be void. Shares of stock held in the charitable trust will continue to constitute issued and outstanding shares of our stock. The prohibited owner will not benefit economically from ownership of any shares of stock held in the charitable trust, will have no rights to dividends or other distributions and will not possess any rights to vote or other rights attributable to the shares of stock held in the charitable trust. The trustee of the charitable trust will be designated by us and must be unaffiliated with us or any prohibited owner and will have all voting rights and rights to dividends or other distributions with respect to shares of stock held in the charitable trust, and these rights will be exercised for the exclusive benefit of the trust's charitable beneficiary. Any dividend or other distribution paid before our discovery that shares of stock have been transferred to the trustee will be paid by the recipient of such dividend or distribution to the trustee upon demand, and any dividend or other distribution authorized but unpaid will be paid when due to the trustee. Any dividend or distribution so paid to the trustee will be held in trust for the trust's charitable beneficiary. Subject to Maryland law, effective as of the date that such shares of stock have been transferred to the charitable trust, the trustee, in its sole discretion, will have the authority to:

- rescind as void any vote cast by a prohibited owner prior to our discovery that such shares have been transferred to the charitable trust; and
- recast such vote in accordance with the desires of the trustee acting for the benefit of the trust's charitable beneficiary.

However, if we have already taken irreversible corporate action, then the trustee will not have the authority to rescind and recast such vote.

Within 20 days of receiving notice from us that shares of stock have been transferred to the charitable trust, and unless we buy the shares first as described below, the trustee will sell the shares of stock held in the charitable trust to a person, designated by the trustee, whose ownership of the shares will not violate the ownership limitations in our Charter. Upon the sale, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the prohibited owner and to the charitable beneficiary. The prohibited owner will receive the lesser of:

- the price paid by the prohibited owner for the shares or, if the prohibited owner did not give value for the shares in connection with the event causing the shares to be held in the charitable trust (for example, in the case of a gift or devise), the market price of the shares on the day of the event causing the shares to be held in the charitable trust; and

- the price per share received by the trustee from the sale or other disposition of the shares held in the charitable trust (less any commission and other expenses of a sale).

The trustee may reduce the amount payable to the prohibited owner by the amount of dividends and distributions paid to the prohibited owner and owed by the prohibited owner to the trustee. Any net sale proceeds in excess of the amount payable to the prohibited owner will be paid immediately to the charitable beneficiary. If, before our discovery that shares of stock have been transferred to the charitable trust, such shares are sold by a prohibited owner, then:

- such shares will be deemed to have been sold on behalf of the charitable trust; and
- to the extent that the prohibited owner received an amount for such shares that exceeds the amount that the prohibited owner was entitled to receive as described above, the excess must be paid to the trustee upon demand.

In addition, shares of stock held in the charitable trust will be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of:

- the price per share in the transaction that resulted in such transfer to the charitable trust (or, in the case of a gift or devise, the market price at the time of the gift or devise); and
- the market price on the date we, or our designee, accept such offer.

We may reduce the amount payable to the prohibited owner by the amount of dividends and distributions paid to the prohibited owner and owed by the prohibited owner to the trustee. We may pay the amount of such reduction to the trustee for the benefit of the charitable beneficiary. We will have the right to accept the offer until the trustee has sold the shares of stock held in the charitable trust. Upon such a sale to us, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the prohibited owner and any dividends or other distributions held by the trustee will be paid to the charitable beneficiary.

All certificates representing shares of our capital stock bear a legend referring to the restrictions described above.

Every owner of more than 5% (or such lower percentage as required by the Code or the regulations promulgated thereunder) in value of the outstanding shares of our capital stock within 30 days after the end of each taxable year, will be required to give written notice to us stating the name and address of such owner, the number of shares of each class and series of shares of our stock that the owner beneficially owns and a description of the manner in which the shares are held. Each owner shall provide to us such additional information as we may request in order to determine the effect, if any, of the owner’s beneficial ownership on our qualification as a REIT and to ensure compliance with the aggregate stock ownership limit. In addition, each stockholder shall upon demand be required to provide to us such information as we may request in order to determine our qualification as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

Our ownership limitations could delay, defer or prevent a transaction or a change in control of us that might involve a premium price for holders of our common stock or might otherwise be in the best interest of our stockholders.

Preferred Stock

General

Our Charter authorizes our board of directors, without the approval of our stockholders, to classify any unissued shares of preferred stock and to reclassify any previously classified but unissued shares of preferred stock of any series. Prior to the issuance of shares of any series, our board of directors is required by the MGCL and our Charter to set, subject to the provisions of our Charter regarding restrictions on transfer of our stock, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each such series, all of which are set forth in articles supplementary to our Charter adopted for that purpose by our board of directors or a duly authorized special committee thereof (or will be, with respect to future series of preferred stock). Using this authority, our board of directors could authorize the issuance of shares of preferred stock with terms and conditions that could delay, defer or prevent a transaction or a change in control that might involve a premium price for holders of our common stock or for other reasons be desired by them.

Upon issuance against full payment of the purchase price therefor, shares of preferred stock are fully paid and nonassessable. The description of preferred stock set forth below does not purport to be complete and is qualified in its entirety by reference to the articles supplementary relating to the applicable class or series of preferred stock.

Rank

Our outstanding preferred stock, with respect to dividend rights and rights upon our liquidation, dissolution or winding up, ranks:

- senior to all classes or series of our common stock, and to all our equity securities ranking junior to such preferred stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up;
- on a parity with all equity securities authorized or designated by us, the terms of which specifically provide that such equity securities rank on a parity with the preferred stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up; and
- junior to all our existing and future indebtedness and to any class or series of equity securities authorized or designated by us, the terms of which specifically provide that such equity securities rank senior to the preferred stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up.

Outstanding Preferred Stock

As February 25, 2020, we have outstanding no shares of our Series B preferred stock, no shares of our Series E preferred stock, 3,450,000 shares of our Series G preferred stock, 11,500,000 shares of our Series H preferred stock, 13,800,000 shares of our Series I preferred stock, and 12,600,000 shares of our Series J preferred stock.

Holders of our preferred stock are entitled to receive, when, as and if authorized by our board of directors, and declared by them out of assets legally available for payment, cumulative cash dividends at the applicable stated rate. The stated rate for the Series B preferred stock is 8.25% of the $25 liquidation preference per share, or $2.0625 per share, per annum; the stated rate for the Series E preferred stock is 8.75% of the $25 liquidation preference per share, or $2.1875 per share, per annum; the stated rate for the Series G preferred stock is 7.50% of the $25 liquidation preference per share, or $1.875 per share, per annum; the stated rate for the Series H preferred stock is 7.125% of the $25 liquidation preference per share, or $1.78125 per share, per annum; the stated rate for the Series I preferred stock is 7.15% of the $25 liquidation preference per share, or $1.7875 per share, per annum; and the stated rate for the Series J preferred stock is 7.125% of the $25 liquidation preference per share, or $1.78125 per share, per annum.

We may not redeem the preferred stock prior to five years from the date of the original issuance of the applicable series of preferred stock, which, for the Series B preferred stock, such five year period ended on February 7, 2012; for the Series E preferred stock, such five year period ended on May 15, 2019; for the Series G preferred stock, such five year period ended on June 19, 2019; for the Series H preferred stock, such five year period will end on April 13, 2020; for the Series I preferred stock, such five year period will end on June 5, 2022; and for the Series J preferred stock, such five year period will end on September 22, 2022, except in certain circumstances relating to the ownership limitation necessary to preserve our qualification as a REIT or pursuant to certain special optional redemption rights. On or after five years from the date of the original issuance of the applicable series of preferred stock described in this paragraph, we may, at our option, upon the notice periods set forth in the applicable Articles Supplementary creating the series of preferred stock, redeem the preferred stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus all accrued and unpaid dividends thereon to the date fixed for redemption, without interest.

Except for our Series B preferred stock, the other outstanding series of our preferred stock are subject to certain conversion and optional redemption rights upon a change of control.

The foregoing summaries of our Series B preferred stock, Series E preferred stock, Series G preferred stock and Series H preferred stock are qualified in their entirety by reference to the descriptions of those series included in our Charter, a copy of which is incorporated by reference into the Annual Report on Form 10-K of which this Exhibit 4.50 is a part. The foregoing summary of our Series I preferred stock is qualified in its entirety by reference to the description of our Series I preferred stock included in the articles supplementary designating the Series I preferred stock, a copy of which is incorporated by reference into the Annual Report on Form 10-K of which this Exhibit 4.50 is a part. The foregoing summary of our Series J preferred stock is qualified in its entirety by reference to the description of our Series J preferred stock included in the articles supplementary designating the Series J preferred stock, a copy of which is incorporated by reference into the Annual Report on Form 10-K of which this Exhibit 4.50 is a part.

Series B and Series E Preferred Stock Redemption

On December 11, 2019, we announced the redemption by the Company of all of its outstanding shares of Series B preferred stock and Series E preferred stock. The cash redemption price for each share of Series B preferred stock was $25.00, plus any accrued and unpaid dividends (whether or not declared) from November 15, 2019 up to, but not including, the redemption date of January 10, 2020 (the “Redemption Date”). The cash redemption price for each share of Series E preferred stock was $25.00, plus any accrued and unpaid dividends (whether or not declared) from November 15, 2019 up to, but not including, the Redemption Date. Dividends on the Series B preferred stock and Series E preferred stock ceased to accrue on the Redemption Date. Following redemption, the Series B preferred stock and Series E preferred stock are no longer be outstanding, and all rights of the holders of such shares terminated, except the right of the holders to receive the cash payable upon such redemption, without interest. Upon redemption, the Series B preferred stock and Series E preferred stock were delisted from trading on the New York Stock Exchange.

Transfer Agent and Registrar

The transfer agent and registrar for preferred stock is American Stock Transfer & Trust Company, LLC.

Exhibit 21.1

COLONY CAPITAL, INC.
LIST OF SIGNIFICANT SUBSIDIARIES

Subsidiary Name	State or Jurisdiction of Formation
CFI RE Holdco, LLC	Delaware
Colony Capital Advisors, LLC	Delaware
Colony Capital Investment Advisors, LLC	Delaware
Colony Capital Investment Holdco, LLC	Delaware
Colony Capital OP Subsidiary, LLC	Delaware
Colony Capital Operating Company, LLC	Delaware
HA Portfolio Holdings-T, LLC	Delaware
Healthcare GA Holdings, GP	Delaware
Healthcare GA Holdings-T, LLC	Delaware
Healthcare GA Limited Partner-T, LLC	Delaware
Healthcare GA Operating Partnership-T, LLC	Delaware
NorthStar Healthcare JV Holdings, LLC	Delaware
NorthStar Healthcare JV, LLC	Delaware
NorthStar Realty Healthcare, LLC	Delaware
NRF Holdco, LLC	Delaware
NRFC Healthcare Holding Company, LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 ASR No. 333-235886) of Colony Capital, Inc. pertaining to the registration of its class A common stock, preferred stock, depositary shares, warrants, and rights;
(2) Registration Statement (Form S-8 No. 333-215509) of Colony Capital. Inc. (formerly known as Colony NorthStar, Inc.) pertaining to the 2014 Omnibus Stock Incentive Plan; and
(3) Registration Statement (Form S-8 No. 333-197104-01) of Colony Capital. Inc. (formerly known as Colony NorthStar, Inc.) pertaining to the 2014 Omnibus Stock Incentive Plan

of our reports dated March 2, 2020 with respect to the consolidated financial statements of Colony Capital, Inc. and the effectiveness of internal control over financial reporting of Colony Capital, Inc. included in this Annual Report (Form 10-K) of Colony Capital, Inc. for the year ended December 31, 2019.

/s/ Ernst & Young LLP

Los Angeles, California
March 2, 2020

Exhibit 31.1

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

I, Thomas J. Barrack, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of Colony Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2020

/s/ Thomas J. Barrack, Jr.

Thomas J. Barrack, Jr.
Chief Executive Officer

Exhibit 31.2

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

I, Mark M. Hedstrom, certify that:

1. I have reviewed this Annual Report on Form 10-K of Colony Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2020

/s/ Mark M. Hedstrom

Mark M. Hedstrom
Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Colony Capital, Inc. (the “Company”) on Form 10-K for the year ended December 31, 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: March 2, 2020

/s/ Thomas J. Barrack, Jr.

Thomas J. Barrack, Jr.
Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C §1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Colony Capital, Inc. (the “Company”) on Form 10-K for the year ended December 31, 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: March 2, 2020

/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.